Annual Report 2009

Leadership through Innovation

Stock Code: 669

Powerful Brands / Innovative Products / Exceptional People / Operational Excellence

We believe that growth is a continuous process of re-invention. This allows us to better respond to evolving trends and to capture opportunities resulting in **Leadership through Innovation**.

Front cover: The Milwaukee® M18™ Cordless ¼” Hex Compact Impact Driver delivers a category leading 1,400 in-lbs of torque.
The Shockwave Impact Duty™ bit is engineered for extreme durability up to 10x normal life, providing exceptional drill driving performance.

POWERFUL BRANDS

Milwaukee · AEG POWERTOOLS · RYOBI · Homelite · Hoover · vax · Dirt Devil

Contents

1 Financial Highlights
2 Chairman's Statement
4 Vice Chairman's Message
6 Chief Executive Officer's Strategic Review
8 Power Equipment
18 Floor Care and Appliances
22 Board of Directors
25 Global Senior Management
26 Management's Discussion and Analysis
30 Corporate Governance Report
36 Directors' Report
45 Independent Auditor's Report
46 Consolidated Financial Statements
54 Notes to the Consolidated Financial Statements
141 Financial Summary
142 Corporate Information

2009 Highlights

- Strong net profit growth of 180.7%
- EBIT increased by 73.2%
- Execution of our Strategic Drivers improved our market position and cost
- New products drove sales
- Free cash flow remained strong

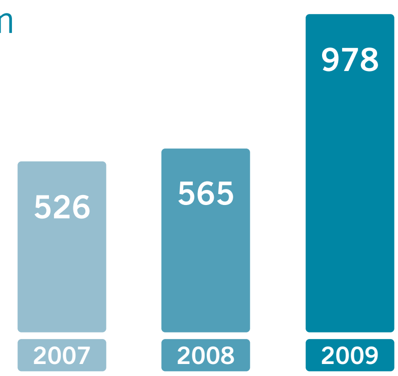
300+ New Products launched

>1/3 Sales generated from New Products

Leading the way in cordless tool
Lithium-ion Technology

20M+
batteries in the market for
a single system of interchangeable tools
Ryobi® ONE+ System®

EBIT
HK$m



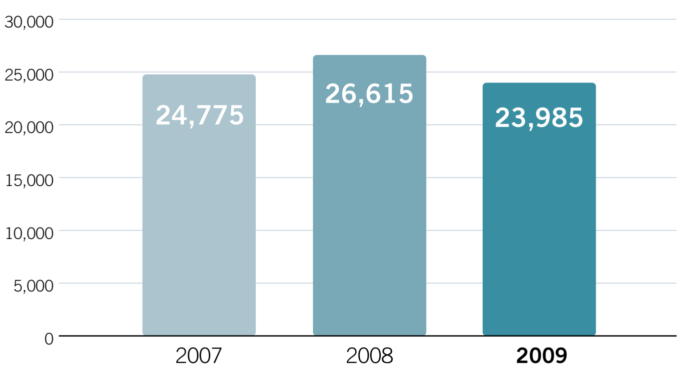
Gross margin up
+50 basis points

Earnings per Share increased significantly to
+173.8%

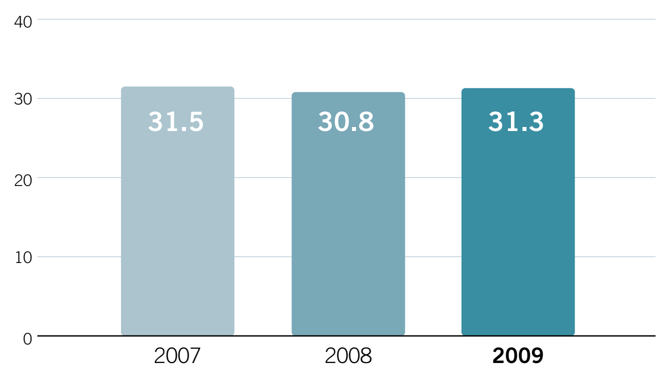
Financial Highlights

	2009 HK$m	2008 HK$m	**2009 US$m**	2008 US$m	Changes %
Sales	**23,985**	26,615	**3,075**	3,412	-9.9%
EBITDA	**1,784**	1,278	**229**	164	+39.6%
EBIT	**978**	565	**125**	72	+73.2%
Profit attributable to Owners of the Company	**491**	175	**63**	22	+180.7%
Basic earnings per share (HK/US cents)	**31.87**	11.64	**4.09**	1.49	+173.8%
Dividend per share (HK/US cents)	**7.50**	6.00	**0.96**	0.77	+25.0%

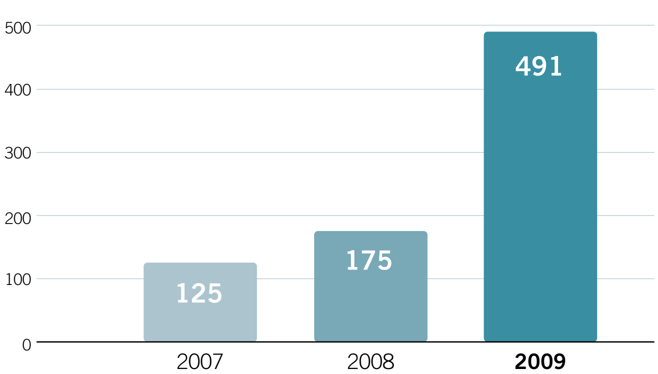
Sales
HK$m



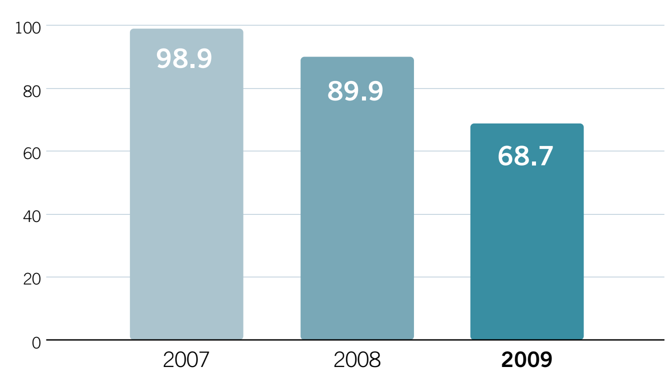
Gross Margin
%



Net Profit
HK$m



Gearing Ratio
%

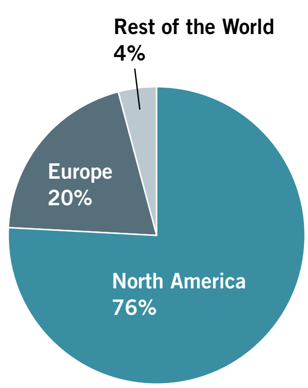


Chairman's Statement

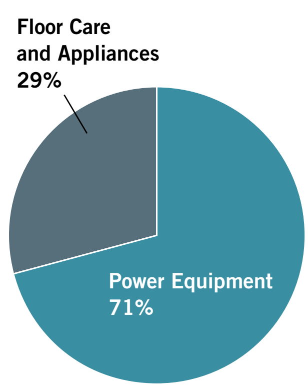
"What makes TTI unique is our commitment and passion to be number one."

Horst Julius Pudwill
Chairman

Sales by Location

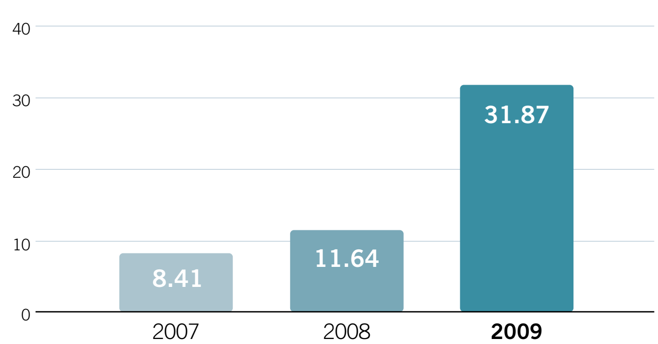


Sales by Business



Earnings per Share

HK cents



Strong profit gains from enhanced productivity

The TTI Group successfully managed the business in a challenging global economic environment as reflected by improvements in profits and market share. Our full-year profit attributable to owners of the company of HK$491 million in 2009 was an increase of 180.7% over the prior year. We believe this performance shows our fundamentals are among the strongest in our industry. Implementation of our four Strategic Drivers, combining Powerful Brands, Innovative Products, Exceptional People, and Operational Excellence, has guided us to improved value creation and marketplace dominance.

Sales were $24.0 billion for the full year, representing a 9.9% decrease from the $26.6 billion in 2008. Foreign currency translation negatively impacted sales by 1%. The Group's earnings before interest and taxes for the year increased by 73.2% to HK$978 million. This positive performance was achieved as a result of a strong second half through aggressive cost-containment initiatives, new product development programs and the timely completion of our Strategic Repositioning Plan. Earnings per share increased by 173.8% to HK31.87 cents over the prior year.

We are pleased to announce the Board is recommending a final dividend of HK4.50 cents per share. Together with the interim dividend of HK3.00 cents per share, this will give a full-year dividend of HK7.50 cents per share, against HK6.00 cents per share in 2008, an increase of 25%.

Innovation by challenging old ideas

What makes TTI unique is our commitment and passion to be number one. This is demonstrated by our Powerful Brand portfolio, which is the preferred choice for our customers, partners and end-users. In order to maintain our leadership position, TTI has become not just a manufacturer of high-quality products, but also a company dedicated to market innovation.

This demands an unrelenting commitment to our robust process that creates products which energize our Powerful Brands and deliver great value to our customers and end-users. It is through new product development that we strengthen our market position, stimulate demand and expand our core business.

Our innovation begins with a process to repeatedly challenge established concepts to exceed our customers' expectations. Thorough consumer research and analysis of buyer behavior provides us with a better understanding of their needs.

Using this knowledge to position and target each TTI brand underpins the success of our new product launches and enhances demand for the product category.

Our proven ability to systematically introduce such innovation allows us to forge ahead in the market place.

Positive outlook with momentum

TTI emerged from 2009 in an even stronger competitive position than we began.

Gross margin increased in 2009 through the success of our new product innovations, better cost base after completing a global reorganization, and the implementation of strict cost controls. Our geographic expansion is on track with Australia, Asia Pacific, Latin America, Europe and the Middle East already demonstrating gains over 2009. Local sales and marketing organizations already in place will benefit from our new product road maps, Powerful Brands, and global supply chain.

Visible demand patterns, coupled with our strong balance sheet, industry leading products and brands, best-in-class manufacturing platform and a proven management team, already gives us considerable confidence for success in 2010.

It is in times of economic turbulence that decisive leadership and Exceptional People can really make a difference and turn challenge into opportunity. I am delighted with the way our nearly 17,000 employees and associates worldwide have responded with professionalism and commitment in the past year. TTI has emerged stronger, leaner, more responsive to its customers, more profitable and better positioned for sustainable growth.

I thank my fellow directors for their continued support, advice and thoughtful approach to corporate governance and oversight. We also sincerely appreciate the continuous support of our shareholders, employees, suppliers, customers, and strategic partners.

Horst Julius Pudwill
Chairman

Vice Chairman's Message

May I congratulate at the outset, the Exceptional People, who are the heart and soul of our company.

They are a dedicated team of professionals who have defined our work ethic and corporate culture and who have given the words "teamwork" and "innovation" a whole new dimension. I cannot mention our performance as a company without citing their collective contributions to our success.

In this regard, it is imperative that we continue to nurture and enrich our pool of talent as we continue to build and move our company forward towards a secure and dynamic future.

Our Powerful Brands, Innovative Products, Exceptional People, and Operational Excellence are the main drivers of our corporate being. Never are these qualities more pivotal than now. This is because the key to success in the marketplace is no longer just being able to compete on price, but being able to control cost, and more importantly, being able to innovate and add value to products.

A new generation of environmentally friendly products are the wave of the future. Therefore, the importance of continuous learning for our staff, to ensure they are abreast of trends and ahead of the times, cannot be over-emphasized. We already have an outstanding product development team and our product development centers in different countries put us within a heartbeat of major end-users.

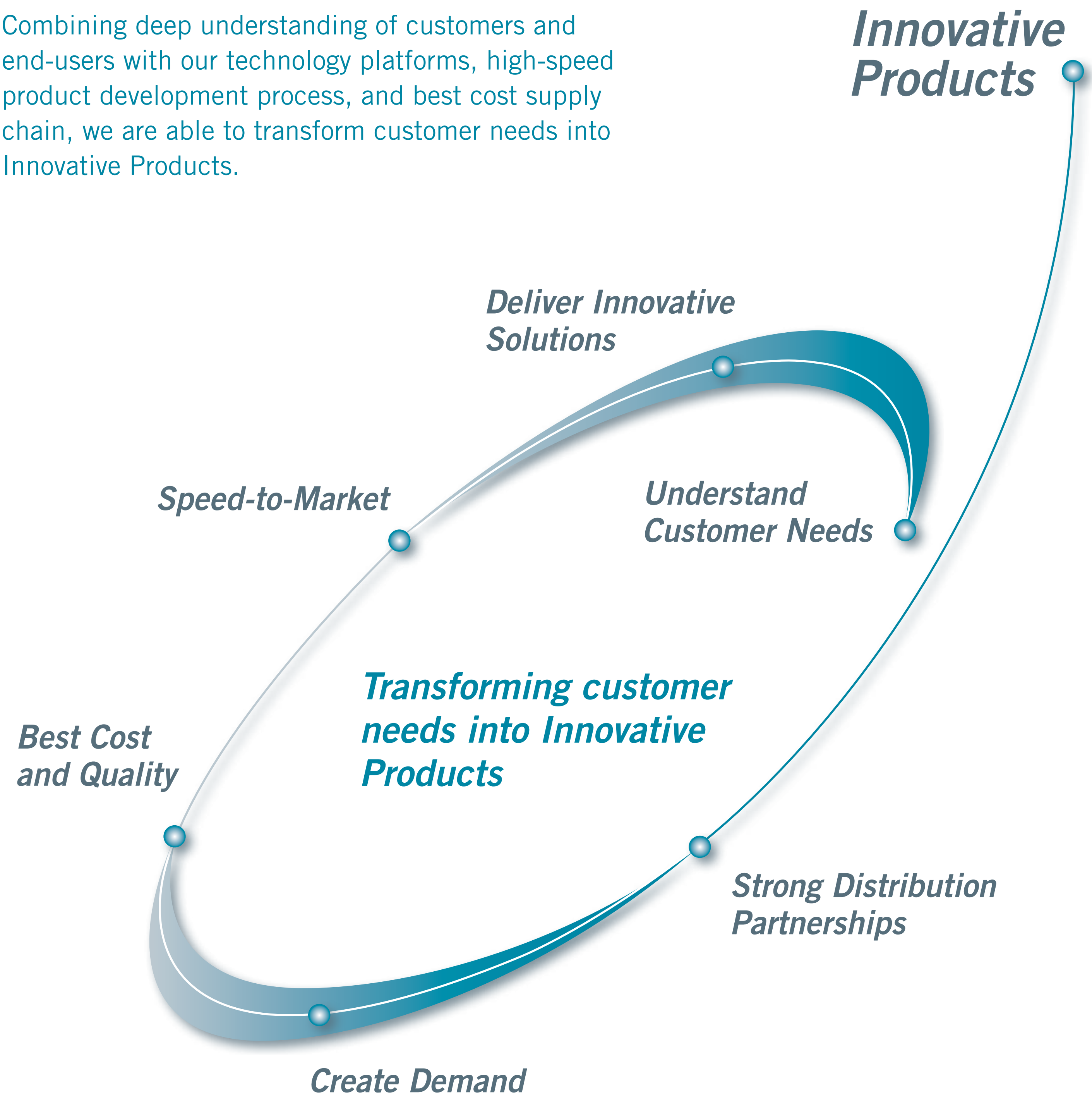
Going forward, our focus must be on continued development and production of new products and maintaining competitiveness. This will underpin our ongoing market initiatives and drive our global expansion.

We are a global company with a clear mission – to be number one in the world. In order to achieve that mission, we have to stay focused as one company and one people working towards one goal.

Finally, the TTI name has become synonymous with driving and delivering innovation and quality. I am proud of the highly experienced and reliable team who has helped to build the company's reputation and heritage with unparalleled enthusiasm and commitment.

Dr Roy Chi Ping Chung JP
Group Vice Chairman

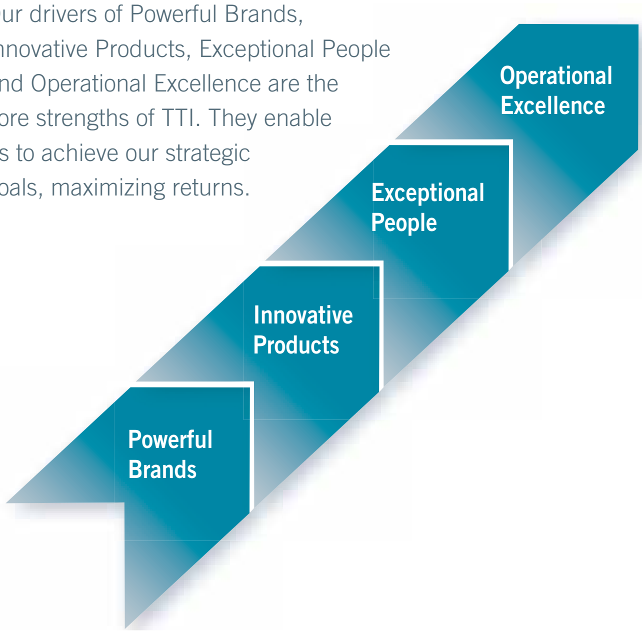
Combining deep understanding of customers and end-users with our technology platforms, high-speed product development process, and best cost supply chain, we are able to transform customer needs into Innovative Products.



Chief Executive Officer's Strategic Review

Strategic Roadmap

Our drivers of Powerful Brands, Innovative Products, Exceptional People and Operational Excellence are the core strengths of TTI. They enable us to achieve our strategic goals, maximizing returns.



In 2009, our objectives at TTI were to:

1. Outperform the market
2. Continue implementing our strategic drivers for long-term success

I am pleased to report that our team achieved these objectives. Not only did we outperform the markets we serve worldwide by capturing significant market share in a tough environment, we also made great strides in implementing our Strategic Drivers. We invested in brand building, R&D, and in upgrading our manufacturing facilities and personnel to enable TTI to enter 2010 with strong momentum and in an enviable position.

Some highlights of our progress in 2009 include:

Powerful Brands

We strengthened our portfolio of powerful brands in 2009 with a focused marketing approach. We implemented aggressive in-store merchandising and demos, web-based marketing and advertising, which drove awareness and end-user preference for TTI brands. We revitalized the iconic Hoover® brand and re-invigorated the highly respected AEG® brand. There is a groundswell of momentum for the Ryobi®, Homelite®, AEG®, Milwaukee®, Hoover®, Dirt Devil® and Vax® brands that will help sustain our growth.

Innovative Products

To fuel our brands and profitably grow our business, we continue to introduce a stream of innovative new products with demonstrable advantages. We have developed a high-speed product development process, enabling us to respond faster to customer requests and emerging opportunities, giving us a vigorous competitive advantage. Our product development is focused on three fundamentals: building complete product families around technology platforms, entering new businesses with product innovations and providing accessories to support these product families.

Platforms: We are continuously expanding a group of exciting technology platforms. We have enhanced the Ryobi® One+ System® cordless platform with lithium-ion technology into many new categories, including One+ System® tile saws, One+ System® paint sprayers, and One+ System® outdoor products. Our comprehensive Ryobi® One+ System® range caters to the jobsite needs of consumers and tradesmen. We have energetically expanded the families of the Milwaukee® M12™ and M18™ lithium-ion cordless platforms. Other important technology platforms are the recently introduced JobMax®, a 12-Volt lithium-ion cordless tool platform with interchangeable heads; Ryobi® 4-cycle engine platform of outdoor power equipment, which has great promise; and the new WindTunnel® T Series™, already a hot selling platform in the Hoover® line. We will continue to build on our platforms in the years ahead.

New Businesses: We target new start-up businesses as opposed to introducing low-impact line extensions. We have a series of promising new businesses, including tile saws, paint sprayers, TEK4™ lithium-ion 4-volt cordless tools, generators, test and measurement instruments, hand tools and shredders. These new businesses allow TTI to grow beyond our traditional core and sustain future growth.

Accessories: We continue to launch a growing line of accessories to support our products and brands. These accessories represent an exciting and high-margin annuity stream of business for our retail partners and for TTI.

Exceptional People

We have an outstanding management team led by world-class executives. Each of our business units has worked hard to develop and strengthen their organization. To achieve our geographic expansion goals, we have enhanced our management team in high-potential regions, including Europe, the Middle East, Latin America, Canada, Australia and Asia Pacific.

We continue to deploy our Leadership Development Program (LDP) to develop our pool of talent for the future. The LDP initiative is successfully feeding talent into key positions throughout the company.

Operational Excellence

In 2009 we moved the bulk of our manufacturing operations to our new manufacturing complex in Dongguan, China. We are using this state-of-the-art facility as a catalyst to drive productivity improvements in the manufacturing of all our product lines. The new site enables us to achieve our growth goals while maintaining the world-class supply and service levels that our customers demand. Additionally, we have made substantial progress in our floor care manufacturing operations in El Paso, Texas (USA) and Juarez (Mexico).

As we look back on 2009, it is clear that TTI made sweeping progress in implementing our Strategic Drivers, preparing us for long-term success.

I would like to thank our Chairman, Horst Pudwill, for his vision, creativity and mentorship. Horst is an energizing catalyst and an oasis of new ideas. I feel fortunate to be able to work closely with Horst as we lead our company in the years to come.

In closing, I want to say thank you to all our people in the TTI organization. In the most challenging of times, the TTI team did an excellent job in 2009 while setting the stage for an exciting future.

Joseph Galli Jr
Chief Executive Officer

Industrial Power Tools and Accessories

Nothing but Heavy Duty.®
It means an obsessive commitment to our core users who swear by our products every day.

It means total focus on the needs of our core customers – and driving solid partnerships for future growth.

It means a commitment to our core beliefs and a true passion to design and build the best power tools and accessories in the world.

THE M18™ LITHIUM-ION CORDLESS SYSTEM delivers more torque, more power, and longer run-time than the competition.

The M12™ LITHIUM-ION CORDLESS SYSTEM delivers tool belt portability and best-in-class performance and durability.

Electrical

Plumbing

HVAC

Automotive

HACKZALL® M18™ CORDLESS ONE-HANDED RECIP SAW

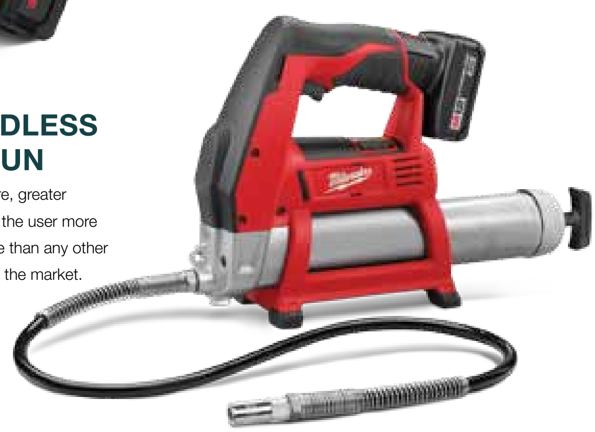
Features a compact, one-handed design for superior control and versatility.

M12™ CORDLESS NO-HUB DRIVER

With specific torque settings for 60 and 80 in-lbs, this tool is specifically designed to quickly install no-hub couplings with accuracy and repeatability.

M12™ CORDLESS GREASE GUN

Delivers higher pressure, greater productivity, and gives the user more versatility on the jobsite than any other cordless grease gun in the market.



M18™ CORDLESS 3/4" HIGH TORQUE IMPACT WRENCH

Built with a Milwaukee® 4-pole motor and a powerful impact mechanism, it delivers world-class 525 ft-lbs of torque in a compact size.

ACCESSORIES

Milwaukee® offers a broad line of heavy duty drilling, fastening, cutting, and material removal accessories to meet the ever-changing demands found on the professional job site.

AEG POWERTOOLS

Professional Power Tools and Accessories

Since being founded, AEG® POWERTOOLS has been leading the way in new product development. By introducing the first transportable drilling machines in 1898, portable power tools were born. Over 100 years later, AEG® POWERTOOLS is committed to offering today's professional user a wide range of innovative, powerful products that are capable of performing even in the toughest conditions.

LITHIUM ION POWER

CORDLESS

AEG® POWERTOOLS offer a total cordless system covering premium, compact and subcompact products and in 2010 will launch the Tradesman range combining high performance with outstanding value.

METALWORKING

AEG® POWERTOOLS' proud heritage and reputation in metalworking equipment is reflected in the extensive range of grinders in a wide variety of power classes.

SMT355

355mm chopsaw with powerful 2300walt motor and large cutting capacities

WS 6-125

The workhorse of the AEG® metalworking range, high-performance and durability in a compact size.

AVS

WS 21-230 GVX

Epoxy-coated motor windings and sealed bearings ensure superb durability.

WOODWORKING

AEG® POWERTOOLS woodworking range offers a comprehensive selection of high performance machines to take on the most varied professional applications.

2050E

Powerful 2050 watt router with electronic speed control for heavy duty cutting.

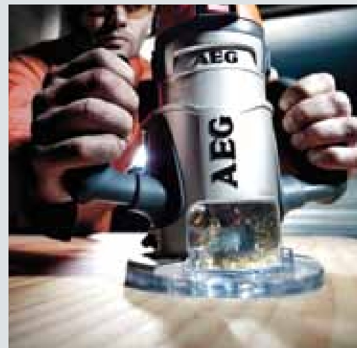
ST 800 EX

FIXTEC blade change revolutionized accessory changing on jigsaws, such as the ST 800 EX.

Cordless

Metalworking

Woodworking



Hammers & Drilling

KH 28 Super XE

Class leading performance from this powerful SDS plus inline hammer with 1010 watt motor.

HAMMERS

A full range of high performance hammers engineered for outstanding reliability and durability and designed for optimised comfort and ease of use. Innovative AEG® patented solutions such as FIXTEC and AVS Anti Vibration System guarantee best professional results.

AVS

AVS – Significantly reduces vibration by up to 50%.

FIX TEC

FIXTEC – For changing accessories in seconds.

KH 5 E

SDS Max chipping hammer with a powerful 1200 watt motor.

BH 26 LXE

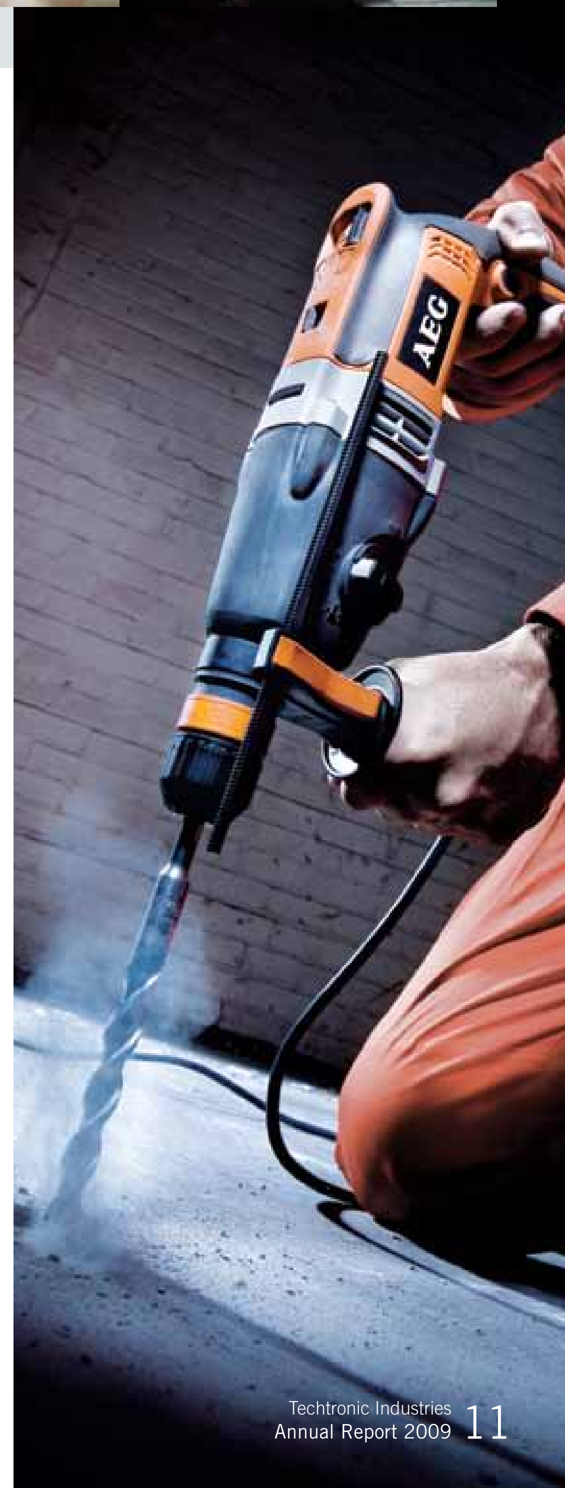
L-shape SDS plus hammer - high power, compact size

KH 24 XE

Compact and powerful SDS plus combination hammer with FIXTEC.

PN 11 E

SDS Max hammer with 1700 watt motor and 27 joules of impact energy for large diameter drilling and heavy demolition applications.



Consumer and Trade Power Tools and Accessories

Pro Features. Affordable Prices. RYOBI® tools have select features customers expect to find on more expensive professional tools. The blend of these professional features with value pricing makes RYOBI® the perfect choice for Do-it-Yourselfers and cost-conscious pros.

CORDLESS

Ryobi® power tools have the right platforms to meet customer needs, allowing customers to build and expand upon their system as their projects change.

The Ryobi® ONE+ System® lets you buy 18V cordless tools, batteries, chargers individually, in any combination you choose.

The Ryobi® Auto-Hammer's compact and ergonomic right angle design is perfect for driving nails in tight spaces. It quickly eliminates the need of manual hammering with a unique automatic hammer action.

The new rechargeable 4V lithium-ion battery technology powers all TEK4™ tools for maximum run time, durability and performance in the palm of your hand.

The new Ryobi® Lithium-ion 18V Compact Drill Kit. 15% more compact and 20% lighter weight, this drill gets the job done while reducing user fatigue. The 18V batteries compact size allows use in tight areas, and it offers 20% more performance than NiCd batteries.

Consumer and Do-it-Yourselfers

Trade and Jobsite

Home Projects

MITER SAW WITH LASER

The new Ryobi® 10" Sliding Compound Miter saw with Exactline® Laser Technology, and 9 positive miter stops, will have you cutting wood like the pros.

CORDLESS PAINT SPRAYER

The Ryobi® Power Paint Sprayer Kit is the first cordless paint sprayer on the market. This sprayer is powered by an 18V lithium-ion battery (part of the Ryobi® ONE+ System® and interchangeable with all Ryobi® ONE+ System® products).

ACCESSORIES

Performance and innovation make Ryobi® accessories the perfect compliment to all power tools and DIY projects.

TILE SAW

Innovation is prominent in the new line of Ryobi® tile saws. This powerful yet light saw is easily transportable to the worksite using the built-in mobile stand, allowing set-up in minutes. The integrated Pumpless Flow System is designed to keep fresh water on the cutting wheel resulting in trouble-free, clean, straight cuts.

RYOBI

Outdoor Products and Accessories

Innovative tools designed to deliver best-in-class performance, versatility, and user comfort. Ryobi® Outdoor Products are the perfect choice for any Homeowner who demands more from their tools.

Cordless

Electric

Gas

Lithium 18V

The latest members to the Ryobi® ONE+ System® family, Ryobi® Lithium-ion 18V outdoor products deliver best-in-class performance and the power to finish.

18v ONE+ SYSTEM

GAS MOWERS

Ryobi® gas lawn mowers deliver value, performance, and reliability.

48V MOWER

This cordless mower is self-propelled, has single height adjustment, a steel deck, and plenty of run time to maintain your lawn.

PRESSURE WASHERS

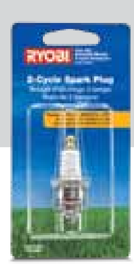
This Ryobi® pressure washer features a robust metal frame that won't tip over and a patented dual flow wand for deeper cleaning and faster rinsing.

4-CYCLE TRIMMERS

Ryobi® 4-Cycle trimmers feature a patented light weight, low noise engine design, plus no more mixing of gas and oil.

4-CYCLE BLOWER

This blower is the latest addition to the innovative line of Ryobi® 4-Cycle outdoor tools, featuring the convenience of no gas/oil mix.



EXPAND-IT® ATTACHMENTS AND ACCESSORIES

Whether you're looking to build a custom lawn care system or just maintain your equipment, Ryobi® accessories keep you going.

Homelite® Outdoor Products and Accessories

Simple, dependable tools designed for reliable performance at the most competitive price. Homelite® Outdoor Products are value-driven, ideal for the homeowner who wants to spend less without sacrificing performance.

EXTENDED REACH HEDGE TRIMMER

This electric hedge trimmer provides 40% greater reach and a pivoting head for comfortable trimming at all angles.

TRIMMER/EDGER

With a three-position pivoting head, tool-free height adjustment, and more power than the competition, this Homelite® electric trimmer/edger is comfortable and powerful.

BLOWER/VAC

This electric powerful blower/vac has 220 MPH of clearing power and easily converts to a vacuum to finish the job.

2-CYCLE CHAINSAWS

Homelite® gas-powered chain saws deliver results and saves time. Every saw in our line up features vibration isolation, tool-less chain tensioning, and an automatic oiler.

2-CYCLE BLOWER

This Homelite® 2-cycle gas blower is light on weight and big on power. The patented design sends the engine exhaust down the blower tube delivering less noise.

Electric

Gas

2-CYCLE TRIMMERS

Homelite®'s new 2-cycle gas trimmers feature a clutched engine design for easier starting and an easy loading trimmer head for convenience.

GAS PRESSURE WASHERS

When it comes to around-the-home cleaning jobs, Homelite® gas pressure washers are just what you need. No frills, just performance.

3-N-1 PRESSURE WASHER

This Homelite® gas pressure washer is the easiest way to clean large surfaces. With a built-in surface cleaner, you can clean in 30 minutes instead of 2 hours.

GENERATORS

Homelite® gas generators deliver reliable performance for recreational and emergency use.

ACCESSORIES

While lifestyles and home furnishings have changed over the years, one thing remains the same: Hoover® gets homes and offices truly clean so users can get back to their other parts of life. With innovative technologies and designs, Hoover® combines convenience and superior performance for users looking for high-quality cleaning.

The new Hoover® FloorMate™ Hard Floor Cleaner with SpinScrub® technology is the ultimate 3-in-1 cleaner that vacuums, washes and dries hard floors.

Multi-Floor Detergent

Wood Oil Soap

Tile & Grout Detergent

Tile & Grout Spray

Wipeout Eraser Sponge

Hard Floor Cleaners

Carpet Washers

Vacuums

WINDTUNNEL
T SERIES

The Hoover® WindTunnel® T-Series™ of upright bagless machines combines light weight design and simplicity of use with superior performance without a premium price.

LIGHT WEIGHT BAGGED UPRIGHT

The Hoover® light weight bagged upright removes more dirt* to achieve cleaner results with less effort.

LiNX™
CORDLESS

18V CORDLESS STICK VAC

Hoover® Stick Vac is the world's first Stick Vac to utilize the WindTunnel® technology and lithium-ion power, creating a powerful Stick Vac with the ease and convenience of cordless.

* From carpet than other models tested, per ASTM F608.

DIRT DEVIL® NORTH AMERICA

Dirt Devil® North America range is for users looking for value and convenience yet innovative home cleaning solutions. The brand is a leader in range of offerings with products in all major categories: Hand Vac, Stick Vac, Upright, Canister and Steam cleaning.

THE DIRT DEVIL® RED!

Dirt Devil® has continued to build upon its recognized RED brand equity by launching a series of new carpet cleaning vacuums with desirable features such as "No touch" dirt disposal, "Extended Cleaning Reach" and "No Loss of Suction".

Hand-held

Quick-Vac

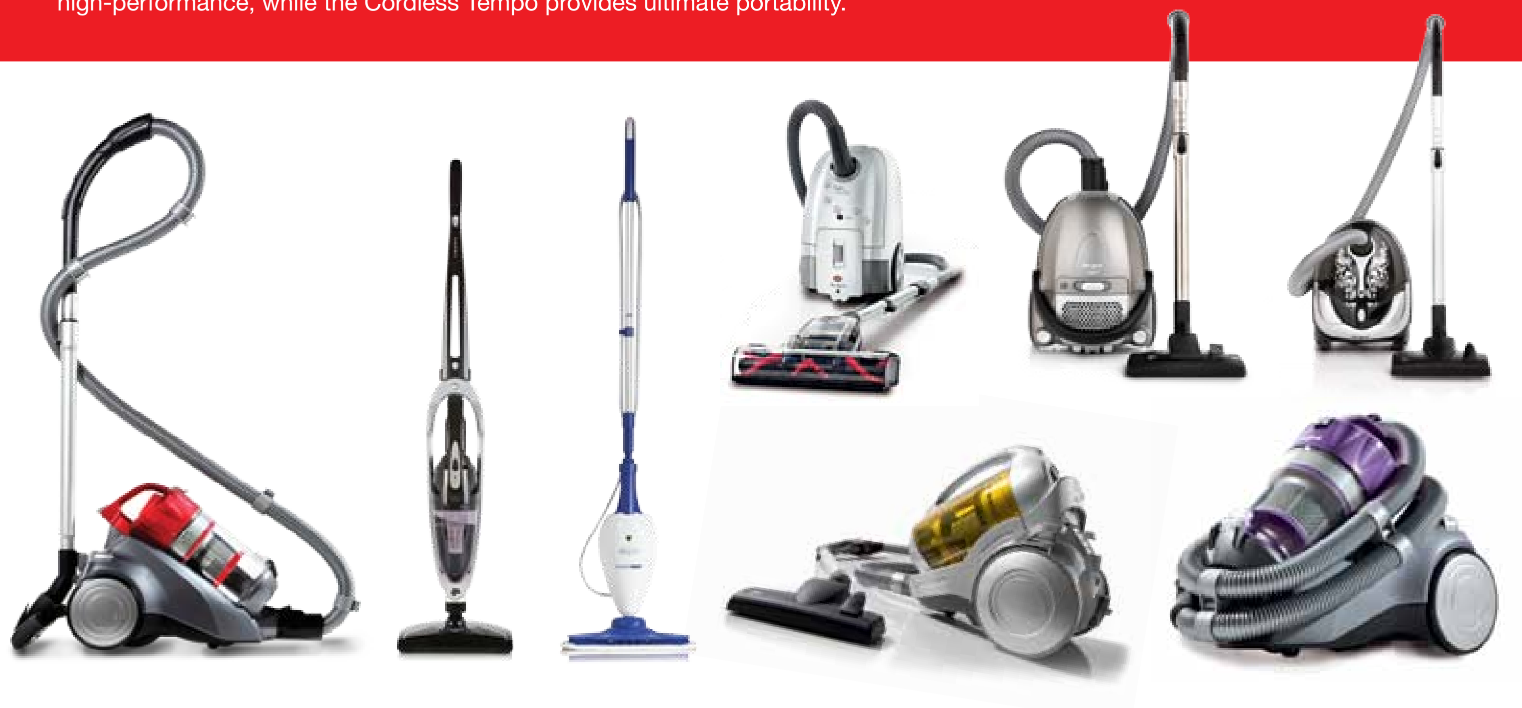
Steam

GATOR SERIES

The versatility of a built-in crevice tool and a detachable power brushroll! The Gator series hand vacs feature a flip open dirt cup for easy emptying. Dump the dirt without getting your hands messy.

DIRT DEVIL® EUROPE

The Dirt Devil® European range provides solutions for all end-user needs. Dirt-Devil®'s Infinity series bag-less multi-cyclone-technology provides a "no-loss suction" for the ulimate deep clean. The Energy-Saving range features high-performance green technology. The Fello & Friend bagged range provides ultimate pet hair removal from all surfaces, and Steam Cleaners handle hard floors with no liquid solutions. The Design Collection features trendy design and high-performance, while the Cordless Tempo provides ultimate portability.



we clean

Vax® is the UK's number one floor care brand and has the largest range of products, offering the consumer more choices and clear benefits. Focused on targeting the premium end of the market, Vax® offers the latest technologies and market leading specifications at prices that represent great value.

VAX® MACH

The Mach range of vacuum cleaners offers powerful multi-cyclonic suction, so they clean as good as the first time, every time.

Dual V®

The Dual V® heated carpet washer has unique SpinScrub® brushes and Dual V® suction technology which clean deeper into carpet pile.

VAX® POWER

The Power range of vacuum cleaners offer high air watts and provide powerful, effective cleaning performance.

Board of Directors

Group Executive Directors

Horst Julius Pudwill MSc *Chairman*

Mr Horst Julius Pudwill, aged 65, a founding partner of TTI, has been the joint Chairman and Chief Executive Officer from 1985 until early 2008, following which Mr Pudwill retired as Chief Executive Officer but remains in office as Chairman of the Group. As Chairman, Mr Pudwill focuses on the strategic planning and development of the Group and continues to have oversight of the operations with the Chief Executive Officer reporting directly to him. Mr Pudwill is also a director of Sunning Inc. which has interest in the shares of the Company.

Mr Pudwill holds a Master's Degree in Engineering and a General Commercial Degree. He has extensive experience in international business. Mr Pudwill is the father of Mr Stephan Horst Pudwill.

Dr Roy Chi Ping Chung JP *Vice Chairman*

Dr Roy Chi Ping Chung JP, aged 57, is a co-founder of TTI. Dr Chung, previously the Group Managing Director since 1985, has been appointed as the Group Vice Chairman and Executive Director of the Company on April 18, 2007 and he is responsible for the corporate and business management of the Group.

Dr Chung holds a Master of Science Degree in Engineering Business Management from the University of Warwick, United Kingdom. He was awarded an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was further awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007. He was also appointed as Justice of Peace by the Hong Kong SAR Government effective on July 1, 2005 and won the Hong Kong Young Industrialists Award in 1997.

Dr Chung is an active member of many social committees and associations. He is also highly dedicated to the advancement of the industry. He is currently the Vice-Chairman of the Federation of Hong Kong Industries, the Chairman of Hong Kong Q-Mark Council, a member on Innovation and Technology Steering Committee of the Innovation & Technology Commission, HKSAR, the Vice-Chairman of The Hong Kong Standards & Testing Centre Limited and the Director of The Hong Kong Safety Institute Limited. He is the Court Chairman of the Hong Kong Polytechnic University, a Council Member of University of Warwick, United Kingdom, the Vice-Chairman of Vocational Training Council, the Executive Committee Chairman of the Outward Bound Trust of Hong Kong Limited, the Executive Committee Chairman of the Boys' and Girls' Club Association of Hong Kong, and also a Member of Board of Directors of the Hong Kong Paediatric Foundation. He is the Founder of the Bright Future Charitable Foundation. Dr Chung is also an Independent Non-executive Director of Kin Yat Holdings Limited.

Joseph Galli Jr BSBA, MBA *Chief Executive Officer*

Mr Joseph Galli, Jr, aged 52, joined the Group in 2006 as the Chief Executive Officer of Techtronic Appliances and was appointed as Chief Executive Officer and Executive Director of TTI effective February 1, 2008. He is responsible for integrating acquisitions in North America and Europe, and enhancing the global sales potential of the Group's strong brand portfolio. He is also responsible for leading the management team in the Group's daily operation.

Mr Galli joined Black & Decker in 1980 where he worked for over 19 years and held various high level management positions, rising to the position of President of Worldwide Power Tools and Accessories. During his tenure at Black & Decker, he was responsible for the highly successful launch of the "DeWalt®" Brand heavy duty power tools in 1992. After leaving Black & Decker, Mr Galli joined Amazon.com where he was President and Chief Operating Officer from 1999 to 2000. From 2001 to 2005, he was a Director and Chief Executive Officer of Newell Rubbermaid Inc.

Mr Galli graduated from the University of North Carolina in 1980 with a Bachelor of Science in Business Administration. In 1987, he obtained an MBA from Loyola College in Baltimore, Maryland.

Patrick Kin Wah Chan FCCA, FCPA, *Operations Director*
Mr Patrick Kin Wah Chan, aged 50, joined the Group in 1988 and was appointed as Executive Director in 1990. He is now in charge of the manufacturing operations of the Group.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Frank Chi Chung Chan ACA, FCCA, FCPA, CPA (Practising)
Group Chief Financial Officer
Mr Frank Chi Chung Chan, aged 56, joined the Group in 1991 and was appointed as Executive Director in 1992. He is now responsible for corporate affairs and financial management of the Group.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England & Wales, an associate of the Taxation Institute of Hong Kong and qualified to practise as a Certified Public Accountant in Hong Kong.

He is currently an Independent Non-executive Director of Gold Peak Industries (Holdings) Limited, and an Independent Director of Tsit Wing International Holdings Limited, companies listed on the stock exchanges of Hong Kong and Singapore respectively.

Stephan Horst Pudwill *President of Strategic Planning*
Mr Stephan Horst Pudwill, aged 33, joined the Group in 2004 and was appointed as Executive Director in 2006. He is mainly responsible for managing, improving and monitoring internal operations and identifying synergistic business opportunities within the Group.

Prior to joining the Group, Mr Pudwill held managerial positions at Daimler Chrysler AG that included product marketing and strategic planning for the Mercedes-Benz car group.

Mr Pudwill holds a Bachelor of Arts Degree from the University of British Columbia and is Mr Horst Julius Pudwill's son.

Non-executive Director

Vincent Ting Kau Cheung
Mr Cheung, aged 68, was appointed as a Director in 1991. He is a Non-executive Director of Gold Peak Industries (Holdings) Limited, listed on The Stock Exchange of Hong Kong Limited.

Mr Cheung is a graduate in law from University College London and has been a practising solicitor since 1970. He is qualified to practice law in Hong Kong and the UK and he is now a Consultant of Vincent T. K. Cheung, Yap & Co. He is also a Fellow of University College London and a Commandeur de l'Ordre du Mérite Agricole from France.

Independent Non-executive Directors

Christopher Patrick Langley OBE
Mr Christopher Patrick Langley, aged 65, was appointed as an Independent Non-executive Director in May 2001. He was formerly an Executive Director of The Hongkong and Shanghai Banking Corporation Ltd. Mr Langley maintains close ties with the business community in Hong Kong. He is currently an Independent Non-executive Director of Winsor Properties Holdings Limited and Dickson Concepts (International) Limited, both listed on the stock exchange of Hong Kong, and a Non-executive Director of Lei Shing Hong Limited which has been delisted from the stock exchange of Hong Kong on 17 March 2008.

Joel Arthur Schleicher CPA, BSB
Mr Joel Arthur Schleicher, aged 58, was appointed as an Independent Non-executive Director in 1998. He has 28 years of management experience in the manufacturing and technology/telecom services sectors.

Mr Schleicher is the Founder, Chairman and CEO of Presidio, Inc., one of the largest professional and managed services companies in North America, at the forefront of Virtualization/Data Center; Collaboration and other advanced IT infrastructure solutions. Since 1989, he has worked with private equity firms as a consultant, advisor, board member and held portfolio management roles including as Chairman and CEO for Interpath Communications, Inc,; CEO of Expanets, Inc. and President and COO for Nextel Communications, Inc. In the past, he has served on the board of directors of various North American domestic and international companies – both public and private.

Manfred Kuhlmann

Mr Manfred Kuhlmann, aged 65, was appointed as an Independent Non-executive Director in 2004. He was General Manager of Dresdner Bank AG Hong Kong Branch between 1994 and 1998 and General Manager of Dresdner Bank AG Dubai before he retired in August 2004. Mr Kuhlmann is a graduate of the Banking Academy, Hamburg and has extensive experience in the finance and banking industry. Since 2005 he serves as "Hamburg Ambassador" in the UAE, to support the economic ties between Hamburg, Germany and the UAE. Since July 2009 Mr Kuhlmann is a Non-executive Director and member of the Board of Avicenna Pharma Development FZLLC in Dubai.

Peter David Sullivan BS

Mr Peter David Sullivan, aged 62, was appointed as Independent Non-executive Director effective February 1, 2008. He was an Executive Director and Chief Executive Officer of Standard Chartered Bank (Hong Kong) Limited. Mr Sullivan held governance responsibility for franchises of the Standard Chartered Group in Japan, Australia, the Philippines and Bohai Bank in Tianjin, China. He also held a number of other major appointments, including as the Chairman of the Hong Kong Association of Banks and the British Chamber of Commerce.

Mr Sullivan is currently an Independent Non-executive Director of SmarTone Telecommunications Holdings Limited, a company listed on the stock exchange of Hong Kong, and the Chairman and Non-executive director of Cenkos Securities plc, a company listed on AIM (a market operated by the London Stock Exchange). He is also a Non-executive director of JPMorgan Indian Investment Trust plc. that is listed on the London Stock Exchange, and of AXA Asia Pacific Holdings Limited that is listed on the Australian and New Zealand stock exchanges.

Mr Sullivan holds a Bachelor of Science Degree from the University of New South Wales.

Global Senior Management

TTI Corporate

David Butts
Group Executive Vice President
& President, Asia Pacific

Clarence Chan
Group Controller

Matt DeFeo
Vice President,
Leadership Development

Sean Dougherty
Deputy Group Chief Financial Officer

Scott Hetherington
Vice President, Corporate Tax

Michael Konick
Vice President,
Group Head of Internal Audit

Dyann L. Kostello
Vice-President and General Counsel

EMEA Corporate

Alexandre Duarte
President,
TTI EMEA

Philippe Buisson
Chief Financial Officer,
TTI EMEA

Power Equipment

North & South America

Craig Baxter
President,
TTI Canada

Mike Farrah
President,
TTI Power Tools

Steven P. Richman
President,
Milwaukee Tools

Lee Sowell
President,
TTI Outdoor Products

Rodrigo Villanueva
President,
TTI Latin America

Asia

Hermann Holst
Managing Director,
South Asian Pacific Co. Ltd.

Hughes Sanoner
President & Chief Executive Officer,
Solar Wide Industrial Ltd.

Australasia

Mike Brendle
Managing Director,
TTI Australia & New Zealand

Europe

Markus Dreps
Managing Director,
DreBo Werkzeugfabrik GmbH

Floor Care and Appliances

North America

Chris Gurreri
President,
TTI Floor Care

Europe

Simon Lawson
Managing Director,
Vax Ltd.

Ralf Lindner
Managing Director & Chief Executive Officer,
Royal Appliance International GmbH

Management's Discussion and Analysis

Financial Results

Result Analysis

The Group's turnover for the year amounted to HK$24.0 billion, 9.9% lower than the HK$26.6 billion reported in 2008. Profit attributable to Owners of the Company amounted to HK$491 million as compared to HK$175 million reported in 2008. Basic earnings per share for the year improved to HK31.87 cents as compared to HK11.64 cents in 2008.

EBITDA amounted to HK$1.8 billion, an increase of 39.6% as compared to HK$1.3 billion reported in 2008.

Gross Margin

Gross margin improved to 31.3% as compared to 30.8% reported last year. The margin gain was the result of our Strategic Driver of Operational Excellence encompassing cost reduction programs in product value re-engineering, lean manufacturing initiatives, and purchasing efforts to benefit from lower raw material prices. The launch of higher-value new products also contributed to the gross margin gain.

Operating Expenses

Total operating expenses for the year amounted to HK$6.6 billion as compared to HK$6.9 billion reported in 2008. As part of our Operational Excellence Strategic Driver to deliver best cost, we reduced non-strategic SG&A in 2009 which allowed us to offset higher promotional expenditure for new product introductions and R&D. Our global platform approach is improving product development process efficiency and R&D productivity as we managed R&D expense at 2.1% of turnover (2008: 1.7%).

The Group will continue to invest in the design and development of high quality, innovative products and marketing concepts as it believes this is critical to maintaining long-term growth momentum. This has been best demonstrated by the fact that despite manufacturing costs increasing, gross margin of the Group continues to improve.

Net interest expenses for the year amounted to HK$550 million as compared to HK$430 million reported in 2008, an increase of 27.9%. The increase was mainly due to the Group having issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principal amount of US$150,000,000 during the year. Interest coverage, expressed as a multiple of EBITDA to total interest was 3.2 times (2008: 2.8 times).

During the year, there were tax credits of HK$71 million which translated to an effective tax rate of -14.6%. The Group will leverage its global operations to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to HK$8.1 billion as compared to HK$6.8 billion in 2008. Book value per share was at HK$5.08 as compared to HK$4.56 as reported last year.

Financial Position

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivable which is without recourse in nature) to equity attributable to equity holders, was at 68.7% as compared to 89.9% last year. The Group remains confident that gearing will improve further after the successful implementation of the Strategic Repositioning Plan and initiatives to deliver focused and stringent working capital management.

During the year, 90,000,000 ordinary shares were placed at the price of HK$6.73 per share through a share placement arrangement ("Share Placement") with a view to enhance the capital base of the Company. The new shares represented 6% of the issued share capital of the Company prior to the Share Placement. A net amount of HK$590 million, after deducting all related expenses of the Share Placement, was received.

The net proceeds were used to reduce borrowings and to provide additional working capital for the Company. These New Shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on May 27, 2009 and rank pari passu with other shares in issue in all respects.

Bank Borrowings

The Group's major borrowings continued to be in US Dollars and in HK Dollars. Other than the fixed rate notes and the 5-year 8.5% Coupon Convertible Bonds, borrowings are predominantly LIBOR or Hong Kong best lending rates based. There is a natural hedge mechanism in place as the Group's major revenues are in US Dollars and currency exposure therefore is low. Currency, interest rate exposures, and cash management functions are all being closely monitored and managed by the Group's treasury team.

During the year, the Group issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principle amount of US$150,000,000, approximately HK$1,170,000,000 ("Convertible Bonds 2014") and 55,888,500 warrants ("Warrants 2012"). Unless previously redeemed, converted or purchased and cancelled, Convertible Bonds 2014 will be redeemed at its principal amount on the maturity date on April 30, 2014.

The holders of the Convertible Bonds 2014 have the right to convert all or any portion of the Convertible Bonds 2014 into shares of the Company at an initial conversion price of HK$5.20 per share, subject to anti-dilutive adjustment, from October 30, 2010 to April 20, 2014. Warrants 2012 are exercisable at any time from April 30, 2010 to April 30, 2012 at an exercise price of HK$5.10 per share, subject to anti-dilutive adjustment, to subscribe for shares of the Company.

Working Capital

Total inventory increased from HK$4.5 billion in 2008 to HK$4.8 billion in 2009. The number of days inventory increased by 11 days from 62 days to 73 days. Inventory level was higher at the end of 2009 in preparation for the shipments in the first quarter of 2010. The Group will focus in reducing the inventory level and improve inventory turns.

Trade receivable turnover days were at 62 days as compared to 45 days as reported last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 54 days. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were extended by 7 days from 52 days reported in 2008 to 59 days in 2009.

The Group's current ratio improved from 1.10 times in 2008 to 1.25 times and quick ratio also improved to 0.81 from 0.68 in 2008.

Capital Expenditure

Total capital expenditures for the year amounted to HK$697 million including HK$80 million related to the new China Industrial Manufacturing and Innovation Campus.

Capital Commitments and Contingent Liabilities

As at December 31, 2009, total capital commitments amounted to HK$83 million (2008: HK$259 million) and there were no material contingent liabilities or off balance sheet obligations.

Charges

None of the Group's assets are charged or subject to encumbrance.

Major Customers and Suppliers

For the year ended December 31, 2009:

(i) the Group's largest customer and five largest customers accounted for approximately 38.4% and 54.4% respectively of the Group's total turnover; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 3.7% and 14.9% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

According to the knowledge of the Directors, none of the Directors, their associates or any shareholders who owned more than 5% of TTI's share capital had any interest in the five largest customers or suppliers of the Group.

Human Resources

The Group employed a total of 16,772 employees (2008: 19,354 employees) in Hong Kong and overseas. Total staff cost for the year under review amounted to HK$3.0 billion (2008: HK$3.0 billion).

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improving the quality, competence and skills of all employees. It provides job-related training and leadership development programs throughout the organization. The Group continues to offer competitive remuneration packages, discretionary share options and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Review of Operations

The Group's own brand business accounted for 83.5% of total turnover (2008: 85.2%). North America continued to be our largest market, representing 75.5% (2008: 73.8%) of the Group's revenue. Europe accounted for 20.1% (2008: 22.2%) of the Group's total sales.

Power Equipment

In 2009, Power Equipment sales were at HK$17.0 billion accounting for 70.8% of the Group turnover. Power Equipment sales were down 8.4% for the year, a strong performance compared to higher industry declines. Sales improved in the second half, with a sales decline of 5.4% compared to a decline of 11.4% in the first half.

Consumer power equipment sales were held to a low single-digit decline in North America supported by strength in new products and accessories. In the period, Ryobi® achieved the position of market leader in North American consumer power tools benefiting from our commitment to products, marketing, and our best-in-class in-store sales teams. Professional and Industrial Power Equipment countered contracting residential and industrial construction demand in North America and Europe through new products and targeted marketing programs, achieving an improvement in the rate of sales decline in the second half of the year.

In North America, Milwaukee® built on its leadership position in industrial Lithium-ion cordless tools by expanding its M12™ and M18™ Lithium-ion platforms with further application-specific tools. Consumer power tools benefited from new Ryobi® One+ System® products and the introduction of Painting Systems, Tile Saws, and TEK4™ small cordless tools.

Outdoor Products delivered positive growth as new product launches in generators, pressure washers, electric tools and a complete range of accessories supported sales. Ryobi® trimmers and wheeled products using our innovative, lightweight 4-cycle engine and a range of Ryobi® One+ System® portable tools incorporating the One+ System® Ryobi® power tool cordless battery system were both introduced in the second half to a strong consumer response. Sales growth in the second half almost reached double-digit.

In Europe we have taken concrete steps to improve our performance. New ranges of Milwaukee® M12™ and M18™ and hyper-green Ryobi® Lithium cordless power tools were successfully introduced. The AEG® brand power tools were re-launched in its new orange design, accompanied by intensive marketing. All categories benefited from further development of key retail and distribution partnerships.

Floor Care and Appliances

In 2009, Floor Care and Appliances sales were at HK$7.0 billion accounting for 29.2% of the Group turnover. Floor Care and Appliances sales improved in the second half with a sales decline of 8.1% vs a decline of 18.9% in the first half of the year. Full year sales declined by 13.4% compared to the same period last year.

Hoover® continued to gain market share in North America as its high performance T-Series was launched across retailers in the second half with broad consumer acceptance. The retrenching of Dirt Devil® was completed in the second half and the business will benefit from its new and refreshed product range. Costs were lowered by leveraging the Group's purchasing scale, harnessing manufacturing operating efficiencies in Mexico and China, and by driving ongoing cost reduction programs.

In Europe, the Vax® and Dirt Devil® businesses continued to gain market share supported by new products, aggressive promotions, and expansion of our distribution channels. Dirt Devil® maintained the number one position in unit volume in Germany and Vax® further expanded its market position, holding the number 2 share position in the UK.

Purchase, Sale or Redemption of Shares

There has been no purchase, sale, or redemption of shares of the Company by the Company or any of its subsidiaries during the year.

Review of Financial Information

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Company and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2009. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK4.50 cents per share for the year ended December 31, 2009 (2008: HK3.00 cents) payable to the Company's shareholders whose names appear on the register of members of the Company on May 28, 2010. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about July 30, 2010. This payment, together with the interim dividend of HK3.00 cents per share (2008: HK3.00 cents) paid on September 29, 2009, makes a total payment of HK7.50 cents per share for 2009 (2008: HK6.00 cents).

Closure of Register of Members

The register of members of the Company will be closed from May 26, 2010 to May 28, 2010, both days inclusive. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on May 25, 2010.

Corporate Governance Report

The Company is committed to a high standard of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The corporate governance principles of the Company emphasize a quality Board for leadership and control of the Company, effective internal controls, transparency and accountability to all shareholders.

Compliance with Code of Governance Practices

The Company confirms that it has complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules throughout the year ended December 31, 2009, except none of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 103 of the Articles of Association of the Company, one third of the Board must retire by rotation at each annual general meeting of the Company and, if eligible, offer themselves for re-election.

Board of Directors

Roles and Responsibilities

The board of directors (the "Board") assumes responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Group affairs. Principle responsibilities of the Board including, but are not limited to, the following:

- decide or consider matters covering major acquisitions and disposals, appointment of Directors and external auditors, and other significant operational matters.

- monitor and control the Group's operation and financial performance through the determination of the annual budget and continuous review of performance results.

Written procedures have been formally adopted in order to govern the delegation of daily management responsibilities to the senior management of the Group and the reservation to the Board of specifically identified matters. The procedures are reviewed by the Board periodically.

Each Director has a duty to act in good faith and in the best interests of the Company. The Directors, collectively and individually, are aware of their responsibilities and accountability to shareholders, for the manner in which the affairs of the Company are managed and operated.

Board Composition

As at the date of this report, the Board consists of six Group Executive Directors, one Non-executive Director and four Independent Non-executive Directors. The composition of the Board of the Company is as follows:-

Group Executive Directors

Mr Horst Julius Pudwill *(Chairman)*
Dr Roy Chi Ping Chung JP *(Vice Chairman)*
Mr Joseph Galli Jr *(Chief Executive Officer)*
Mr Kin Wah Chan *(Operations Director)*
Mr Chi Chung Chan *(Group Chief Financial Officer)*
Mr Stephan Horst Pudwill *(President of Strategic Planning)*

Non-executive Director

Mr Vincent Ting Kau Cheung

Independent Non-executive Directors

Mr Christopher Patrick Langley OBE
Mr Joel Arthur Schleicher
Mr Manfred Kuhlmann
Mr Peter David Sullivan

The roles of Chairman and Chief Executive Officer of the Company have been segregated, with a clear division of responsibilities.

The role of Chairman comprises, but is not limited to, the following:

a) To ensure that all Directors are properly briefed on issues arising at Board meetings.

b) To ensure that Directors receive adequate information, which must be complete and reliable, in a timely manner.

c) To ensure that good corporate governance practices and procedures are established.

d) To encourage all Directors to make a full and active contribution to the Board's affairs and to take the lead to ensure that the Board acts in the best interests of the Company.

e) To ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.

The role of Chief Executive Officer comprises, but is not limited to, the following:

a) To lead the management team in the Group's daily operation.

b) To assist the Group on integrating acquisitions in North America and Europe, and to enhance the global sales potential of our strong brand portfolio.

All Directors are subject to retirement by rotation at least once every three years pursuant to the Company's Articles of Association and the Listing Rules. Any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the first general meeting after their appointment. The biographical details and relevant relationships are set out on pages 22 to 24 of this annual report.

Orientation which details the duties and responsibilities of directors under the Listing Rules, the Company's Articles of Association, related ordinances and relevant regulatory requirements of Hong Kong is provided for every newly appointed Director. Presentations are, as necessary, given by senior executives of the Company and external professionals. Training and updates are offered to Directors as necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business. All above-mentioned arrangements aim to assist the relevant Director to discharge his duties to the Company.

Every Director is aware that, before accepting appointment as a Director, he must be able to give sufficient time and attention to the affairs of the Company.

The Company has directors' and officers' liability insurance coverage in place to protect Directors and officers of the Group against legal proceedings and claims against them arising from any wrongful act committed or alleged to have been committed in executing their powers, duties and responsibilities in their capacity as Directors or officers of the Group.

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors. The Company is of the view that all the Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and still considers them to be independent.

Compliance with the Codes for Securities Transactions

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiry of the Directors regarding any non-compliance with the Model Code during the year ended December 31, 2009 and all of them confirmed that they have fully complied with the required standards as set out in the Model Code.

The Board has also adopted another code of conduct on terms no less onerous than the Model Code that applies to securities transactions of all relevant employees who may be in possession of unpublished price sensitive information in relation to the Company (the "Code for Securities Transactions by Relevant Employees"). No incident of non-compliance was noted by the Company during the year.

Both the Model Code and the Code for Securities Transactions by Relevant Employees have been published on the Company's website (www.ttigroup.com).

Board Meetings

The Board is committed to at least four scheduled meetings in a year and will meet more frequently as and when required. All members of the Board are given complete and reliable information in relation to the affairs of the Group, and receive the support from and access to the Company Secretary of the Company in respect of all meetings of the Board. Each Director is afforded access, on his request, to senior management of the Group and to independent professional advice on performing their duties at the Company's expense. All Directors receive briefings and professional development training as necessary to ensure a proper understanding of the business of the Group and their responsibilities under statute and at common law.

The Board held six meetings during 2009. The summary at the end of this report sets out the attendance record of each Director. The meeting agenda is set by the Chairman in consultation with members of the Board.

Minutes of the Board/Board Committee meetings with sufficient details of matters and concerns discussed are kept in safe custody by the Company Secretary of the Company, are sent to the Directors for record and are open for inspection by the Directors.

Proposed Board/Board Committee meeting dates for 2010 have been agreed in the last Board meeting held in 2009 to facilitate maximum attendance of Directors.

Board Committees

The Board has delegated various responsibilities to an Audit Committee, a Nomination Committee and a Remuneration Committee. Each of these committees has specific written terms of reference which deal clearly with their authority and duties, which have been published on the Company's website (www.ttigroup.com). Other than the Nomination Committee, the majority of the members of each committee are Independent Non-executive Directors. This ensures the independence of views and opinions expressed by the Directors at the respective committee meetings. The committees report back to the Board on their activities and decisions on a regular basis.

Audit Committee

The Audit Committee is comprised of four Independent Non-executive Directors, being Mr Joel Arthur Schleicher, Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann and Mr Peter David Sullivan (appointed as a member on December 4, 2009), and is chaired by Mr Joel Arthur Schleicher. Each member of the Audit Committee has professional, financial, or accounting qualifications as required under the Listing Rules.

The main objectives of the Audit Committee is to ensure the effectiveness of the internal control system and compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations and to oversee the integrity of the financial statements of the Company.

The Audit Committee is also directly responsible on behalf of the Board for (i) the selection, oversight and remuneration of the Company's external auditor, (ii) the assessment of the independence and qualifications of the external auditor, (iii) the oversight of the performance of the Company's external auditor and (iv) the maintenance of an appropriate relationship with the external auditor.

The Audit Committee held five meetings during 2009, with 100% attendance rate, to review with the Group Chief Financial Officer, other senior management and the external auditors, the Group's significant financial matters, internal controls, the Company's accounting principles and practices, risk management, financial reporting matters (including the interim and annual results for the Board's approval) and findings of internal and external auditors.

Nomination Committee

The Nomination Committee is comprised of four members, and is chaired by Mr Horst Julius Pudwill (Chairman), the other members being Mr Vincent Ting Kau Cheung, Mr Christopher Patrick Langley OBE and Mr Manfred Kuhlmann.

The main role and function of the Nomination Committee is to ensure a fair and transparent process of Board appointments, and in particular to assist the Board to identify suitable candidates and make recommendations for consideration of the Board and shareholders. Criteria of selecting and nominating of directors including, among other things, appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and the ability to commit the appropriate time to the Board, are set out in a written policy for the Nomination Committee to adopt when considering nominating a potential candidate to the Board. The Nomination Committee also assesses the independence of the Independent Non-executive Directors.

The Nomination Committee held two meetings during 2009 with 100% attendance rate. The work performed by the Nomination Committee during 2009 included:

- review of the existing Nomination Policy
- recommendation to the Board about the re-election of retiring Directors at the 2009 Annual General Meeting
- review of the structure, size and composition of the Board of Directors of the Company

Remuneration Committee

The Remuneration Committee is comprised of five members, and is chaired by Mr Vincent Ting Kau Cheung (Non-executive Director), the other members being Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann, Mr Joel Arthur Schleicher and Mr Peter David Sullivan.

The objectives of the Remuneration Committee is to assist the Board in developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the Group and the remuneration of Directors and senior management of the Group, and for determining their remuneration packages, on the basis of their merit, qualifications, and competence, and having regard to the Company's operating results, individual performance, and comparable market statistics.

The Remuneration Committee held three meetings during 2009 with 100% attendance rate. The Remuneration Committee, among other things, performed the following work during 2009:

- review of the existing Remuneration Policy
- review the revised Terms of Reference of the Remuneration Committee and make recommendation to the Board for approval
- consider a proposal to grant share options to Directors of the Company and make recommendation to the Board for approval

Accountability and Audit

The Board acknowledges its responsibility for overseeing the preparation of the accounts of the Group which give a true and fair view of the Group's state of affairs, results and cash flows for the year.

The Board will present a balanced, clear and understandable assessment of annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to the regulators as well as information required to be disclosed pursuant to statutory requirements.

Internal Controls

The Board also acknowledges its responsibility for the effectiveness of the Group's internal controls. In respect of the year ended December 31, 2009, the Board has reviewed the internal control systems of the Group. The Board is responsible for approving and reviewing key internal control policies including delegated authorities, policy on market disclosure and investor relations, non-audit services and treasury management policy. An internal control system is designed to provide reasonable, but not absolute assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operational systems.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's system of internal control that have been put in place. The "Internal Control - Integrated Framework" developed by the Committee of Sponsoring Organizations of the Treadway Commission is used as a framework for the continuous review. The reviews performed in 2009 included:

- The organization structure and delegated authorities
- The performance and adequacy of accounting and information systems
- The risk management process including formal risk assessment at the enterprise level
- The risk management functions and their performance indicators including discussions with senior management responsible for day-to-day management of significant risks
- The effectiveness of the Company's procedures relating to statutory and regulatory compliance
- The scope and quality of management's ongoing monitoring of risks and system of internal control

External Auditor

The external auditor of the Group is Deloitte Touche Tohmatsu, and in 2009, Deloitte Touche Tohmatsu provided the following audit and non-audit services to the Group:

Nature of Services	Amount (HK$ million)
External Audit Services	23.4
Taxation Consultancy Services	0.3
Other Consultancy Services	1.3

Deloitte Touche Tohmatsu is also the tax consultants of most of the Hong Kong companies of the Group. The other consultancy services provided by Deloitte Touche Tohmatsu comprised professional services conducted under the terms of specified engagements.

To ensure the independence of the external auditors, the nature and ratio of annual fees to external auditors for audit services and non-audit services are subject to scrutiny by the Audit Committee. All non-audit services from external auditors are regulated by a Policy on Non-Audit Services published on the Company's website (www.ttigroup.com).

In addition, the Independent Non-executive Directors and the external auditors of the Group meet without the presence of the management of the Group every year to enhance independent reporting by external auditors of the Group.

Investor Relations and Shareholder Communications

The Company understands the importance of maintaining effective communication with its shareholders and investors and is committed to provide timely, efficient and accurate information to them. A Policy on Market Disclosure, Investor and Media Relations, published on the Company's website (www.ttigroup.com), ensure that the Company complies with its disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company.

All of the Company's circulars, announcements, notices and results of general meetings, annual and interim reports, and webcasts of results presentations at press conference can be easily accessed from the Company's website (www.ttigroup.com).

In addition, the Company continues to maintain an effective communication pathway by holding regular meetings with institutional shareholders and analysts. Shareholders are encouraged to attend the Annual General Meeting to communicate with Directors and managements of the Company directly.

The Company values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome and can be addressed to Investor Relations and Communications by mail or by email to the Company at ir@tti.com.hk.

A summary of attendance of Board and Committee meetings in 2009 are detailed in the following table:

	Meetings attended / Held in 2009			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held during the year	6	5	2	3
Group Executive Directors				
Mr Horst Julius Pudwill	6/6		2/2	
Dr Roy Chi Ping Chung JP	6/6			
Mr Joseph Galli Jr	6/6			
Mr Patrick Kin Wah Chan	6/6			
Mr Frank Chi Chung Chan	6/6			
Mr Stephan Horst Pudwill	6/6			
Non-executive Director				
Mr Vincent Ting Kau Cheung	5/6		2/2	3/3
Independent Non-executive Directors				
Mr Joel Arthur Schleicher	6/6	5/5		3/3
Mr Christopher Patrick Langley OBE	6/6	5/5	2/2	3/3
Mr Manfred Kuhlmann	6/6	5/5	2/2	3/3
Mr Peter David Sullivan	6/6	(Note 1)		3/3
Dates of meetings	January 14, 2009 February 25, 2009 April 22, 2009 May 26, 2009 August 27, 2009 December 4, 2009	January 13, 2009 April 21, 2009 May 26, 2009 August 26, 2009 December 3, 2009	January 14, 2009 April 22, 2009	January 14, 2009 April 22, 2009 August 27, 2009

Note:

1 Mr Peter David Sullivan was appointed as a member of the Audit Committee on December 4, 2009.

Director's Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended December 31, 2009.

Principal Activities

The Company acts as an investment holding company and also manufactures and trades electrical and electronic products.

The principal activities of the principal subsidiaries and associates are set out in Notes 57 and 58 to the financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended December 31, 2009 are set out in the consolidated statement of comprehensive income on page 46.

An interim dividend of HK3.00 cents per share amounting to approximately HK$47,737,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK4.50 cents per share to the shareholders on the register of members on May 28, 2010, amounting to approximately HK$71,606,000.

Property, Plant and Equipment

The Group continued to expand its business and during the year spent approximately HK$410,938,000 on moulds and tooling and acquired office equipment, furniture and fixtures for approximately HK$66,603,000 and plant and machinery for approximately HK$55,268,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 17 to the financial statements.

Share Capital and Warrants

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in Note 46 to the financial statements.

On August 10, 2009, 90,000,000 existing ordinary shares in the Company were placed at the price of HK$6.73 per share (the "Placing Price") through a share placement arrangement ("Share Placement") and the Company subsequently issued 90,000,000 new ordinary shares ("New Shares"), with a view to enhance the capital base of the Company. The share placement was made to Sunning Inc., a company incorporated in Cayman Islands with limited liability, whose shares are wholly owned by Mr Horst Pudwill, the chairman of the Company. The Placing Price represented a discount of 1.0% of the closing price of HK$6.8 per share in the Company as quoted on the Stock Exchange on August 7, 2009.

The New Shares represented 6% of the issued share capital of the Company prior to the Share Placement. The issue price of the New Shares was HK$6.73 per share, which is equivalent to the "Placing Price". A net amount of HK$590 million in aggregate, after deducting all related expenses of the Share Placement, was received. As such, the net price for New Share was HK$6.58.

It was considered that the placing and subscription would enhance the capital base of the Company. The net proceeds were used to reduce borrowings and to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on May 27, 2009 and rank pari passu with other shares in issue in all respects.

Warrants 2012 are detachable from the convertible bonds 2014 issued during the year. Each warrant 2012 entitles its convertible bonds holder to at an exercise price of HK$5.10 (to be converted to United States dollar at the fixed exchange rate of HK$7.75 = US$1.0) for one ordinary share of the Company, at any time from April 30, 2010 to April 30, 2012.

Directors

The directors of the Company during the year and up to the date of this report were:

Group Executive Directors:

Mr Horst Julius Pudwill, *Chairman*
Dr Roy Chi Ping Chung JP*, Vice Chairman*
Mr Joseph Galli Jr, *Chief Executive Officer*
Mr Kin Wah Chan
Mr Chi Chung Chan
Mr Stephan Horst Pudwill

Non-executive Director:

Mr Vincent Ting Kau Cheung

Independent Non-executive Directors:

Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan

In accordance with Article 103 of the Company's Articles of Association, Dr Roy Chi Ping Chung JP, Messrs. Patrick Kin Wah Chan, Vincent Ting Kau Cheung and Joel Arthur Schleicher will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Terms of Office of Non-executive Directors and Independent Non-executive Directors

The term of office for each of the Non-executive Directors and Independent Non-executive Directors is the period up to his retirement by rotation in accordance with Article 103 of the Company's Articles of Association.

Directors' and Chief Executive's Interests

As at December 31, 2009, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive has taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as adopted by the Company, were as follows:

Directors' and Chief Executive's Interests

Name of directors	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives)(1)	Interests in underlying shares pursuant to equity derivatives(1)	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	139,861,000	600,000	394,380,794	24.78%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	253,159,794(2)	—		
Dr Roy Chi Ping Chung JP	Beneficial owner	61,405,948	600,000	99,216,978	6.24%
	Interests of spouse	136,000	—		
	Interests of controlled corporation	37,075,030(3)	—		
Mr Joseph Galli Jr	Beneficial owner	814,500	3,500,000	4,314,500	0.27%
Mr Kin Wah Chan	Beneficial owner	—	1,000,000	1,000,000	0.06%
Mr Chi Chung Chan	Beneficial owner	—	1,000,000	1,000,000	0.06%
Mr Stephan Horst Pudwill	Beneficial owner	4,409,500	1,000,000	5,409,500	0.34%
Mr Vincent Ting Kau Cheung	Beneficial owner	1,920,000	400,000	2,320,000	0.15%
Mr Joel Arthur Schleicher	Beneficial owner	100,000	400,000	560,000	0.04%
	Interests of spouse	—	60,000(1)		
Mr Christopher Patrick Langley OBE	Beneficial owner	500,000	400,000	900,000	0.06%
Mr Manfred Kuhlmann	Beneficial owner	—	500,000	500,000	0.03%
Mr Peter David Sullivan	Beneficial owner	—	400,000	400,000	0.03%

Notes:

(1) Interests in shares and underlying shares stated above represent long positions of the Company.

The interests of the directors of the Company in the underlying shares pursuant to equity derivatives, which were held as beneficial owner, represent share options granted to them respectively pursuant to the share option schemes adopted by the Company, details of which are separately disclosed in the section headed "Share Options" below. These share options are physically settled and unlisted.

The interests of the spouse of Mr Joel Arthur Schleicher in the underlying shares pursuant to listed equity derivatives represent an interest in 60,000 underlying shares held in the form of 12,000 American Depositary Receipts, each representing 5 shares of the Company.

(2) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

	No. of shares
Sunning Inc.	216,084,764
Cordless Industries Company Limited *	37,075,030
	253,159,794

(3) These shares were held by Cordless Industries Company Limited* in which Dr Roy Chi Ping Chung JP has a beneficial interest.

* *Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Dr Roy Chi Ping Chung JP.*

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV or the SFO) as at December 31, 2009.

Share Options

Scheme adopted on March 28, 2002 ("Scheme C")

Scheme C was adopted pursuant to a resolution passed on March 28, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expired on March 27, 2007. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or
(ii) Non-executive Directors (including Independent Non-executive Directors); or
(iii) suppliers or customers; or
(iv) any person or entity that provides research, development or other technological support; or
(v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date of grant to the fifth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30.00% of the issued share capital of the Company from time to time or 10.00% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1.00% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Scheme adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or
(ii) Non-executive Directors (including Independent Non-executive Directors or Officer); or
(iii) secondees; or
(iv) business partner, agent, consultant; or
(v) suppliers or customers; or
(vi) any person or entity that provides research, development or other technological support; or
(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30.00% of the issued share capital of the Company from time to time or 10.00% of shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1.00% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Share Options *(continued)*

The following table discloses movements in the Company's share options during the year:

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	25.2.2004	Scheme C	400,000	—	—	(400,000)	—	12.170	25.2.2004 - 24.2.2009
	16.11.2009	Scheme D	—	600,000	—	—	600,000	6.770	16.11.2009 - 15.11.2019
Dr Roy Chi Ping Chung JP	25.2.2004	Scheme C	400,000	—	—	(400,000)	—	12.170	25.2.2004 - 24.2.2009
	16.11.2009	Scheme D	—	600,000	—	—	600,000	6.770	16.11.2009 - 15.11.2019
Mr Joseph Galli Jr	1.11.2006	Scheme C	1,500,000	—	—	—	1,500,000	11.252	1.11.2006 - 31.10.2011
	6.3.2007	Scheme C	1,000,000	—	—	—	1,000,000	10.572	6.3.2007 - 5.3.2012
	16.11.2009	Scheme D	—	1,000,000	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Kin Wah Chan	1.3.2004	Scheme C	1,000,000	—	—	(1,000,000)	—	12.525	1.3.2004 - 28.2.2009
	16.11.2009	Scheme D	—	1,000,000	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Chi Chung Chan	25.2.2004	Scheme C	1,000,000	—	—	(1,000,000)	—	12.170	25.2.2004 - 24.2.2009
	1.3.2004	Scheme C	500,000	—	—	(500,000)	—	12.525	1.3.2004 - 28.2.2009
	16.11.2009	Scheme D	—	1,000,000	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Stephan Horst Pudwill	1.3.2004	Scheme C	100,000	—	—	(100,000)	—	12.525	1.3.2004 - 28.2.2009
	16.11.2009	Scheme D	—	1,000,000	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Vincent Ting Kau Cheung	16.11.2009	Scheme D	—	400,000	—	—	400,000	6.770	16.11.2009 - 15.11.2019
Mr Joel Arthur Schleicher	25.2.2004	Scheme C	100,000	—	—	(100,000)	—	12.170	25.2.2004 - 24.2.2009
	16.11.2009	Scheme D	—	400,000	—	—	400,000	6.770	16.11.2009 - 15.11.2019
Mr Christopher Patrick Langley OBE	25.2.2004	Scheme C	100,000	—	—	(100,000)	—	12.170	25.2.2004 - 24.2.2009
	16.11.2009	Scheme D	—	400,000	—	—	400,000	6.770	16.11.2009 - 15.11.2019
Mr Manfred Kuhlmann	7.2.2005	Scheme C	100,000	—	—	—	100,000	17.750	7.2.2005 - 6.2.2010
	16.11.2009	Scheme D	—	400,000	—	—	400,000	6.770	16.11.2009 - 15.11.2019
Mr Peter David Sullivan	16.11.2009	Scheme D	—	400,000	—	—	400,000	6.770	16.11.2009 - 15.11.2019
Total for directors			**6,200,000**	**7,200,000**	**—**	**(3,600,000)**	**9,800,000**		

Share Options *(continued)*

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	1.3.2004	Scheme C	4,180,000	—	—	(4,180,000)	—	12.525	1.3.2004 - 28.2.2009
	14.4.2004	Scheme C	200,000	—	—	(200,000)	—	12.950	14.4.2004 - 13.4.2009
	7.6.2004	Scheme C	200,000	—	—	(200,000)	—	12.000	7.6.2004 - 6.6.2009
	2.10.2004	Scheme C	1,000,000	—	—	(1,000,000)	—	15.350	2.10.2004 - 1.10.2009
	13.12.2004	Scheme C	250,000	—	—	(250,000)	—	15.710	13.12.2004 - 12.12.2009
	7.4.2005	Scheme C	200,000	—	—	—	200,000	17.210	7.4.2005 - 6.4.2010
	17.6.2005	Scheme C	250,000	—	—	—	250,000	17.950	17.6.2005 - 16.6.2010
	1.1.2006	Scheme C	300,000	—	—	(250,000)	50,000	18.690	1.1.2006 - 31.12.2010
	1.3.2006	Scheme C	2,390,000	—	—	(75,000)	2,315,000	13.970	1.3.2006 - 28.2.2011
	15.6.2006	Scheme C	200,000	—	—	—	200,000	10.270	15.6.2006 - 14.6.2011
	17.6.2006	Scheme C	350,000	—	—	—	350,000	10.550	17.6.2006 - 16.6.2011
	4.10.2006	Scheme C	75,000	—	—	—	75,000	11.628	4.10.2006 - 3.10.2011
	8.11.2006	Scheme C	30,000	—	—	—	30,000	12.200	8.11.2006 - 7.11.2011
	4.12.2006	Scheme C	150,000	—	—	—	150,000	10.952	4.12.2006 - 3.12.2011
	13.12.2006	Scheme C	20,000	—	—	—	20,000	10.560	13.12.2006 - 12.12.2011
	1.1.2007	Scheme C	150,000	—	—	—	150,000	10.080	1.1.2007 - 31.12.2011
	6.3.2007	Scheme C	5,470,000	—	—	(635,000)	4,835,000	10.572	6.3.2007 - 5.3.2012
	20.7.2007	Scheme D	300,000	—	—	(100,000)	200,000	10.060	20.7.2007 - 19.7.2017
	24.8.2007	Scheme D	2,510,000	—	—	(200,000)	2,310,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	Scheme D	75,000	—	—	—	75,000	8.810	16.10.2007 - 15.10.2017
	7.11.2007	Scheme D	40,000	—	—	—	40,000	8.088	7.11.2007 - 6.11.2017
	23.11.2007	Scheme D	500,000	—	—	—	500,000	7.578	23.11.2007 - 22.11.2017
	14.1.2008	Scheme D	1,870,000	—	—	(550,000)	1,320,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	Scheme D	2,150,000	—	—	(225,000)	1,925,000	7.780	17.4.2008 - 16.4.2018
	14.5.2008	Scheme D	240,000	—	—	—	240,000	7.500	14.5.2008 - 13.5.2018
	30.5.2008	Scheme D	640,000	—	—	—	640,000	7.546	30.5.2008 - 29.5.2018
	1.9.2008	Scheme D	150,000	—	—	—	150,000	7.450	1.9.2008 - 31.8.2018
	2.9.2008	Scheme D	300,000	—	—	—	300,000	7.388	2.9.2008 - 1.9.2018
	11.9.2008	Scheme D	50,000	—	—	—	50,000	7.430	11.9.2008 - 10.9.2018
	2.10.2008	Scheme D	75,000	—	—	—	75,000	7.068	2.10.2008 - 1.10.2018
	1.12.2008	Scheme D	100,000	—	—	—	100,000	2.340	1.12.2008 - 30.11.2018
	16.11.2009	Scheme D	—	7,570,000	—	—	7,570,000	6.770	16.11.2009 - 15.11.2019
	7.12.2009	Scheme D	—	100,000	—	—	100,000	6.790	7.12.2009 - 6.12.2019
	21.12.2009	Scheme D	—	300,000	—	—	300,000	6.350	21.12.2009 - 20.12.2019
	28.12.2009	Scheme D	—	30,000	—	—	30,000	6.390	28.12.2009 - 27.12.2019
Total for employees			**24,415,000**	**8,000,000**	**—**	**(7,865,000)**	**24,550,000**		
Total for all categories			**30,615,000**	**15,200,000**	**—**	**(11,465,000)**	**34,350,000**		

Share Options *(continued)*

The weighted average closing prices of shares on the options grant date during 2009 and 2008 were HK$6.84 and HK$7.48 respectively.

The closing price of the Company's shares immediately before various dates of grant ranged from HK$6.23 to HK$6.85.

The weighted average closing prices of the Company's shares immediately before various dates during 2008 and 2009 on which the share options were exercised was HK$Nil.

The fair values of the share options granted in 2009 and 2008 measured at various dates of grant ranged from HK$1.65 to HK$1.75 and HK$0.52 to HK$1.79 per option respectively.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Director's Interests in Contracts of Significance

No contract of significance, to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial Shareholder's Interests

As at December 31, 2009, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares (L/S/LP)*	Approximate aggregate percentage of interests
Capital Research and Management Company (1)	136,276,000 (L)	8.56% (L)
FIL Limited (2)	110,545,500 (L)	6.95% (L)
FMR LLC (3)	90,436,000 (L)	5.68% (L)
Hang Seng Bank Trustee International Limited (4)	96,375,000 (L)	6.06% (L)
JP Morgan Chase & Co. (5)	128,711,983 (L)	8.09% (L)
	100,000 (S)	0.01% (S)
	116,168,483 (LP)	7.30% (LP)

* (L/S/LP) represents (Long position/Short position/Lending Pool)

Notes:

(1) The capacity of Capital Research and Management Company in holding the 136,276,000 shares was an investment manager. Its 100% controlling shareholder is The Capital Group Companies, Inc.

(2) The capacity of FIL Limited in holding the 110,545,500 shares was as investment manager.

(3) The following is a breakdown of the interests in shares of FMR LLC:

Name	Remarks	Total interests in shares: Direct interests	(L/S/LP)	Deemed interests	(L/S/LP)	Approximate percentage of interests
FMR LLC	(3a)	—	—	90,436,000	(L)	5.68%
Fidelity Management & Research Company	(3b)	—	—	70,928,500	(L)	4.46%
Fidelity Management Trust Company, Pyramis Global Advisors LLC	(3b)	—	—	19,507,500	(L)	1.23%

Substantial Shareholder's Interests *(continued)*

Notes: (continued)

Remarks:

(3a) The capacity of FMR LLC in holding the 90,436,000 shares of long position was as investment manager.

(3b) Fidelity Management & Research Company and Fidelity Management Trust Company, Pyramis Global Advisors LLC were all indirect owned by FMR LLC and by virtue of the SFO, FMR LLC was deemed to be interested in the shares held by these subsidiaries.

(4) The following is a breakdown of the interests in shares of Hang Seng Bank Trustee International Limited:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S/LP)**	**Deemed interests**	**(L/S/LP)**	**Approximate percentage of interests**
Hang Seng Bank Trustee International Limited	(4a)	—	—	96,375,000	(L)	6.06%
Cheah Company Limited	(4b)	—	—	96,375,000	(L)	6.06%
Cheah Capital Management Limited	(4b)	—	—	96,375,000	(L)	6.06%
Value Partners Group Limited	(4b)	—	—	96,375,000	(L)	6.06%
Value Partners Limited	(4b)	96,375,000	(L)	—	—	6.06%

Remarks:

(4a) The capacity of Hang Seng Bank Trustee International Limited in holding the 96,375,000 shares of long position was as Trustee (other than bare trustee).

(4b) Cheah Company Limited, Cheah Capital Management Limited, Value Partners Group Limited and Value Partners Limited were all direct or indirect owned by Hang Seng Bank Trustee International Limited and by virtue of the SFO, Hang Seng Bank Trustee International Limited was deemed to be interested in the shares held by these subsidiaries.

(5) The following is a breakdown of the interests in shares of JP Morgan Chase & Co:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S/LP)**	**Deemed interests**	**(L/S/LP)**	**Approximate percentage of interests**
JPMorgan Chase & Co.	(5a)	—	—	128,711,983	(L)	8.09%
		—	—	100,000	(S)	0.01%
		—	—	116,168,483	(LP)	7.30%
JPMorgan Chase Bank, N.A.	(5b)	116,168,483	(L)	505,500	(L)	7.33%
		—	—	100,000	(S)	0.01%
J.P. Morgan Whitefriars Inc.	(5b)	405,500	(L)	—	—	0.03%
J.P. Morgan Overseas Capital Corporation	(5b)	—	—	405,500	(L)	0.03%
J.P. Morgan International Finance Limited	(5b)	—	—	505,500	(L)	0.03%
		—	—	100,000	(S)	0.01%
Bank One International Holdings Corporation	(5b)	—	—	505,500	(L)	0.03%
		—	—	100,000	(S)	0.01%
J.P. Morgan International Inc.	(5b)	—	—	505,500	(L)	0.03%
		—	—	100,000	(S)	0.01%
J.P. Morgan Securities Ltd.	(5b)	100,000	(L)	—	—	0.01%
		100,000	(S)	—	—	0.01%
J.P. Morgan Chase International Holdings	(5b)	—	—	100,000	(L)	0.01%
		—	—	100,000	(S)	0.01%
J.P. Morgan Chase (UK) Holdings Limited	(5b)	—	—	100,000	(L)	0.01%
		—	—	100,000	(S)	0.01%
J.P. Morgan Capital Holdings Limited	(5b)	—	—	100,000	(L)	0.01%
		—	—	100,000	(S)	0.01%
JF Asset Management Limited	(5b)	12,038,000	(L)	—	—	0.76%
JPMorgan Asset Management (Asia) Inc.	(5b)	—	—	12,038,000	(L)	0.76%
JPMorgan Asset Management Holdings Inc.	(5b)	—	—	12,038,000	(L)	0.76%

Substantial Shareholder's Interests *(continued)*

Notes: (continued)

Remarks:

(5a) JPMrogan Chase & Co. is listed on New York Stock Exchange.

The capacity of JPMorgan Chase & Co. in holding the 128,711,983 shares of long position, 100,000 shares of short position and 116,168,483 shares of lending pool respectively was as controlled corporation.

(5b) JPMorgan Chase Bank, N.A., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Securities Ltd., J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited, JF Asset Management Limited, JPMorgan Asset Management (Asia) Inc. and JP Morgan Asset Management Holdings Inc. were all direct or indirect owned by JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at December 31, 2009.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended December 31, 2009.

Donations

During the year, the Group made charitable and other donations totalling HK$2,037,000.

Auditor

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Horst Julius Pudwill
Chairman
Hong Kong
April 16, 2010

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF TECHTRONIC INDUSTRIES COMPANY LIMITED
創科實業有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Techtronic Industries Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 140, which comprise the consolidated and Company's statement of financial position as at December 31, 2009 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
April 16, 2010

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2009

	Notes	2009 HK$'000	2008 HK$'000	2009 US$'000 (Note 59)	2008 US$'000 (Note 59)
Turnover	6	**23,984,646**	26,615,319	**3,074,955**	3,412,220
Cost of sales		**(16,489,195)**	(18,408,582)	**(2,113,999)**	(2,360,075)
Gross profit		**7,495,451**	8,206,737	**960,956**	1,052,145
Other income	7	**120,306**	72,311	**15,424**	9,271
Interest income	8	**15,781**	47,129	**2,023**	6,042
Selling, distribution, advertising and warranty expenses		**(3,337,076)**	(3,447,929)	**(427,830)**	(442,042)
Administrative expenses		**(2,785,092)**	(3,007,629)	**(357,063)**	(385,593)
Research and development costs		**(513,414)**	(442,838)	**(65,822)**	(56,774)
Finance costs	9	**(565,500)**	(477,069)	**(72,500)**	(61,163)
Profit before restructuring and relocation costs, share of results of associates, goodwill impairment and taxation		**430,456**	950,712	**55,188**	121,886
Restructuring and relocation costs	10	**—**	(717,971)	**—**	(92,048)
Goodwill impairment	21	**—**	(78,000)	**—**	(10,000)
Share of results of associates		**(987)**	(3,077)	**(127)**	(394)
Profit before taxation		**429,469**	151,664	**55,061**	19,444
Taxation credit	11	**62,684**	40,171	**8,036**	5,150
Profit for the year	12	**492,153**	191,835	**63,097**	24,594
Other comprehensive income (loss)					
Exchange differences on translation of foreign operations		**68,769**	(209,729)	**8,816**	(26,888)
Reclassification adjustment for the cumulative exchange differences included in profit or loss on disposal of a subsidiary		**85**	—	**11**	—
Other comprehensive income (loss) for the year		**68,854**	(209,729)	**8,827**	(26,888)
Total comprehensive income (loss) for the year		**561,007**	(17,894)	**71,924**	(2,294)
Profit for the year attributable to					
Owners of the Company		**490,658**	174,807	**62,905**	22,411
Minority interests		**1,495**	17,028	**192**	2,183
		492,153	191,835	**63,097**	24,594
Total comprehensive income (loss) attributable to					
Owners of the Company		**559,502**	(34,894)	**71,731**	(4,474)
Minority interests		**1,505**	17,000	**193**	2,180
		561,007	(17,894)	**71,924**	(2,294)
Earnings per share (HK/US cents)					
Basic	16	**31.87**	11.64	**4.09**	1.49
Diluted		**31.70**	11.64	**4.06**	1.49

Consolidated Statement of Financial Position

As at December 31, 2009

	Notes	2009 HK$'000	2008 HK$'000	2009 US$'000 (Note 59)	2008 US$'000 (Note 59)
ASSETS					
Non-current assets					
Property, plant and equipment	17	**2,480,579**	2,354,914	**318,023**	301,912
Lease prepayments	18	**275,578**	283,573	**35,331**	36,356
Goodwill	19	**4,064,484**	4,071,585	**521,088**	521,998
Intangible assets	20	**2,607,035**	2,446,548	**334,235**	313,660
Interests in associates	23	**195,649**	206,328	**25,083**	26,452
Available-for-sale investments	24	**22,701**	17,058	**2,911**	2,187
Deferred tax assets	49	**575,524**	637,361	**73,785**	81,713
		10,221,550	10,017,367	**1,310,456**	1,284,278
Current assets					
Inventories	25	**4,766,222**	4,522,366	**611,054**	579,791
Trade and other receivables	26	**4,449,644**	3,515,583	**570,467**	450,716
Deposits and prepayments		**517,382**	732,400	**66,331**	93,897
Bills receivable	27	**267,752**	238,092	**34,327**	30,525
Tax recoverable		**141,446**	313,172	**18,134**	40,150
Trade receivables from associates	29	**13**	109	**2**	14
Foreign currency forward contracts	30	**18,485**	53,576	**2,370**	6,869
Interest rate swap	31	**3,428**	—	**439**	—
Held-for-trading investments	32	**75,677**	3,451	**9,702**	442
Bank balances, deposits and cash	33	**3,322,753**	2,392,931	**425,994**	306,786
		13,562,802	11,771,680	**1,738,820**	1,509,190
Current liabilities					
Trade and other payables	34	**3,856,835**	3,777,793	**494,466**	484,333
Bills payable	35	**720,550**	152,759	**92,378**	19,584
Warranty provision	36	**385,903**	426,578	**49,475**	54,689
Trade payable to an associate	37	**5,307**	1,407	**680**	180
Tax payable		**75,793**	284,256	**9,717**	36,443
Foreign currency forward contracts	30	**7,158**	—	**918**	—
Restructuring provision	38	**9,020**	145,426	**1,156**	18,644
Obligations under finance leases					
– due within one year	40	**21,119**	16,815	**2,708**	2,156
Discounted bills with recourse	41	**2,566,158**	2,462,611	**328,995**	315,719
Unsecured borrowings – due within one year	44	**3,004,346**	3,089,852	**385,172**	396,135
Convertible bonds	45	**—**	100,805	**—**	12,924
Bank overdrafts	33	**214,756**	263,732	**27,533**	33,811
		10,866,945	10,722,034	**1,393,198**	1,374,618
Net current assets		**2,695,857**	1,049,646	**345,622**	134,572
Total assets less current liabilities		**12,917,407**	11,067,013	**1,656,078**	1,418,850

Consolidated Statement of Financial Position

As at December 31, 2009

	Notes	2009 HK$'000	2008 HK$'000	2009 US$'000 (Note 59)	2008 US$'000 (Note 59)
Capital and Reserves					
Share capital	46	**159,125**	150,125	**20,401**	19,247
Reserves		**7,922,837**	6,689,010	**1,015,748**	857,568
Equity attributable to Owners of the Company		**8,081,962**	6,839,135	**1,036,149**	876,815
Minority interests		**109,808**	108,303	**14,078**	13,885
Total equity		**8,191,770**	6,947,438	**1,050,227**	890,700
Non-current Liabilities					
Obligations under finance leases					
– due after one year	40	**69,826**	60,265	**8,952**	7,726
Unsecured borrowings – due after one year	44	**2,596,144**	2,870,703	**332,839**	368,038
Convertible bonds	45	**950,202**	—	**121,821**	—
Retirement benefits obligations	48	**737,267**	768,236	**94,521**	98,492
Deferred tax liabilities	49	**372,198**	420,371	**47,718**	53,894
		4,725,637	4,119,575	**605,851**	528,150
		12,917,407	11,067,013	**1,656,078**	1,418,850

The financial statements on pages 46 to 140 were approved and authorised for issue by the Board of Directors on April 16, 2010 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Dr Roy Chi Ping Chung JP
Vice Chairman

Statement of Financial Position

As at December 31, 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**73,605**	212,250
Lease prepayments	18	**—**	4,256
Intangible assets	20	**315,920**	622,069
Investments in subsidiaries	22	**2,731,772**	1,349,487
Loans to subsidiaries	22	**1,915,004**	1,823,148
Interests in associates	23	**199,275**	208,966
Available-for-sale investments	24	**1,695**	1,695
		5,237,271	4,221,871
Current assets			
Inventories	25	**34,576**	390,657
Trade and other receivables	26	**95,960**	43,988
Deposits and prepayments		**245,700**	237,176
Bills receivable	27	**60,693**	3,152
Tax recoverable		**—**	1,322
Amounts due from subsidiaries	28	**8,176,719**	5,776,468
Foreign currency forward contracts	30	**10,470**	—
Interest rate swap	31	**3,428**	—
Held-for-trading investments	32	**75,677**	—
Bank balances, deposits and cash	33	**977,356**	861,884
		9,680,579	7,314,647
Current liabilities			
Trade and other payables	34	**350,139**	631,612
Bills payable	35	**546,635**	126,234
Warranty provision	36	**86,923**	90,706
Amounts due to subsidiaries	28	**2,929,946**	634,792
Trade payable to an associate	37	**5,307**	1,407
Tax payable		**4,926**	—
Obligations under finance leases – due within one year	40	**548**	865
Discounted bills with recourse	41	**1,514,007**	2,290,707
Unsecured borrowings – due within one year	44	**1,600,121**	1,325,276
Convertible bonds	45	**—**	100,805
		7,038,552	5,202,404
Net current assets		**2,642,027**	2,112,243
Total assets less current liabilities		**7,879,298**	6,334,114

Statement of Financial Position

As at December 31, 2009

	Notes	2009 HK$'000	2008 HK$'000
Capital and Reserves			
Share capital	46	**159,125**	150,125
Reserves	47	**6,613,898**	5,974,627
		6,773,023	6,124,752
Non-current Liabilities			
Obligations under finance leases – due after one year	40	**424**	1,636
Unsecured borrowings – due after one year	44	**116,400**	194,500
Convertible bonds	45	**950,202**	—
Deferred tax liabilities	49	**39,249**	13,226
		1,106,275	209,362
		7,879,298	6,334,114

Chi Chung Chan
Group Executive Director

Dr Roy Chi Ping Chung JP
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended December 31, 2009

	Equity attributable to Owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds equity reserve HK$'000	Warrant reserve HK$'000	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At January 1, 2008	150,125	2,898,646	436	2,285	—	58,328	27,797	3,782,508	6,920,125	91,303	7,011,428
Profit for the year	—	—	—	—	—	—	—	174,807	174,807	17,028	191,835
Exchange differences on translation of foreign operations and other comprehensive loss for the year	—	—	—	—	—	(209,701)	—	—	(209,701)	(28)	(209,729)
Total comprehensive loss for the year	—	—	—	—	—	(209,701)	—	174,807	(34,894)	17,000	(17,894)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	21,460	—	21,460	—	21,460
Lapse of share options	—	—	—	—	—	—	(6,868)	6,868	—	—	—
Final dividend - 2007	—	—	—	—	—	—	—	(22,519)	(22,519)	—	(22,519)
Interim dividend - 2008	—	—	—	—	—	—	—	(45,037)	(45,037)	—	(45,037)
At December 31, 2008	150,125	2,898,646	436	2,285	—	(151,373)	42,389	3,896,627	6,839,135	108,303	6,947,438
Profit for the year	—	—	—	—	—	—	—	490,658	490,658	1,495	492,153
Exchange difference on translation of foreign operations	—	—	—	—	—	68,759	—	—	68,759	10	68,769
Reclassification adjustment for the cumulative exchange differences included in profit or loss on disposal of a subsidiary	—	—	—	—	—	85	—	—	85	—	85
Other comprehensive income for the year	—	—	—	—	—	68,844	—	—	68,844	10	68,854
Total comprehensive income for the year	—	—	—	—	—	68,844	—	490,658	559,502	1,505	561,007
Share issued at a premium	9,000	596,700	—	—	—	—	—	—	605,700	—	605,700
Transaction costs attributable to issue of shares	—	(15,933)	—	—	—	—	—	—	(15,933)	—	(15,933)
Release of deferred tax liabilities on redemption of convertible bonds	—	—	—	485	—	—	—	—	485	—	485
Transfer to retained profits upon redemption of convertible bonds	—	—	—	(2,770)	—	—	—	2,770	—	—	—
Recognition of equity component of convertible bonds/warrants	—	—	—	115,563	112,494	—	—	—	228,057	—	228,057
Transaction costs attributable to issue of convertible bonds/warrants	—	—	—	(3,852)	(3,750)	—	—	—	(7,602)	—	(7,602)
Deferred tax liability on recognition of equity components of convertible bonds	—	—	—	(42,810)	—	—	—	—	(42,810)	—	(42,810)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	10,800	—	10,800	—	10,800
Lapse of share options	—	—	—	—	—	—	(5,033)	5,033	—	—	—
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(2,597)	(2,597)	—	(2,597)
Final dividend - 2008	—	—	—	—	—	—	—	(45,038)	(45,038)	—	(45,038)
Interim dividend - 2009	—	—	—	—	—	—	—	(47,737)	(47,737)	—	(47,737)
At December 31, 2009	159,125	3,479,413	436	68,901	108,744	(82,529)	48,156	4,299,716	8,081,962	109,808	8,191,770

Consolidated Statement of Cash Flow

For the year ended December 31, 2009

	Notes	2009 HK$'000	2008 HK$'000	2009 US$'000 (Note 59)	2008 US$'000 (Note 59)
Operating Activities					
Profit before taxation		**429,469**	151,664	**55,061**	19,444
Adjustments for:					
Amortisation/write-off of intangible assets		**269,246**	194,714	**34,519**	24,963
Amortisation of lease prepayments		**2,267**	1,720	**291**	221
Depreciation on property, plant and equipment		**534,953**	526,697	**68,583**	67,525
Employee share-based expense		**10,800**	21,460	**1,385**	2,751
Finance costs		**565,500**	477,069	**72,500**	61,163
Impairment loss on trade receivables		**64,054**	22,686	**8,212**	2,908
Write down of inventories		**71,679**	301,671	**9,190**	38,676
Goodwill impairment		**—**	78,000	**—**	10,000
Interest income		**(15,781)**	(47,129)	**(2,023)**	(6,042)
Gain on disposal of property, plant and equipment		**(27,946)**	(4,994)	**(3,583)**	(640)
(Gain) loss on disposal of held-for-trading investments		**(16)**	1,895	**(2)**	243
Gain on disposal of a subsidiary	39	**(2,851)**	—	**(366)**	—
Share of the results of associates		**987**	3,077	**127**	394
Fair value gain on interest rate swap		**(3,428)**	—	**(439)**	—
Fair value gain on foreign currency forward contracts		**(11,320)**	(53,576)	**(1,451)**	(6,869)
Change in fair value of held-for-trading investments		**(33,692)**	(241)	**(4,320)**	(31)
Operating cash flows before movements in working capital		**1,853,921**	1,674,713	**237,684**	214,706
(Increase) decrease in inventories		**(287,185)**	912,593	**(36,819)**	116,999
(Increase) decrease in trade and other receivables, deposits and prepayments		**(700,292)**	476,800	**(89,781)**	61,128
(Increase) decrease in bills receivable		**(29,210)**	224,900	**(3,745)**	28,833
Decrease in trade receivables from associates		**96**	9,944	**12**	1,275
Decrease in foreign currency forward contracts		**53,569**	—	**6,868**	—
Increase (decrease) in trade and other payables		**74,101**	(613,425)	**9,499**	(78,644)
Increase (decrease) in bills payable		**567,791**	(146,464)	**72,794**	(18,777)
Decrease in restructuring provision		**(136,828)**	(270,715)	**(17,542)**	(34,707)
Decrease in warranty provision		**(46,044)**	(39,064)	**(5,903)**	(5,008)
(Increase) decrease in held-for-trading investments		**(38,518)**	11,875	**(4,938)**	1,522
Increase in trade payable to an associate		**3,900**	1,407	**500**	180
Decrease in retirement benefit obligations		**(34,676)**	(186,061)	**(4,446)**	(23,854)
Cash generated from operations		**1,280,625**	2,056,503	**164,183**	263,653
Interest paid		**(525,843)**	(474,563)	**(67,416)**	(60,841)
Hong Kong profits tax paid		**(34,926)**	(37,340)	**(4,478)**	(4,787)
Overseas tax paid		**(135,412)**	(52,400)	**(17,361)**	(6,718)
Hong Kong profits tax refunded		**1,246**	638	**160**	82
Overseas tax refunded		**175,624**	72,598	**22,516**	9,307
Net Cash from Operating Activities		**761,314**	1,565,436	**97,604**	200,696

	Notes	2009 HK$'000	2008 HK$'000	2009 US$'000 (Note 59)	2008 US$'000 (Note 59)
Investing Activities					
Purchase of property, plant and equipment		**(661,884)**	(667,317)	**(84,857)**	(85,553)
Additions to intangible assets		**(433,058)**	(472,205)	**(55,520)**	(60,539)
Purchase of available-for-sale investments		**(5,643)**	—	**(723)**	—
Acquisition of additional interest in a subsidiary		**(2,597)**	—	**(332)**	—
Repayment from (advances to) associates		**9,692**	(5,768)	**1,242**	(739)
Interest received		**15,781**	47,129	**2,023**	6,042
Proceeds from disposal of property, plant and equipment		**26,636**	121,932	**3,415**	15,632
Net cash outflow on disposal of a subsidiary	39	**(238)**	—	**(31)**	—
Net Cash Used in Investing Activities		**(1,051,311)**	(976,229)	**(134,783)**	(125,157)
Financing Activities					
New bank loans obtained		**2,330,935**	634,514	**298,838**	81,348
Proceeds from issue of convertible bonds		**1,170,000**	—	**150,000**	—
Proceeds from issue of shares		**605,700**	—	**77,653**	—
Repayment of bank loans		**(3,052,050)**	(1,515,509)	**(391,288)**	(194,296)
Repayment of convertible bonds		**(100,805)**	—	**(12,924)**	—
Dividends paid		**(92,775)**	(67,556)	**(11,894)**	(8,661)
Expenses on issue of convertible bonds		**(39,001)**	—	**(5,000)**	—
Expenses on issue of shares		**(15,933)**	—	**(2,042)**	—
Repayment of obligations under finance leases		**(21,627)**	(16,356)	**(2,773)**	(2,097)
Increase (decrease) in discounted bills with recourse		**103,547**	(573,838)	**13,275**	(73,569)
Increase in trust receipt loans		**360,898**	50,738	**46,269**	6,505
Net Cash from (Used in) Financing Activities		**1,248,889**	(1,488,007)	**160,114**	(190,770)
Net Increase (Decrease) in Cash and Cash Equivalents		**958,892**	(898,800)	**122,935**	(115,231)
Cash and Cash Equivalents at Beginning of the Year		**2,129,199**	2,874,958	**272,974**	368,584
Effect of Foreign Exchange Rate Changes		**19,906**	153,041	**2,552**	19,621
Cash and Cash Equivalents at End of the Year		**3,107,997**	2,129,199	**398,461**	272,974
Analysis of the Balances of Cash and Cash Equivalents					
Represented by:					
Bank balances, deposits and cash		**3,322,753**	2,392,931	**425,994**	306,786
Bank overdrafts		**(214,756)**	(263,732)	**(27,533)**	(33,812)
		3,107,997	2,129,199	**398,461**	272,974

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 24/F., CDW Building, 388 Castle Peak Road, Tsuen Wan, N.T., Hong Kong.

The principal activities of the Group are the manufacturing and trading of electrical and electronic products.

The consolidated financial statements have been presented in Hong Kong dollars as the Company is a public limited company incorporated in Hong Kong and the principal place of business of the Company is situated in Hong Kong. The functional currency of the Company is United States Dollars.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group and the Company have applied the following new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group and the Company for the current or prior accounting periods.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (revised 2007) "Presentation of Financial Statements"
(effective for annual periods beginning on or after January 1, 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's operating segments (see note 5).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group and the Company have not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk by including the maturity analysis of issued financial guarantee contracts and derivative financial liabilities.

The Group and the Company have not early applied the following new and revised Standards, Amendments to Standards or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classificiation of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemptions from Comprehensive HKFRS 7 Disclosures from First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after July 1, 2009.
2 Amendments that are effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.
3 Effective for annual periods beginning on or after January 1, 2010.
4 Effective for annual periods beginning on or after February 1, 2010.
5 Effective for annual periods beginning on or after July 1, 2010.
6 Effective for annual periods beginning on or after January 1, 2011.
7 Effective for annual periods beginning on or after January 1, 2013.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

The application of HKFRS 3 (Revised) Business Combinations may affect the Group's accounting for a business combination for which the acquisition date is on or after January 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's and the Company's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from January 1, 2010, with earlier application permitted. Before the amendments to HKAS 17, lesses were required to classify leasehold land as operating leases and present item as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17 that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's and the Company's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the financial performance and financial position of the Group and the Company.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in to line with those used by other members of the Group.

All significant intercompany transactions, balances, income and expenses within the Group are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiaries' equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business Combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. Significant Accounting Policies *(continued)*

Acquisition of Additional Interests in Subsidiaries

Goodwill arising on acquisition of additional interests in subsidiaries represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in the subsidiaries. The difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited to reserves.

Goodwill

Goodwill arising on acquisitions prior to January 1, 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and the operation of another entity, the Group has discontinued amortisation from January 1, 2005 onwards, and such goodwill is tested for impairment annually and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after January 1, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. Significant Accounting Policies *(continued)*

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Groups share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in associates are included in the Company's statement of financial position at cost less any indentified impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. Significant Accounting Policies *(continued)*

Intangible Assets *(continued)*

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group and the Company as lessee

Assets held under finance leases are recognised as assets of the Group and the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidation statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold Land and Buildings

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

3. Significant Accounting Policies *(continued)*

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Impairment Losses

At the end of the reporting period, the Group and the Company review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies *(continued)*

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's and the Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates, bills receivable, trade receivables from associates, loans to subsidiaries, amounts due from subsidiaries, bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and trade receivables from associates, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, or observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets *(continued)*
For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and trade receivables from associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible bonds

Convertible bonds issued by the Group and the Company that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are classified as an equity instrument: Embedded derivatives, including early redemption options, which are closely related to the liability components are not separately accounted for.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in the convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in the convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Upon early redemption of the convertible bonds, the early redemption consideration will be allocated to the liability component and equity component using the same allocation basis as when the convertible bonds were originally issued. Differences between the fair value and the carrying amount of the liability component will be recognised in profit or loss. The difference between the early redemption consideration and the fair value of the liability component will be included in equity (convertible bonds equity reserve) and released to retained profits.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities and equity *(continued)*

Other financial liabilities

Other financial liabilities (including unsecured borrowings, trade and other payables, bills payable, trade payable to an associate, discounted bills with recourse, bank overdrafts and amounts due to subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share repurchase

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit and loss immediately.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred asset, the Group and the Company continue to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that the Group and the Company will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

A provision for warranties is recognised at the time the products are sold based on the estimated cost using historical data for the level of repairs and replacements.

A provision for restructuring is recognised in the consolidated statement of financial position on condition that the Group has a detailed formal plan and has raised a valid expectation to those affected that the plan will be carried out, either by starting to implement that plan or by announcing its main features to those affected.

For a provision in relation to employee termination benefits, the liability and expenses are recognised when the Group committed to terminate the employment of an employee or group of employees before their normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. Significant Accounting Policies *(continued)*

Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold by the Group and the Company to outside customers in the normal course of business, less returns and allowances, and commission income and royalty income received.

Turnover from sales of goods is recognised when goods are delivered and title has passed.

Commission income is recognised when services are provided.

Royalty income is recognised on a time proportion basis in accordance with the terms of the relevant agreements.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Comapny expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. Significant Accounting Policies *(continued)*

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that form part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of foreign operations before January 1, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies *(continued)*

Equity-Settled Share-Based Payment Transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of each reporting period, the Group and the Company revise its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in the employee share-based compensation reserve will be transferred to retained profits.

Retirement Benefit Schemes

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in profit or loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

A gain or loss arising on curtailment or settlement of a defined benefit scheme is recognised immediately when the curtailment or settlement occurs.

4. Key Sources of Accounting Estimates

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of the cash generating units to which goodwill and intangible assets with indefinite useful lives have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. During the year ended December 31, 2009, the Group has not recognised any impairment on goodwill (2008: approximately HK$78,000,000). As at December 31, 2009, the carrying amount of goodwill and intangible assets with indefinite useful lives are approximately HK$4,064,484,000, net of accumulated impairment losses of HK$78,000,000 (2008: HK$4,071,585,000, net of accumulated impairment losses of HK$78,000,000) and approximately HK$1,375,109,000 (2008: HK$1,378,047,000) respectively. Details of the recoverable amount calculation are disclosed in Note 21.

Useful Lives and estimated Impairment of Deferred Development Costs

As at December 31, 2009, the carrying amount of deferred development costs of the Group is HK$989,735,000 (2008: HK$810,151,000) and HK$315,867,000 for the Company (2008: HK$425,163,000) respectively. The estimation of their useful lives impacts the level of annual amortisation recorded. The estimation of their useful lives reflects the directors' best estimate of the periods that future economic benefits will be received through the use of the assets. In determining whether the deferred development costs are impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material loss may arise. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

4. Key Sources of Accounting Estimates *(continued)*

Useful Lives and Impairment Assessment of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. As at December 31, 2009, the Group's and the Company's carrying amount of property, plant and equipment are HK$2,480,579,000 (2008: HK$2,354,914,000) and HK$73,605,000 (2008: HK$212,250,000) respectively. The estimation of their useful lives impacts the level of annual depreciation expense recorded. The estimated useful life that the Group and the Company place the equipment into production reflects the directors' estimate of the periods that the Group and the Company intend to derive future economic benefits from the use of the Group's and the Company's property, plant and equipment. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

Income Taxes

As at December 31, 2009, a deferred tax asset of HK$494,946,000 (2008: HK$340,696,000) in relation to unused tax losses and HK$134,632,000 (2008: HK$49,681,000) in relation to employee related provisions has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits, or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. During the year, deferred tax assets of HK$147,685,000 (2008: HK$179,108,000) in relation to unused tax losses have been recognised.

Estimated Impairment of Trade and Other Receivables, Bills Receivables and Trade Receivables from Associates

Where there is objective evidence of an impairment loss, the Group and the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2009, the Group's and the Company's carrying amount of trade and other receivables, bills receivable and trade receivables/amounts due from associates is HK$4,902,893,000 (net of allowance for doubtful debts of HK$117,864,000) (2008: HK$3,948,960,000 net of allowance for doubtful debts of HK$101,207,000) and HK$332,138,000 (net of allowance for doubtful debts of HK$3,412,000) (2008:HK$232,316,000 net of allowance for doubtful debts of nil).

5. Segment Information

The Group has adopted HKFRS 8 Operating Segments with effect from January 1, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

5. Segment Information *(continued)*

In prior years, segment information reported externally was analysed on the basis of the types of goods sold, which is the same for the segment information reported to the CODM, the Group's Chief Executive Officer. The principal categories of goods supplied are Power Equipment and Floor Care and Appliances. The Group's operating segments under HKFRS 8 are therefore as follows:

1. Power Equipment – sales of power tools, power tool accessories, outdoor products, and outdoor product accessories for consumer, trade, professional and industrial users. The products are available under the Milwaukee®, AEG®, Ryobi® and Homelite® brand, plus original equipment manufacturer ("OEM") customers.

2. Floor Care and Appliances – sales of floor care products and floor care accessories under the Hoover®, Dirt Devil® and Vax® brand, plus OEM customers.

Information regarding the above segments is reported below.

Segment turnover and results

The following is an analysis of the Group's turnover and results by operating segment for the year under review:

For the year ended December 31, 2009

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover				
External sales	16,984,394	7,000,252	—	23,984,646
Inter-segment sales	13,827	173,611	(187,438)	—
Total	16,998,221	7,173,863	(187,438)	23,984,646
Inter-segment sales are charged at prevailing market rates.				
Result				
Segment results	847,053	148,903	—	995,956
Finance costs				(565,500)
Share of results of associates				(987)
Profit before taxation				429,469
Taxation credit				62,684
Profit for the year				492,153

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of share of results of associates and finance costs. This is the measure reported to the Group's Chief Executive Officer, for the purposes of resource allocation and performance assessment.

The Group allocates fair value charge in interest rate swap and foreign currency forward contracts and interest earned on bank deposits to segment results, whereas the related interest rate swap, foreign currency forward contracts and bank balances, deposits and cash are not allocated to the segment assets.

5. Segment Information *(continued)*

Segment assets and liabilities

As at December 31, 2009

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Consolidated HK$'000
Assets			
Segment assets	14,735,817	4,791,250	19,527,067
Unallocated assets			
Interests in associates			195,649
Deferred tax assets			575,524
Foreign currency forward contracts			18,485
Interest rate swap			3,428
Tax recoverable			141,446
Bank balances, deposits and cash			3,322,753
Consolidated total assets			23,784,352
Liabilities			
Segment liabilities	(6,359,671)	(2,381,360)	(8,741,031)
Unallocated liabilities			
Tax payable			(75,793)
Bank overdrafts			(214,756)
Obligations under finance leases			(90,945)
Foreign currency forward contracts			(7,158)
Unsecured borrowings			(5,140,499)
Deferred tax liabilities			(372,198)
Convertible bonds			(950,202)
Consolidated total liabilities			(15,592,582)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, deferred tax assets, foreign currency forward contracts, interest rate swaps, tax recoverable and bank balances, deposits and cash; and
- all liabilities are allocated to operating segments other than tax payable, bank overdrafts, obligations under finance leases, foreign currency forward contracts, unsecured borrowings, deferred tax liabilities and convertible bonds.

5. Segment Information *(continued)*

Other segment information

For the year ended December 31, 2009

Amounts included in the measure of segment profit or loss or segment assets:

	Power Equipment HK$'000	**Floor Care and Appliances HK$'000**	**Consolidated HK$'000**
Additions to non-current assets (Note)	**780,209**	**349,847**	**1,130,056**
Gain (loss) on disposal of property, plant and equipment	**30,401**	**(2,455)**	**27,946**
Write-down of inventories	**32,734**	**38,945**	**71,679**
Depreciation and amortisation	**606,271**	**200,195**	**806,466**

Note: Non-current assets exclude financial instruments and deferred tax assets.

Segment turnover and results

For the year ended December 31, 2008

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover				
External sales	18,534,426	8,080,893	—	26,615,319
Inter-segment sales	12,054	165,756	(177,810)	—
Total	18,546,480	8,246,649	(177,810)	26,615,319

Inter-segment sales are charged at prevailing market rates.

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Result				
Segment results before restructuring and relocation costs and goodwill impairment	1,169,889	257,892	—	1,427,781
Goodwill impairment	—	(78,000)	—	(78,000)
Restructuring and relocation costs	(433,231)	(284,740)	—	(717,971)
Segment results	736,658	(104,848)	—	631,810
Finance costs				(477,069)
Share of results of associates				(3,077)
Profit before taxation				151,664
Taxation credit				40,171
Profit for the year				191,835

5. Segment Information *(continued)*

Segment assets and liabilities

As at December 31, 2008

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Consolidated HK$'000
Assets			
Segment assets	13,180,082	5,005,597	18,185,679
Unallocated assets			
Interests in associates			206,328
Deferred tax assets			637,361
Foreign currency forward contracts			53,576
Tax recoverable			313,172
Bank balances, deposits and cash			2,392,931
Consolidated total assets			21,789,047
Liabilities			
Segment liabilities	(5,207,767)	(2,626,137)	(7,833,904)
Unallocated liabilities			
Tax payable			(284,256)
Bank overdrafts			(263,732)
Obligations under finance leases			(77,080)
Unsecured borrowings			(5,861,461)
Deferred tax liabilities			(420,371)
Convertible bonds			(100,805)
Consolidated total liabilities			(14,841,609)

5. Segment Information *(continued)*

Other segment information

For the year ended December 31, 2008

Amounts included in the measure of segment profit or loss or segment assets:

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Consolidated HK$'000
Additions to non-current assets (Note)	998,931	193,760	1,192,691
Gain (loss) on disposal of property, plant and equipment	(248)	5,242	4,994
Write-down of inventories	280,489	21,182	301,671
Depreciation and amortisation	547,530	165,773	713,303

Note: Non-current assets exclude financial instruments and deferred tax assets.

Turnover from major products

The following is an analysis of the Group's turnover from its major products:

	2009 HK$'000	2008 HK$'000
Power Equipment	**16,984,394**	18,534,426
Floor Care and Appliances	**7,000,252**	8,080,893
Total	**23,984,646**	26,615,319

Geographical information

The Group's turnover from external customers by geographical location, determined based on the location of the customer and information about its non-current assets by geographical location, determined base on the location of the group entity owns the assets are detailed below:

	Turnover from external customers		**Non-Current Assets***	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
North America	**18,111,933**	19,633,523	**5,905,245**	5,842,385
Europe	**4,826,088**	5,918,039	**580,103**	785,165
Other countries	**1,046,625**	1,063,757	**2,942,328**	2,529,070
Total	**23,984,646**	26,615,319	**9,427,676**	9,156,620

* *Non-current assets exclude financial instruments and deferred tax assets.*

5. Segment Information *(continued)*

Information about major customer

During the years ended December 31, 2009 and 2008, the Group's largest customer contributed total turnover of HK$9,206,667,000 (2008: HK$9,589,332,000), of which HK$9,098,922,000 (2008: HK$9,349,812,000) was under the Power Equipment segment and HK$107,745,000 (2008: HK$239,520,000) was under the Floor Care and Appliances segment. There is no other customer contribution more than 10% of the total turnover.

6. Turnover

Turnover represents the fair value of the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and commission and royalty income received during the year and is analysed as follows:

	2009 HK$'000	2008 HK$'000
Sale of goods	**23,849,196**	26,595,573
Commission and royalty income	**135,450**	19,746
	23,984,646	26,615,319

7. Other Income

Other income in 2009 mainly comprises of the fair value gain on held-for-trading investments, fair value gain on foreign currency forward contracts, gain on disposal of property, plant and equipment, claims and reimbursements from customers and vendors and fair value gain on interest rate swap.

Other income in 2008 mainly comprised of claims and reimbursements from customers and vendors.

8. Interest Income

Interest income represents interest earned on bank deposits.

9. Finance Costs

	2009 HK$'000	2008 HK$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**330,076**	322,960
Obligations under finance leases	**6,120**	10,145
Fixed interest rate notes	**175,653**	156,025
Effective interest expense on convertible bonds	**86,426**	2,506
Total borrowing costs	**598,275**	491,636
Less: amounts capitalised	**(32,775)**	(14,567)
	565,500	477,069

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.9% (2008: 7.4%) per annum to expenditure on qualifying assets.

10. Restructuring and Relocation Costs

	2009 HK$'000	2008 HK$'000
Restructuring costs	**—**	315,175
Relocation costs not through restructuring provision	**—**	402,796
	—	717,971

Relocation costs in 2008 mainly represented expenses that did not qualify to be recognised as part of the restructuring provision but that still related to the Group's restructuring activities. These costs included: inventories written down, impairment of property, plant and equipment; and moving, set-up and transport costs.

11. Taxation Credit

	2009 HK$'000	2008 HK$'000
Current tax:		
Hong Kong profits tax	**(58,758)**	(71,487)
Overprovision in prior years	**50,642**	11,274
	(8,116)	(60,213)
Overseas taxation	**(100,143)**	134,654
Over (underprovision) in prior years	**153,361**	(46,671)
	53,218	87,983
Deferred tax (Note 49):		
Current year	**17,582**	17,445
Attributable to a change in tax rate	**—**	(5,044)
	17,582	12,401
	62,684	40,171

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year.

United States Federal Income Tax is calculated at 40% of the estimated assessable profits arising from the subsidiaries operating in the United States ("US").

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. During the year, the PRC subsidiaries were under the 50% reduction period.

The tax credits for the year are reconciled as follows:

	2009 HK$'000	2008 HK$'000
Profit before taxation	**429,469**	151,664
Tax at Hong Kong profits tax rate	**(70,862)**	(25,025)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**67,037**	88,256
Tax effect of expenses not deductible for tax purposes	**(33,746)**	(35,910)
Tax effect of income not taxable for tax purposes	**102,679**	74,022
Tax effect of temporary differences not recognised	**(291,399)**	(115,843)
Recognition of temporary differences previously not recognised	**82,069**	90,006
Over (underprovision) in respect of prior years	**204,003**	(35,397)
Others	**2,903**	62
Tax credit for the year	**62,684**	40,171

Details of deferred tax are set out in Note 49.

12. Profit for the Year

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	**269,246**	184,886
Auditors' remuneration	**25,575**	22,780
Amortisation of lease prepayments	**2,267**	1,720
Fair value gain on held-for-trading investments	**(33,692)**	(241)
Fair value gain on foreign currency forward contracts	**(11,320)**	(53,576)
Fair value gain on interest rate swap	**(3,428)**	—
Depreciation on property, plant and equipment		
Owned assets	**521,785**	503,987
Assets held under finance leases	**13,168**	22,710
Impairment loss on trade receivables	**64,054**	22,686
Gain on disposal of property, plant and equipment	**(27,946)**	(4,994)
(Gain) loss on disposal of held-for-trading investments	**(16)**	1,895
Gain on disposal of a subsidiary	**(2,851)**	—
Net exchange loss	**55,534**	113,537
Operating lease expenses recognised in respect of:		
Premises	**173,221**	170,921
Motor vehicles	**91,643**	61,332
Plant and machinery	**21,806**	32,000
Other assets	**33,048**	40,119
Write off of intangible assets	—	9,828
Write down of inventories	**71,679**	301,671
Staff costs		
Directors' remuneration		
Fees	**1,250**	1,229
Other emoluments	**74,361**	66,158
	75,611	67,387
Other staff costs	**2,595,130**	2,713,028
Retirement benefits scheme contributions (other than those included in the Directors' emoluments)		
Defined contribution plans	**29,995**	30,497
Defined benefit plans (Note 48)	**62,357**	(111,132)
	2,763,093	2,699,780

Staff costs disclosed above do not include an amount of HK$262,449,000 (2008: HK$275,093,000) relating to research and development activities, which is included under research and development costs.

13. Director's Emoluments

The emoluments paid or payable to each of the 11 (2008: 11) directors were as follows:

For the year ended December 31, 2009

		Other emoluments				
	Fees HK$'000	Basic salaries and allowances HK$'000	Contributions to retirement benefits schemes HK$'000	Bonus paid HK$'000	Share-based payments HK$'000	Total HK$'000
Mr Horst Julius Pudwill	—	12,148	12	13,399	83	25,642
Mr Joseph Galli Jr	—	9,360	12	14,040	138	23,550
Dr Roy Chi Ping Chung JP	—	6,583	12	2,306	83	8,984
Mr Kin Wah Chan	—	4,811	12	976	138	5,937
Mr Chi Chung Chan	—	4,811	12	1,101	138	6,062
Mr Stephan Horst Pudwill	—	1,620	12	685	138	2,455
Mr Vincent Ting Kau Cheung	250	190	—	—	55	495
Mr Joel Arthur Schleicher	250	395	—	—	55	700
Mr Christopher Patrick Langley OBE	250	370	—	—	55	675
Mr Manfred Kuhlmann	250	370	—	—	55	675
Mr Peter David Sullivan	250	131	—	—	55	436
Total	1,250	40,789	72	32,507	993	75,611

For the year ended December 31, 2008

		Other emoluments				
	Fees HK$'000	Basic salaries and allowances HK$'000	Contributions to retirement benefits schemes HK$'000	Bonus paid HK$'000	Share-based payments HK$'000	Total HK$'000
Mr Horst Julius Pudwill	—	12,148	12	7,738	—	19,898
Mr Joseph Galli Jr	—	8,580	11	14,040	—	22,631
Dr Roy Chi Ping Chung JP	—	6,583	12	1,616	—	8,211
Mr Kin Wah Chan	—	4,811	12	1,360	—	6,183
Mr Chi Chung Chan	—	4,811	12	1,364	—	6,187
Mr Stephan Horst Pudwill	—	1,620	12	100	—	1,732
Mr Vincent Ting Kau Cheung	250	180	—	—	—	430
Mr Joel Arthur Schleicher	250	375		—	—	625
Mr Christopher Patrick Langley OBE	250	350	—	—	—	600
Mr Manfred Kuhlmann	250	350	—	—	—	600
Mr Peter David Sullivan	229	61	—	—	—	290
Total	1,229	39,869	71	26,218	—	67,387

The bonus paid were based on performance of the Group.

14. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2008: three) were group directors of the Company whose emoluments are included in Note 13 above. The emoluments of the remaining two (2008: two) individuals were as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries and allowances	**5,704**	3,885
Contributions to retirement benefits schemes	**55**	73
Bonus paid	**6,531**	21,044
Share-based payments	**69**	—
	12,359	25,002

The emoluments of the highest paid individuals were within the following bands:

	No. of persons	
HK$	**2009**	2008
6,000,001 - 6,500,000	**2**	1
11,500,001 - 12,000,000	—	—
18,500,001 - 19,000,000	—	1

During each of the two years ended December 31, 2009 and 2008, no emoluments have been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during those years.

15. Dividends

	2009 HK$'000	2008 HK$'000
Dividends recognised as distributions during the year:		
Final dividend paid:		
2008: HK3.00 cents (2007: HK 1.50 cents) per share	**45,038**	22,519
Interim dividend paid:		
2009: HK3.00 cents (2008: HK 3.00 cents) per share	**47,737**	45,037
	92,775	67,556

The final dividend of HK4.50 cents per share in respect of the year ended December 31, 2009 (2008: final dividend of HK3.00 cents per share in respect of the year ended December 31, 2008) has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

16. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to Owners of the Company is based on the following data:

	2009 **HK$'000**	2008 HK$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**490,658**	174,807
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,539,717,905**	1,501,252,152
Effect of dilutive potential ordinary shares:		
Share options	**49,116**	4,672
Warrants	**7,807,271**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,547,574,292**	1,501,256,824

The computation of diluted earnings per share for the year ended December 31, 2009 and December 31, 2008 does not assume the conversion of the Company's convertible bonds since their exercise would result in an increase in earnings per share and does not assume the exercise of the Company's outstanding share options if the exercise price of those options is higher than the average market price for shares for both 2009 and 2008.

17. Property, Plant and Equipment

	Freehold land and buildings outside Hong Kong HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
The Group									
Cost									
At January 1, 2008	1,220,325	233,356	984,100	2,134,357	40,639	1,692,192	11,073	408,509	6,724,551
Currency realignment	(14,692)	(2,388)	(32,777)	(23,307)	(1,550)	(28,027)	—	11,599	(91,142)
Additions	22,101	45,949	105,535	74,179	2,959	148,299	—	319,614	718,636
Disposals	(179,484)	(63,177)	(44,913)	(455,578)	(6,553)	(256,217)	(2,700)	(8,497)	(1,017,119)
Reclassification	10,369	59,755	(44,817)	198,137	72	32,608	—	(449,666)	(193,542)
At December 31, 2008	1,058,619	273,495	967,128	1,927,788	35,567	1,588,855	8,373	281,559	6,141,384
Currency realignment	(4,874)	1,327	12,136	3,737	502	3,613	—	217	16,658
Additions	922	11,552	66,603	55,268	2,456	410,938	38	148,884	696,661
Disposals of a subsidiary	(494)	—	(391)	—	(86)	—	—	—	(971)
Disposals	(57,576)	(4,686)	(14,698)	(80,618)	(3,385)	(31,867)	—	(580)	(193,410)
Reclassification	193,815	82,463	43,083	16,173	(137)	13,917	—	(349,314)	—
At December 31, 2009	**1,190,412**	**364,151**	**1,073,861**	**1,922,348**	**34,917**	**1,985,456**	**8,411**	**80,766**	**6,660,322**
Depreciation									
At January 1, 2008	388,714	101,492	660,262	1,525,872	19,622	1,407,848	8,207	—	4,112,017
Currency realignment	(8,135)	(619)	(18,743)	(22,678)	(758)	(24,542)	—	—	(75,475)
Provided for the year	47,855	27,438	120,459	153,123	5,997	170,126	1,699	—	526,697
Eliminated on disposals	(41,675)	(49,691)	(38,198)	(402,205)	(4,106)	(238,233)	(2,661)	—	(776,769)
Reclassification	(18)	4,142	(18,202)	14,639	—	(561)	—	—	—
At December 31, 2008	386,741	82,762	705,578	1,268,751	20,755	1,314,638	7,245	—	3,786,470
Currency realignment	(874)	(73)	5,360	268	226	3,496	—	—	8,403
Provided for the year	45,010	28,802	120,654	162,806	5,806	170,748	1,127	—	534,953
Disposal of a subsidiary	(344)	—	(303)	—	(47)	—	—	—	(694)
Eliminated on disposals	(20,575)	(3,153)	(14,031)	(78,340)	(2,270)	(31,020)	—	—	(149,389)
Reclassification	—	(22)	1,147	(1,142)	96	(79)	—	—	—
At December 31, 2009	**409,958**	**108,316**	**818,405**	**1,352,343**	**24,566**	**1,457,783**	**8,372**	**—**	**4,179,743**
Net Book Values									
At December 31, 2009	**780,454**	**255,835**	**255,456**	**570,005**	**10,351**	**527,673**	**39**	**80,766**	**2,480,579**
At December 31, 2008	671,878	190,733	261,550	659,037	14,812	274,217	1,128	281,559	2,354,914

17. Property, Plant and Equipment *(continued)*

	Buildings outside Hong Kong HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Total HK$'000
The Company							
Cost							
At January 1, 2008	65,945	51,938	118,362	119,280	8,460	189,653	553,638
Additions	—	725	18,443	20,617	—	70,121	109,906
Transfer (to) from subsidiaries	—	—	—	5,675	(296)	—	5,379
Disposals	—	(27,973)	(20,121)	(14,815)	(1,417)	—	(64,326)
At December 31, 2008	65,945	24,690	116,684	130,757	6,747	259,774	604,597
Additions	—	387	6,255	7,687	—	53,799	68,128
Transfer (to) from subsidiaries	—	—	(34,365)	(86,720)	(1,323)	(234,832)	(357,240)
Disposals	(34,759)	(620)	(846)	(4,558)	(35)	—	(40,818)
At December 31, 2009	**31,186**	**24,457**	**87,728**	**47,166**	**5,389**	**78,741**	**274,667**
Depreciation							
At January 1, 2008	28,673	34,784	84,526	84,081	4,204	116,639	352,907
Provided for the year	2,754	7,112	17,161	15,721	1,327	48,966	93,041
Transfer (to) from subsidiaries	—	—	—	1,661	(296)	—	1,365
Eliminated on disposals	—	(23,109)	(18,107)	(12,428)	(1,322)	—	(54,966)
At December 31, 2008	31,427	18,787	83,580	89,035	3,913	165,605	392,347
Provided for the year	2,522	3,980	19,761	16,670	1,157	51,096	95,186
Transfer (to) from subsidiaries	—	—	(28,125)	(70,109)	(1,322)	(161,206)	(260,762)
Eliminated on disposals	(19,915)	(610)	(781)	(4,368)	(35)	—	(25,709)
At December 31, 2009	**14,034**	**22,157**	**74,435**	**31,228**	**3,713**	**55,495**	**201,062**
Net Book Values							
At December 31, 2009	**17,152**	**2,300**	**13,293**	**15,938**	**1,676**	**23,246**	**73,605**
At December 31, 2008	34,518	5,903	33,104	41,722	2,834	94,169	212,250

17. Property, Plant and Equipment *(continued)*

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

Freehold land	Nil
Buildings	4%
Leasehold improvements	$2^1/_2$% - 25%
Office equipment, furniture and fixtures	10% - $33^1/_3$%
Plant and machinery	10% - 25%
Motor vehicles	18% - 25%
Moulds and tooling	20% - $33^1/_3$%
Vessels	20%

The net book values of properties shown above comprise:

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Land and buildings are situated outside Hong Kong and are analysed as follows:				
Freehold	**584,281**	637,360	**—**	—
Medium-term lease	**196,173**	34,518	**17,152**	34,518
	780,454	671,878	**17,152**	34,518

The net book values of the Group's and the Company's property, plant and equipment include amounts of approximately HK$88,109,000 and HK$1,647,000 respectively (2008: HK$66,813,000 and HK$2,436,000 respectively) in respect of assets held under finance leases.

The gross carrying amount of the Group's and the Company's property, plant and equipment include amounts of approximately HK$2,077,174,000 and HK$119,808,000 (2008: HK$2,000,914,000 and HK$245,584,000) respectively in respect of fully depreciated property, plant and equipment that is still in use.

18. Lease Prepayments

	The Group HK$'000	The Company HK$'000
Cost		
At January 1, 2008	85,101	6,449
Currency realignment	11,437	—
Additions	1,850	—
Reclassification from construction in progress	193,542	—
At December 31, 2008	291,930	6,449
Currency realignment	(874)	—
Additions	337	—
Disposals	(7,524)	(6,449)
At December 31, 2009	**283,869**	**—**
Amortisation		
At January 1, 2008	6,302	2,064
Currency realignment	335	—
Provided for the year	1,720	129
At December 31, 2008	8,357	2,193
Currency realignment	(22)	—
Provided for the year	2,267	118
Elimination on disposal	(2,311)	(2,311)
At December 31, 2009	**8,291**	**—**
Net Book Values		
At December 31, 2009	**275,578**	**—**
At December 31, 2008	283,573	4,256

All lease prepayments are medium-term leases outside Hong Kong.

The transfer in of prepaid lease payments in 2008 of HK$193,542,000 represented a reclassification from property, plant and equipment upon the completion of related construction work.

19. Goodwill

	The Group HK$'000
Cost	
At January 1, 2008	4,164,129
Impairment	(78,000)
Currency realignment	(14,544)
At December 31, 2008	4,071,585
Currency realignment	(7,101)
At December 31, 2009	**4,064,484**

Particulars regarding impairment testing of goodwill are disclosed in Note 21.

20. Intangible Assets

	Deferred development costs HK$'000	Patents HK$'000	Trademarks HK$'000	Manufacturing know-how HK$'000	Retailer and service relationships HK$'000	Total HK$'000
The Group						
Cost						
At January 1, 2008	691,506	234,786	1,496,842	3,612	50,699	2,477,445
Currency realignment	(4,374)	(489)	(5,204)	(2)	(129)	(10,198)
Additions	453,409	15,520	3,276	—	—	472,205
Written off in the year	—	(16,220)	(634)	(100)	—	(16,954)
At December 31, 2008	1,140,541	233,597	1,494,280	3,510	50,570	2,922,498
Currency realignment	639	(330)	(3,097)	—	(130)	(2,918)
Additions	409,841	23,047	170	—	—	433,058
Written off in the year	—	(3,206)	(1,016)	—	—	(4,222)
At December 31, 2009	**1,551,021**	**253,108**	**1,490,337**	**3,510**	**50,440**	**3,348,416**
Amortisation						
At January 1, 2008	192,534	74,598	30,708	3,528	—	301,368
Currency realignment	(1,915)	(160)	(1,099)	(1)	(3)	(3,178)
Provided for the year	139,771	34,006	8,577	—	2,532	184,886
Eliminated on write off	—	(6,475)	(634)	(17)	—	(7,126)
At December 31, 2008	330,390	101,969	37,552	3,510	2,529	475,950
Currency realignment	498	(55)	(26)	—	(10)	407
Provided for the year	230,398	27,981	8,342	—	2,525	269,246
Eliminated on write off	—	(3,206)	(1,016)	—	—	(4,222)
At December 31, 2009	**561,286**	**126,689**	**44,852**	**3,510**	**5,044**	**741,381**
Carrying Amounts						
At December 31, 2009	**989,735**	**126,419**	**1,445,485**	**—**	**45,396**	**2,607,035**
At December 31, 2008	810,151	131,628	1,456,728	—	48,041	2,446,548

20. Intangible Assets *(continued)*

	Deferred development costs HK$'000	Patents HK$'000	Trademarks HK$'000	Manufacturing know-how HK$'000	Total HK$'000
The Company					
Cost					
At January 1, 2008	322,757	56,885	—	—	379,642
Additions	212,965	9,707	—	—	222,672
Transfer from subsidiaries	16,583	—	110,558	71,863	199,004
At December 31, 2008	552,305	66,592	110,558	71,863	801,318
Additions	—	7,349	—	—	7,349
Transfer to subsidiaries	—	(21,681)	(110,558)	(71,863)	(204,102)
At December 31, 2009	**552,305**	**52,260**	**—**	**—**	**604,565**
Amortisation					
At January 1, 2008	62,591	39,038	—	—	101,629
Provided for the year	64,551	13,069	—	—	77,620
At December 31, 2008	127,142	52,107	—	—	179,249
Provided for the year	109,296	7,663	—	—	116,959
Transfer to subsidiaries	—	(7,563)	—	—	(7,563)
At December 31, 2009	**236,438**	**52,207**	**—**	**—**	**288,645**
Carrying Amounts					
At December 31, 2009	**315,867**	**53**	**—**	**—**	**315,920**
At December 31, 2008	425,163	14,485	110,558	71,863	622,069

The retailer and service relationships were acquired through business combinations which related to the relationships with retailers and service centres.

Deferred development costs are internally generated.

All the patents and manufacturing know-how were acquired from third parties or from business combinations.

Included in trademarks of the Group, HK$1,375,109,000 (2008:HK$1,378,047,000) are trademarks with an indefinite useful life, considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful life is determined to be finite. Instead they will be tested for impairment annually or whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 21.

The above intangible assets other than trademarks with indefinite useful lives, are amortised on a straight-line basis, at the following rates per annum:

Deferred development costs	20% - $33\frac{1}{3}$%
Patents	10% - 25%
Trademarks	10% - 25%
Retailer and service relationships	5%

21. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives

As explained in Note 5, the Group uses the types of good sold for operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 19 and 20 have been allocated to five individual cash generating units (CGUs), including four units in the Power Equipment segment and one unit in the Floor Care and Appliances segment. The carrying amounts of goodwill and trademarks as at December 31, 2009 allocated to these units are as follows:

	Goodwill		Trademarks	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Power Equipment – MET	**3,130,835**	3,138,905	**899,438**	901,756
Power Equipment – HCP	**58,438**	58,589	**235,111**	235,111
Power Equipment – Drebo	**204,176**	203,041	**—**	—
Power Equipment – Baja	**70,331**	70,331	**24,832**	24,896
Floor Care and Appliances – RAM/Hoover	**537,577**	537,577	**215,728**	216,284
Others	**63,127**	63,142	**—**	—
	4,064,484	4,071,585	**1,375,109**	1,378,047

During the year ended December 31, 2008, management of the Group recognised a goodwill impairment of HK$78,000,000 to the Floor Care and Appliances – RAM/Hoover CGU. No goodwill impairment has been recognised for the year ended December 31, 2009.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Power Equipment – MET ("MET")

The recoverable amount of MET has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period, and a discount rate of 11.0% (2008: 10.9%) per annum.

Cash flow projections during the budget period for MET are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on MET's past performance, management's expectation for the market development, the success in reducing the working capital requirements and the success of the cost cutting strategy to be implemented by the Group with the strategic repositioning plan. Cash flow projections beyond the 10-year period are extrapolated using a steady 3.0% (2008: 3.0%) growth rate.

The recoverable amount of the MET cash generating unit exceeds its carrying amount by HK$738,232,000.

The discount rate of 11.0% was a key assumption used in determining the value in use of the cash generating unit. The discount rate would have to increase to 12.1% in order for the aggregate of the cash generating unit's recoverable amount to be equal to its carrying amount. Management considers the discount rate appropriately captures the risk of achieving their projected financial performance.

21. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives *(continued)*

Power Equipment – HCP ("HCP")

The recoverable amount of HCP has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 11.0% (2008: 11.0%) per annum.

Cash flow projections during the budget period for HCP are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on HCP's past performance, management's expectation for the market development, the success in new products launched in 2010 and the success of the cost cutting strategy to be implemented with the strategic repositioning plan. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of HCP to exceed the aggregate recoverable amount of HCP.

Power Equipment – Drebo ("Drebo")

The recoverable amount of Drebo has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 11.0% per annum.

Cash flow projections during the budget period for Drebo are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on Drebo's past performance, management's expectation for the market development, the success in new products launched in 2010 and the cost cutting strategies to be implemented with the strategic repositioning plan. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Drebo to exceed the aggregate recoverable amount of Drebo.

Power Equipment – Baja ("Baja")

The recoverable amount of Baja has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 16.0% (2008: 11.0%) per annum.

Cash flow projections during the budget period for Baja are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on Baja's past performance, management's expectation for the market development and the success of the cost cutting strategy implemented with the strategic repositioning plan. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Baja to exceed the aggregate recoverable amount of Baja.

21. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives *(continued)*

Floor Care and Appliances – RAM/Hoover ("RAM/Hoover")

The recoverable amount of RAM/Hoover has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 14.0% (2008: 13.8%) per annum.

Cash flow projections during the budget period for RAM/Hoover are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimation are based on RAM/Hoover's past performance, management's expectation for the market development to achieve a significant rebound in 2011, the success in reducing the working capital requirements and the success of the cost cutting strategies implemented with the strategic repositioning plan. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate.

During the year ended December 31, 2008, the Group recognised HK$78,000,000 impairment on goodwill for the RAM/Hoover CGU.

22. Investments in Subsidiaries/Loans to Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2009 and December 31, 2008 are set out in Note 57.

Loans to subsidiaries are unsecured, bear interest at 7.875% to 10.150% (2008: 7.875% to 10.150%) and are repayable in 2018.

23. Interests in Associates

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Unlisted shares, at cost less impairment loss recognised	**—**	—	**23,790**	23,790
Share of net assets	**10,165**	11,152	**—**	—
Amounts due from associates	**185,484**	195,176	**175,485**	185,176
	195,649	206,328	**199,275**	208,966

Particulars of the associates as at December 31, 2009 and December 31, 2008 are set out in Note 58.

The amounts due from associates are unsecured, non-interest bearing and are repayable on demand.

In the opinion of directors, no part of the amounts will be repaid within the next twelve months and the amounts are therefore presented as non-current assets.

23. Interests in Associates *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2009 HK$'000	2008 HK$'000
Total assets	**129,953**	110,966
Total liabilities	**(89,295)**	(66,357)
Net assets	**40,658**	44,609
Group's share of net assets of associates	**10,165**	11,152
Turnover	**229,803**	261,353
Profit (loss) for the year	**685**	(12,674)
Group's share of result of associates for the year	**(987)**	(3,077)

At the end of the reporting period, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together "Gimelli Group companies"). The Group has discontinued recognising its share of the losses of the Gimelli Group companies. The unrecognised share of profit (loss) for the year and cumulatively, extracted from the relevant management accounts of the associates, are HK$1,891,000 (2008: (HK$149,000)) and (HK$37,951,000) (2008: (HK$39,842,000)) respectively.

24. Available-for-sale Investments

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Unlisted equity securities and club membership debentures, at cost less impairment loss recognised	**22,701**	17,058	**1,695**	1,695

As at December 31, 2009, all available-for-sale investments represent investments in unlisted equity securities and club membership debentures. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

25. Inventories

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Raw materials	**809,185**	1,070,570	**13,058**	287,883
Work in progress	**103,091**	143,587	**—**	2,856
Finished goods	**3,853,946**	3,308,209	**21,518**	99,918
	4,766,222	4,522,366	**34,576**	390,657

26. Trade and other Receivables

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Trade receivables	**4,223,737**	3,406,166	**99,372**	43,988
Less: Allowances for doubtful debts	**(117,864)**	(101,207)	**(3,412)**	—
	4,105,873	3,304,959	**95,960**	43,988
Other receivables	**343,771**	210,624	**—**	—
	4,449,644	3,515,583	**95,960**	43,988

The aged analysis of trade receivables, net of allowances for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
0 to 60 days	**3,791,142**	2,652,165	**79,077**	34,413
61 to 120 days	**176,348**	353,212	**2,588**	1,042
121 days or above	**138,383**	299,582	**14,295**	8,533
Total trade receivables	**4,105,873**	3,304,959	**95,960**	43,988

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$138,383,000 (2008: HK$299,582,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 277 days (2008: 271 days).

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. Trade receivables that were past due but not provided for impairment loss are related to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

26. Trade and other Receivables *(continued)*

Ageing of trade receivables which are past due but not impaired

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
121 - 365 days	**128,519**	280,062	**3,952**	316
1 - 2 years	**846**	5,931	**4,212**	681
Over 2 years	**9,018**	13,589	**6,131**	7,536
Total	**138,383**	299,582	**14,295**	8,533

Movement in the allowance for doubtful debts

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Balance at beginning of the year	**101,207**	94,048	**—**	20,812
Currency realignment	**1,675**	(3,921)	**—**	—
Impairment losses recognised on receivables	**64,054**	22,686	**3,412**	—
Amounts written off as uncollectible	**(27,802)**	(5,154)	**—**	—
Amounts recovered during the year	**(21,270)**	(6,452)	**—**	(20,812)
Balance at end of the year	**117,864**	101,207	**3,412**	—

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to HK$117,864,000 (2008: HK$101,207,000) which have the worst credit scoring attributable under the internal credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables

	2009 HK$'000	2008 HK$'000
0 - 120 days	**69,396**	63,292
121 - 365 days	**32,879**	26,044
1 - 2 years	**9,758**	6,250
Over 2 years	**5,831**	5,621
Total	**117,864**	101,207

Under certain receivables purchase agreements, a percentage in various pools of trade receivables were factored to banks (the "Factored Trade Receivables"). As the Group still retained the risks associated in respect of default payments, the Group continued to recognise the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of approximately HK$547,744,000 (2008: HK$324,426,000) were recognised as liabilities and included in "unsecured borrowings – due within one year" in the consolidated statement of financial position.

27. Bills Receivable

All the Group's and Company's bills receivable at December 31, 2009 and 2008 are due within 120 days.

28. Amounts due from/(to) Subsidiaries

The amounts are unsecured, interest-free and payable on demand.

29. Trade Receivables from Associates

The trade receivables from associates is aged of less than 30 days and due within 120 days.

30. Foreign Currency Forward Contracts

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Major terms of the foreign currency forward contracts are as follows:

The Group

2009

Notional amount	**Maturity**	**Exchange rates**
Buy US$90M, Sell RMB	February 24, 2010 to December 2, 2010	RMB 6.5960 to 6.8313 : US$1
Sell US$93M, Buy RMB	February 24, 2010 to September 7, 2011	RMB 6.6850 to 6.9500 : US$1
Buy US$29.5M, Sell GBP	January 14, 2010 to June 25, 2010	US$1.5797 to 1.6818 : GBP 1
Sell CA$9.15M, Buy US$	January 11, 2010 to June 30, 2010	CA$1.0577 to 1.0810 : US$1
Buy US$5M, Sell AU$	January 27, 2010	AU$0.8200 : US$1

2008

Notional amount	Maturity	Exchange rates
Buy US$ 25M, Sell AU$	January 28, 2009 to June 30, 2009	US$ 0.8344 to 0.9000 : AU$ 1
Buy US$ 14M, Sell GBP	January 8, 2009 to March 16, 2009	US$ 1.4953 to 1.8352 : GBP 1

The Company

2009

Notional amount	**Maturity**	**Exchange rates**
Buy US$90M, Sell RMB	February 24, 2010 to December 2, 2010	RMB 6.5960 to 6.8313 : US$1
Sell US$3M, Buy RMB	September 7, 2011	RMB 6.9500 : US$1

31. Interest Rate Swap

The fair value of interest rate swap of the Group and the Company is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Major terms of the interest rate swap are as follow:

Notional amount	Maturity	Receive floating	Pay fixed
US$50,000,000	May 4, 2016	LIBOR	3.1%

32. Held-for-Trading Investments

The Group's and the Company's held-for-trading investments at December 31, 2009 and 2008 are carried at fair value using the market bid prices on the closing date method.

Held-for-trading investments include:

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Equity securities:				
– Unlisted	**—**	3,451	**—**	—
– Listed in the US	**75,677**	—	**75,677**	—
	75,677	3,451	**75,677**	—

The Group and the Company hold more than 20 per cent of the voting power in the equity securities listed in the US but it has no significant influence over the investee. In making their assessment, the directors considered the definition of significant influence in HKAS 28 Investment in Associates and, in particular, whether the Group has the power to participate in the financial and operating policy decisions of the investee. Considering that the Group has no representative on the investee's board of directors and no right to appoint or remove a director to the board of directors, no exchange of management personnel with the investee nor any participation in the investee's policy-making process, the directors of the Company concluded that the Group and the Company have no significant influence over the investee.

33. Bank Balances, Deposits and Cash/Bank Overdrafts

Bank balances carry interest at market rates which range from 0.11% to 0.44% (2008: 0.17% to 4.87%). Bank overdrafts carry interest at market rates which range from 3.25% to 5.00% (2008: 3.25% to 7.25%).

34. Trade and other Payables

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
0 to 60 days	**1,769,545**	1,560,330	**123,334**	353,704
61 to 120 days	**554,294**	483,519	**86,065**	134,037
121 days or above	**148,124**	27,579	**34,758**	15,367
Total trade payables	**2,471,963**	2,071,428	**244,157**	503,108
Other payables	**1,384,872**	1,706,365	**105,982**	128,504
	3,856,835	3,777,793	**350,139**	631,612

The average credit period on purchase of goods is 53 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

35. Bills Payable

All the Group's and Company's bills payable at December 31, 2009 and 2008 are due within 120 days.

36. Warranty Provision

	The Group 2009 HK$'000	The Company 2009 HK$'000
At January 1, 2009	**426,578**	**90,706**
Currency realignment	**5,384**	—
Additional provision in the year	**563,050**	**294,001**
Utilisation of provision	**(609,094)**	**(297,784)**
Disposal of a subsidiary	**(15)**	—
At December 31, 2009	**385,903**	**86,923**

The warranty provision represents management's best estimate of the Group's outstanding liabilities on products sold, based on prior experience and industry averages for defective products. It is expected that the majority of this expenditure will be incurred in the next financial year.

37. Trade Payable to an Associate

The trade payable to an associate is aged of less than 120 days and payable within one year.

38. Restructuring Provision

	2009 HK$'000
At January 1, 2009	145,426
Currency realignment	422
Utilisation of provision	(136,828)
At December 31, 2009	9,020

The balance of the provision is expected to be utilised in 2010.

Over the past five years, the Group has grown substantially and aggressively, both organically and through acquisitions. In order to fully exploit the synergies and growth opportunities offered by acquisitions and business scale, the Board of Directors has approved a series of strategic repositioning initiatives designed to significantly boost future performance. These will include: a re-deployment of global manufacturing and product development capabilities; expanding highly recognised brands and product categories in markets where they are under-represented; and a reorganisation of structures and resources around newly created business units for more efficient management of brands, products, and investments.

The management of the Group expects that after the completion of the strategic repositioning plan, there will be substantial savings in 2010 and afterwards.

39. Disposal of a Subsidiary

On November 16, 2009, the Group entered into a sale agreement to dispose of a subsidiary, A&M Electric Tools (Thailand) Limited ("A&M Thai"), which carried out distribution of power tools in Thailand. The disposal was completed in 2009, on which date control of A&M Thai passed to the acquirer.

The gain arising from disposal of A&M Thai is analysed as follows:

	HK$'000
Profit of A&M Thai for the year	8,079
Gain on disposal of A&M Thai	2,851

The net assets of A&M Thai at the date of disposal were as follows:

	HK$'000
Total consideration satisfied by cash and cash equivalents	907
Analysis of asset and liabilities over which control was lost	
Current assets	
Cash and cash equivalents	1,145
Trade and other receivables and deposits and prepayments	2,555
Inventories	3,450
Non-current assets	
Property, plant and equipment	277
Current liabilities	
Trade and other payables	(9,441)
Warranty provision	(15)
Net liabilities disposed of	(2,029)
Gain on disposal	
Total consideration received	907
Net liabilities disposed of	2,029
Exchange differences realised	(85)
	2,851
Net cash outflow arising on disposal	
Consideration received in cash and cash equivalents	907
Less: Cash and cash equivalents disposed of	(1,145)
	(238)

40. Obligations under Finance Leases

It is the Group's policy to lease certain of its plant and machinery, fixtures and equipment and motor vehicles under finance leases, with lease terms ranging from 3 years to 20 years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates. No arrangements have been entered into for contingent rental payments.

The maturity of obligations under finance leases is as follows:

	The Group				The Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Amounts payable under finance leases:								
Within one year	**28,512**	18,427	**21,119**	16,815	**579**	955	**548**	865
In more than one year but not more than two years	**27,885**	20,740	**20,927**	14,337	**431**	955	**424**	901
In more than two years but not more than three years	**24,120**	16,723	**18,017**	10,685	**—**	758	**—**	735
In more than three years but not more than four years	**7,260**	15,680	**5,021**	9,754	**—**	—	**—**	—
In more than four years but not more than five years	**7,260**	13,060	**5,440**	10,734	**—**	—	**—**	—
More than five years	**25,206**	20,156	**20,421**	14,755	**—**	—	**—**	—
	120,243	104,786	**90,945**	77,080	**1,010**	2,668	**972**	2,501
Less: future finance charges	**(29,298)**	(27,706)	**—**	—	**(38)**	(167)	**—**	—
Present value of lease obligations	**90,945**	77,080	**90,945**	77,080	**972**	2,501	**972**	2,501
Less: Amount due within one year shown under current liabilities			**(21,119)**	(16,815)			**(548)**	(865)
Amount due after one year			**69,826**	60,265			**424**	1,636

The Group's obligations under finance leases are secured by the charge over the leased assets.

41. Discounted Bills with Recourse

Bills discounted with a bank at an effective interest rate of 2.40% per annum (2008: 3.96% per annum) have a maturity profile of less than 120 days.

42. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt (which includes borrowings, discounted bills with recourse, convertible bonds and obligations under finance leases), net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

Gearing ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 35% determined as the proportion of net debt to equity. Based on the management's recommendations, the Group expects to decrease its gearing ratio comparable to that of the 2008 level within the next 18 months through the continued generating of cash inflows by growth of the business.

The gearing ratio at the year end was as follows:

	2009 **HK$'000**	2008 HK$'000
Debt (i)	**8,874,807**	8,540,357
Cash and cash equivalents	**(3,322,753)**	(2,392,931)
Net debt	**5,552,054**	6,147,426
Equity (ii)	**8,081,962**	6,839,135
Net debt to equity ratio	**68.70%**	89.89%

(i) Debt comprises bank overdrafts, obligations under finance leases, discounted bills with recourse, unsecured borrowings and convertible bonds but excludes bank advance from factored trade receivables as detailed in Notes 33, 40, 41, 44 and 45 respectively.

(ii) Equity includes all capital and reserves attributable to the owners of the Company.

In addition, based on management recommendations, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchases as well as the issue of new debt or the redemption of existing debt.

43. Financial Instruments

43.1 Categories of financial instruments

	2009 HK$'000	2008 HK$'000
The Group		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**75,677**	3,451
Derivative financial instruments		
Foreign currency forward contracts	**11,327**	53,576
Interest rate swap	**3,428**	—
	14,755	53,576
Available-for-sale investments	**22,701**	17,058
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**4,449,644**	3,515,583
Bills receivable	**267,752**	238,092
Trade receivables from associates	**13**	109
Bank balances, deposits and cash	**3,322,753**	2,392,931
Amounts due from associates	**185,484**	195,176
	8,225,646	6,341,891
Financial liabilities		
Other financial liabilities		
Trade and other payables	**3,856,835**	3,777,793
Bills payable	**720,550**	152,759
Trade payable to an associate	**5,307**	1,407
Obligations under finance leases	**90,945**	77,080
Discounted bills with recourse	**2,566,158**	2,462,611
Unsecured borrowings	**5,600,490**	5,960,555
Bank overdrafts	**214,756**	263,732
Convertible bonds	**950,202**	100,805
	14,005,243	12,796,742

43. Financial Instruments *(continued)*

43.1 Categories of financial instruments *(continued)*

	2009 HK$'000	2008 HK$'000
The Company		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**75,677**	—
Derivative financial instruments		
Foreign currency forward contracts	**10,470**	—
Interest rate swap	**3,428**	—
	13,898	—
Available-for-sale investments	**1,695**	1,695
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**95,960**	43,988
Bills receivables	**60,693**	3,152
Amounts due from associates	**175,485**	185,176
Bank balances, deposits and cash	**977,356**	861,884
Loans to/Amounts due from subsidiaries	**10,091,723**	7,599,616
	11,401,217	8,693,816
Financial liabilities		
Other financial liabilities		
Trade and other payables	**350,139**	631,612
Bills payable	**546,635**	126,234
Trade payable to an associate	**5,307**	1,407
Amounts due to subsidiaries	**2,929,946**	634,792
Obligations under finance leases	**972**	2,501
Discounted bills with recourse	**1,514,007**	2,290,707
Unsecured borrowings	**1,716,521**	1,519,776
Convertible bonds	**950,202**	100,805
	8,013,729	5,307,834

43.2 Financial Risk Management Objectives and Policies

The Group's Corporate Treasury function provides risk management advice to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments or natural hedges to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

43. Financial Instruments *(continued)*

43.2 Financial Risk Management Objectives and Policies *(continued)*

43.2.1 Foreign Currency Risk Management

Subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 22.2% (2008: 23.2%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 14.2% (2008: 15.4%) of costs are denominated in the group entity's respective functional currency.

The carrying amounts of certain significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
The Group				
Group Foreign Currency				
EURO	**183,004**	13,748	**400,646**	98,145

	Liabilities		Assets	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
The Company				
Company Foreign Currency				
EURO	**195,034**	3,885	**1,709,273**	1,521,419

Note: Monetary assets and monetary liabilities denominated in Hong Kong dollars have no material foreign currency risk exposure as the Hong Kong dollar is pegged with the United States dollar.

43. Financial Instruments *(continued)*

43.2 Financial Risk Management Objectives and Policies *(continued)*

43.2.1 Foreign Currency Risk Management *(continued)*

Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in the EURO.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollar against the EURO. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit for the year where the United States dollars strengthens 5% against the EURO.

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Impact of EURO				
Profit for the year (i)	**10,882**	4,220	**75,712**	75,877

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in EURO at the year end.

43.2.2 Interest Rate Risk Management

The Group's and the Company's cash flow interest rate risk relates primarily to variable-rate borrowing (see Note 44 for details of these borrowings) and bank balances, deposits and cash. In relation to these floating-rate borrowings, the Group aims at keeping certain borrowings at fixed rates. In order to achieve this result, the Group may enter into interest rate swap contracts to hedge against part of its exposure to potential variability of cash flows arising from changes in floating rates (see Note 31 for details). The management continuously monitors interest rate fluctuations and will consider further hedging interest rate risk should the need arise.

The Group's and the Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR arising from the Group's and the Company's Hong Kong dollar denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk is insignificance.

The Group's fair value interest rate risk related primarily to its fixed-rate bank borrowings (see Note 44 for details of these borrowings) and convertible bonds (see Note 45 for details of these bonds).

During the year, the Group obtained new bank borrowings in the amount of HK$2,331 million (2008: HK$635 million) which are either LIBOR or Hong Kong best lending rates based. The proceeds were used for refinancing of the Group's short term debt including the repayment of a syndicated loan of US$134,000,000, approximately HK$1,045,200,000, and other secured borrowing.

43. Financial Instruments *(continued)*

43.2 Financial Risk Management Objectives and Policies *(continued)*

43.2.2 Interest Rate Risk Management *(continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2009 would decrease/increase by HK$28,648,000 (2008: decrease/increase by HK$30,172,000). The Company's profit for the year ended December 31, 2009 would decrease/increase by HK$16,153,000 (2008: decrease/increase by HK$16,565,000). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable-rate borrowings.

The Group's and the Company's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable rate debt instruments.

43.2.3 Other Price Risk

The Group and the Company are exposed to price risk through its held-for-trading investments and available-for-sale investments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks of equity investments held-for-trading measured at fair value at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower the post-tax profit for the year ended December 31, 2009 of the Group and the Company would increase/decrease by HK$7,568,000 (2008: HK$345,000) and HK$7,568,000 (2008:Nil) as a result of the changes in fair value of held-for-trading investments.

43.2.4 Credit Risk Management

As at December 31, 2009, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group and the Company as disclosed in Note 52.

In order to minimize the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

43. Financial Instruments *(continued)*

43.2 Financial Risk Management Objectives and Policies *(continued)*

43.2.4 Credit Risk Management *(continued)*

The Group's concentration of credit risk by geographical locations is mainly in US, which 64.9% (2008: 63.6%) of the total trade receivables as at December 31, 2009.

The Group has concentration of credit risk at 18.8% (2008: 14.0%) and 35.6% (2008: 29.9%) of the total trade receivables was due from the Group's largest customers and the five largest customers respectively.

43.2.5 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2009, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately HK$353 million (2008: HK$575 million) and HK$4,687 million (2008: HK$1,513 million) respectively.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as well as non-derivative financial assets which are included in the maturity analysis. For non-derivative financial assets, the tables have been drawn up based on the contractual maturities of the undiscounted cash flow of the financial assets. For non-derivative financial liabilities, the tables reflect the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay based on the agreed repayment terms. To the extent that the interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the foreign currency exchange rates prevailing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

43. Financial Instruments *(continued)*

43.2 Financial Risk Management Objectives and Policies *(continued)*

43.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	4 months to 1 year HK$'000	1-2 years HK$'000	2+ years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at December 31, 2009 HK$'000
The Group								
2009								
Non-derivative financial assets								
Held-for-trading investments	—	75,677	—	—	—	—	75,677	75,677
Available-for-sale investments	—	22,701	—	—	—	—	22,701	22,701
Trade and other receivables	—	1,949,672	2,097,063	402,909	—	—	4,449,644	4,449,644
Bills receivable	—	43,822	143,830	80,100	—	—	267,752	267,752
Trade receivables from associates	—	13	—	—	—	—	13	13
Bank balances, deposits and cash	0.11%-0.44%	2,713,464	611,726	—	—	—	3,325,190	3,322,753
Amounts due from associates	—	—	—	—	—	185,485	185,485	185,485
		4,805,349	2,852,619	483,009	—	185,485	8,326,462	8,324,025
Non-derivative financial liabilities								
Trade and other payables	—	(2,238,179)	(1,165,990)	(452,666)	—	—	(3,856,835)	(3,856,835)
Bills payable	—	(397,250)	(323,300)	—	—	—	(720,550)	(720,550)
Trade payable to an associate	—	—	(5,307)	—	—	—	(5,307)	(5,307)
Obligations under finance leases	9.93%	(2,376)	(4,752)	(21,384)	(27,885)	(63,846)	(120,243)	(90,945)
Discounted bills with recourse	2.40%	(879,113)	(1,162,453)	(537,691)	—	—	(2,579,257)	(2,566,158)
Variable rate borrowings	0.70%-4.06%	(679,481)	(869,801)	(1,297,532)	(127,295)	(13,855)	(2,987,964)	(2,948,638)
Fixed rate borrowings	6.09%-7.44%	—	—	(377,072)	(177,153)	(2,865,541)	(3,419,766)	(2,651,852)
Bank overdrafts	3.25%-5.00%	(214,756)	—	—	—	—	(214,756)	(214,756)
Financial guarantee contracts	—	(61,137)	—	—	—	—	(61,137)	—
Convertible bonds	15.57%	—	—	(98,940)	(98,940)	(1,411,350)	(1,609,230)	(950,202)
		(4,472,292)	(3,531,603)	(2,785,285)	(431,273)	(4,354,592)	(15,575,045)	(14,005,243)

43. Financial Instruments *(continued)*

43.2 Financial Risk Management Objectives and Policies *(continued)*

43.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	4 months to 1 year HK$'000	1-2 years HK$'000	2+ years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at December 31, 2009 HK$'000
Derivatives - net settlement								
Interest rate swap	—	—	(2,764)	(6,727)	(3,847)	21,642	8,304	3,428
Foreign currency forward contracts								
- RMB	—	—	497	9,973	—	—	10,470	10,470
- AU$	—	—	(1,990)	—	—	—	(1,990)	(1,990)
		—	(1,493)	9,973	—	—	8,480	8,480
		—	(4,257)	3,246	(3,847)	21,642	16,784	11,908
Derivatives - gross settlement								
Foreign currency forward contracts								
- inflow								
- RMB	—	—	233,171	461,558	—	—	694,729	694,729
- GBP	—	—	108,560	120,192	—	—	228,752	228,752
- US$	—	—	54,111	12,453	—	—	66,564	66,564
		—	395,842	594,203	—	—	990,045	990,045
- outflow								
- RMB	—	—	(232,810)	(465,619)	—	—	(698,429)	(698,429)
- GBP	—	—	(104,786)	(116,336)	—	—	(221,122)	(221,122)
- US$	—	—	(55,079)	(12,568)	—	—	(67,647)	(67,647)
		—	(392,675)	(594,523)	—	—	(987,198)	(987,198)
		—	3,167	(320)	—	—	2,847	2,847

43. Financial Instruments *(continued)*

43.2 Financial Risk Management Objectives and Policies *(continued)*

43.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 Months HK$'000	4 months to 1 year HK$'000	1-2 years HK$'000	2+ years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at December 31, 2008 HK$'000
The Group								
2008								
Non-derivative financial assets								
Held-for-trading investments	—	3,451	—	—	—	—	3,451	3,451
Available-for-sale investments	—	—	—	—	17,058	—	17,058	17,058
Trade and other receivables	—	1,341,939	1,518,439	655,205	—	—	3,515,583	3,515,583
Bills receivable	—	95,870	115,661	26,561	—	—	238,092	238,092
Trade receivables from associates	—	109	—	—	—	—	109	109
Bank balances, deposits and cash	0.17% - 4.87%	2,084,191	310,037	—	—	—	2,394,228	2,392,931
Amount due from associates	—	—	—	—	—	195,176	195,176	195,176
		3,525,560	1,944,137	681,766	17,058	195,176	6,363,697	6,362,400
Non-derivative financial liabilities								
Trade and other payables	—	(1,613,147)	(1,870,384)	(294,262)	—	—	(3,777,793)	(3,777,793)
Bills payable	—	(49,695)	(103,031)	(33)	—	—	(152,759)	(152,759)
Trade payable to an associate	—	—	—	(1,407)	—	—	(1,407)	(1,407)
Obligations under finance leases	9.81%	(1,536)	(3,071)	(13,820)	(20,740)	(65,619)	(104,786)	(77,080)
Discounted bills with recourse	3.96%	(792,725)	(1,109,502)	(582,645)	—	—	(2,484,872)	(2,462,611)
Variable rate borrowings	0.85% - 7.59%	(771,961)	(967,286)	(1,395,548)	(87,269)	(145,857)	(3,367,921)	(3,308,092)
Fixed rate borrowings	5.09% - 6.44%	—	—	(162,478)	(356,978)	(3,599,836)	(4,119,292)	(2,652,463)
Bank overdrafts	3.25% - 7.25%	(263,732)	—	—	—	—	(263,732)	(263,732)
Financial guarantee contracts	—	(31,659)	—	—	—	—	(31,659)	—
Convertible bonds	2.11%	—	—	(102,223)	—	—	(102,223)	(100,805)
		(3,524,455)	(4,053,274)	(2,552,416)	(464,987)	(3,811,312)	(14,406,444)	(12,796,742)
Derivatives - net settlement								
Interest rate swap	—	—	—	—	—	—	—	—
Foreign currency forward contracts								
- AU$	—	—	26,496	16,007	—	—	42,503	42,503
		—	26,496	16,007	—	—	42,503	42,503
Derivatives - gross settlement								
Foreign currency forward contracts								
- inflow								
- GBP	—	—	108,923	—	—	—	108,923	108,923
		—	108,923	—	—	—	108,923	108,923
- outflow								
- GBP	—	—	(97,850)	—	—	—	(97,850)	(97,850)
		—	(97,850)	—	—	—	(97,850)	(97,850)
		—	11,073	—	—	—	11,073	11,073

43. Financial Instruments *(continued)*

43.2 Financial Risk Management Objectives and Policies *(continued)*

43.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand HK$'000	1-3 Months HK$'000	4 months to 1 year HK$'000	1-2 years HK$'000	2+ years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at December 31, 2009 HK$'000
The Company								
2009								
Non-derivative financial assets								
Held-for-trading investments	—	75,677	—	—	—	—	75,677	75,677
Available-for-sale investments	—	—	—	—	1,695	—	1,695	1,695
Trade and other receivables	—	30,946	30,031	34,983	—	—	95,960	95,960
Bills receivable	—	(124)	11,580	49,237	—	—	60,693	60,693
Bank balances, deposits and cash	0.11%-0.44%	977,356	—	—	—	—	977,356	977,356
Amounts due from associates	—	—	—	—	—	175,485	175,485	175,485
Loan to/Amounts due from subsidiaries	7.875%-10.15%	8,176,720	—	—	—	2,284,084	10,460,804	10,091,723
		9,260,575	41,611	84,220	1,695	2,459,569	11,847,670	11,478,589
Non-derivative financial liabilities								
Trade and other payables	—	(111,502)	(156,804)	(79,119)	(2,462)	(252)	(350,139)	(350,139)
Bills payable	—	(356,337)	(190,298)	—	—	—	(546,635)	(546,635)
Amounts due to subsidiaries	—	(1,488,460)	(275,005)	(1,166,481)	—	—	(2,929,946)	(2,929,946)
Amounts due to associates	—	—	(5,307)	—	—	—	(5,307)	(5,307)
Obligations under finance leases	3.86%	(48)	(96)	(435)	(431)	—	(1,010)	(972)
Discounted bills with recourse	2.40%	(232,631)	(937,385)	(353,289)	—	—	(1,523,305)	(1,514,007)
Unsecured borrowings	0.70%-4.06%	(220,526)	(839,741)	(551,819)	(119,170)	—	(1,731,256)	(1,716,521)
Financial guarantee contracts	—	(4,802,720)	—	—	—	—	(4,802,720)	—
Convertible bonds	15.57%	—	—	(98,940)	(98,940)	(1,411,350)	(1,609,230)	(950,202)
		(7,212,224)	(2,404,636)	(2,250,083)	(221,003)	(1,411,602)	(13,499,548)	(8,013,729)
Derivatives - net settlement								
Interest rate swaps	—	—	(2,764)	(6,727)	(3,847)	21,642	8,304	3,428
Foreign currency forward contracts	—	—	497	9,973	—	—	10,470	10,470
		—	(2,267)	3,246	(3,847)	21,642	18,774	13,898

43. Financial Instruments *(continued)*

43.2 Financial Risk Management Objectives and Policies *(continued)*

43.2.5 Liquidity Risk Management *(continued)*

***Liquidity tables** (continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand HK$'000	1-3 Months HK$'000	4 months to 1 year HK$'000	1-2 years HK$'000	2+ years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at December 31, 2008 HK$'000
The Company								
2008								
Non-derivative financial assets								
Available-for-sale investments	—	—	—	—	1,695	—	1,695	1,695
Trade and other receivables	—	17,207	17,727	9,054	—	—	43,988	43,988
Bills receivable	—	1,582	—	1,570	—	—	3,152	3,152
Bank balances, deposits and cash	0.17% - 4.87%	861,884	—	—	—	—	861,884	861,884
Amounts due from associates	—	—	—	—	—	185,176	185,176	185,176
Loan to/Amounts due from subsidiaries	7.875% - 10.15%	5,776,468	—	—	—	2,175,956	7,952,424	7,599,616
		6,657,141	17,727	10,624	1,695	2,361,132	9,048,319	8,695,511
Non-derivative financial liabilities								
Trade and other payables	—	(233,370)	(307,024)	(91,218)	—	—	(631,612)	(631,612)
Bills payable	—	(24,153)	(102,081)	—	—	—	(126,234)	(126,234)
Amounts due to subsidiaries	—	(634,792)	—	—	—	—	(634,792)	(634,792)
Amounts due to associates	—	—	(1,407)	—	—	—	(1,407)	(1,407)
Obligations under finance leases	6.68%	(80)	(159)	(716)	(955)	(758)	(2,668)	(2,501)
Discounted bills with recourse	3.96%	(730,421)	(1,215,721)	(361,843)	—	—	(2,307,985)	(2,290,707)
Unsecured borrowings	0.85% - 7.59%	(376,676)	(93,453)	(879,877)	(81,083)	(126,549)	(1,557,638)	(1,519,776)
Financial guarantee contracts	—	(5,481,871)	—	—	—	—	(5,481,871)	—
Convertible bonds	2.11%	—	—	(102,223)	—	—	(102,223)	(100,805)
		(7,481,363)	(1,719,845)	(1,435,877)	(82,038)	(127,307)	(10,846,430)	(5,307,834)

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

43. Financial Instruments *(continued)*

43.3 Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- the fair value of the interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from noted interest rate;
- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Other than the convertible bonds, the fair value of financial assets and financial liabilities carried at amortised costs approximate to their carrying amounts.

Fair value measurements recognised in the statement of financial position

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments that are measured subsequent to initial recognition at fair value:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or, liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

43. Financial Instruments *(continued)*

43.3 Fair Value *(continued)*

Fair value measurements recognised in the statement of financial position *(continued)*

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
The Group			
2009			
Financial assets			
Foreign currency forward contracts	—	18,485	18,485
Interest rate swap	—	3,428	3,428
Held-for-trading investments	75,677	—	75,677
Total	75,677	21,913	97,590
Financial liabilities			
Foreign currency forward contracts	—	(7,158)	(7,158)
Total	75,677	14,755	90,432
The Company			
2009			
Financial assets			
Foreign currency forward contracts	—	10,470	10,470
Interest rate swap	—	3,428	3,428
Held-for-trading investments	75,677	—	75,677
Total	75,677	13,898	89,575

44. Unsecured Borrowings

	The Group		The Company	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Trust receipt loans	**459,991**	99,093	**333,947**	—
Bank advance from factored trade receivables	**547,744**	324,426	**—**	—
Bank loans	**1,940,903**	2,884,573	**1,382,574**	1,519,776
Bank borrowings	**2,948,638**	3,308,092	**1,716,521**	1,519,776
Fixed interest rate notes (Note)	**2,651,852**	2,652,463	**—**	—
Total borrowings	**5,600,490**	5,960,555	**1,716,521**	1,519,776

The borrowings of the Group and the Company are repayable as follows:

	The Group		The Company	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Fixed rate				
On demand or within one year	**191,490**	—	**—**	—
In more than one year but not more than two years	**—**	191,275	**—**	—
In more than two years but not more than five years	**1,304,453**	1,303,886	**—**	—
More than five years	**1,155,909**	1,157,302	**—**	—
Floating rate				
On demand or within one year	**2,812,856**	3,089,852	**1,600,121**	1,325,276
In more than one year but not more than two years	**122,860**	83,735	**116,400**	77,800
In more than two years but not more than five years	**12,922**	134,505	**—**	116,700
	5,600,490	5,960,555	**1,716,521**	1,519,776
Less: Amount due within one year shown under current liabilities	**(3,004,346)**	(3,089,852)	**(1,600,121)**	(1,325,276)
Amount due after one year	**2,596,144**	2,870,703	**116,400**	194,500

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2009	2008
Effective interest rate:		
Fixed-rate borrowings	**6.09% to 7.44%**	5.09% to 6.44%
Variable-rate borrowings	**0.70% to 4.06%**	0.85% to 7.59%

44. Unsecured Borrowings *(continued)*

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HK$'000
As at December 31, 2009	**1,835,161**
As at December 31, 2008	2,661,389

Note: In 2003, the Group issued fixed interest rate notes, through its wholly-owned entity in the US, for an aggregate principal amount of US$145,000,000. The notes were issued in two fixed rate tranches, being US$120,000,000 for 10 years at 6.70% (2008: 5.70%) per annum and US$25,000,000 for 7 years at 6.09% (2008: 5.09%) per annum. The proceeds were used to refinance existing medium term debts and for general working capital purposes.

In 2005, the Group issued additional fixed interest rate notes, through its wholly-owned entity in the US, for an aggregate principal amount of US$200,000,000. The notes were issued in two fixed rate tranches of US$150,000,000 for 10 years at 7.44% (2008: 6.44%) per annum and US$50,000,000 for 7 years at 7.17% (2008: 6.17%) per annum. The proceeds were used to finance the acquisition of subsidiaries.

The carrying amount of bank borrowings approximates their fair value as the weighted average interest rates approximate the contracted market rates.

45. Convertible Bonds

The movement of the liability component of the convertible bonds for the year is set out below:

	The Group and The Company	
	2009 HK$'000	2008 HK$'000
Liability component at the beginning of the year	**100,805**	98,299
Effective interest expense	**86,426**	2,506
Issue of convertible bonds	**910,544**	—
Repayment	**(147,573)**	—
Liability component at the end of the year	**950,202**	100,805

The fair value of the liability component of the convertible bonds at December 31, 2009, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate at the end of the reporting period date, was approximately HK$1,073,083,000 (2008: HK$100,822,000).

In 2004, the Group issued 5-year zero coupon convertible bonds at par, due in July, 2009 (the "Convertible Bonds 2009"), for an aggregate principal amount of US$140,000,000 (approximately HK$1,092,000,000). The Convertible Bonds 2009 are convertible, at the option of bondholders, into ordinary shares of HK$0.10 each of the Company at an initial conversion price of US$2.1247 per share, subject to anti-dilutive adjustment, at any time from August 7, 2006 to July 1, 2009.

45. Convertible Bonds *(continued)*

The Convertible Bonds 2009 contain two components, a liability and an equity element. The equity element is presented in equity as "Convertible bonds equity reserve". The effective interest rate of the liability component is 2.11%.

On July 8, 2007, the bondholders early redeemed part of the Convertible Bonds 2009 with a principal amount of US$127,850,000 (approximately HK$997,230,000) at 104.59%. The remaining Convertible Bonds were redeemed at 107.76% of the principal amount of US$12,150,000 on the maturity date of July 8, 2009.

In 2009, the Group issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principal amount of US$150,000,000 (approximately HK$1,170,000,000 ("Convertible Bonds 2014")) and 55,888,500 detachable warrants ("Warrants 2012"). Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds 2014 will be redeemed at their principal amount on the maturity date at April 30, 2014. The Warrants 2012 are detachable from the Convertible Bonds 2014 (see Note 46 for details of the warrants).

The holders of the Convertible Bonds 2014 have the right to convert all or any portion of the Convertible Bonds 2014 into shares of the Company at an initial conversion price of HK$5.20 (to be converted to United States dollars at the fixed exchange rate of HK$7.75 = US$1.0) per share, subject to anti-dilutive adjustment, from October 30, 2010 to April 20, 2014 ("Conversion Rights"). The conversion will result in the Company issuing a fixed number of shares of the Company in settlement of a fixed amount of cash.

At the option of the Convertible Bond 2014's holders, on April 30, 2012, the holders may redeem Convertible Bond 2014 at the principal amount plus accrued interest to the date of redemption. The embedded options are closely related to the liability component of Convertible Bond 2014 and hence not separately accounted for.

The fair value of the liability component was estimated at the issue date using an equivalent market interest rate for a similar bond without the Conversion Rights and Warrants 2012. The residual amount is assigned as the equity component, representing the estimated fair value of the Warrants 2012 with the remaining balance is allocated to the Conversion Rights and is included in shareholders' equity.

The weighted average effective interest rate of the Convertible Bonds 2014 is 15.57%.

46. Share Capital

	2009 Number of shares	2008 Number of shares	**2009 HK$'000**	2008 HK$'000
Ordinary shares				
Authorised:				
Shares of HK$0.10 each	**2,400,000,000**	2,400,000,000	**24,000**	24,000
Issued and fully paid:				
At the beginning of the year	**1,501,252,152**	1,501,252,152	**150,125**	150,125
Issue of shares by private placement	**90,000,000**	—	**9,000**	—
At the end of the year	**1,591,252,152**	1,501,252,152	**159,125**	150,125

46. Share Capital *(continued)*

On August 10, 2009, 90,000,000 existing ordinary shares in the Company were placed at the price of HK$6.73 per share (the "Placing Price") through a share placement arrangement ("Share Placement") and the Company subsequently issued 90,000,000 new ordinary shares ("New Shares"), with a view to enhance the capital base of the Company. The share placement was made to Sunning Inc., a company incorporated in the Cayman Islands with limited liability, whose shares are wholly owned by Mr. Horst Pudwill, the chairman of the Company. The Placing Price represented a discount of 1.0% of the closing price of HK$6.8 per share in the Company as quoted on the Stock Exchange on August 7, 2009.

The New Shares represented 6% of the issued share capital of the Company prior to the Share Placement. The issue price of the New Shares was HK$6.73 per share, which is equivalent to the "Placing Price". A net amount of HK$590 million in aggregate, after deducting all related expenses of the Share Placement, was received. As such, the net price for New Shares was HK$6.58.

It was considered that the placing and subscription would enhance the capital base of the Company. The net proceeds were used to reduce borrowings and to provide additional working capital for the Company. These New Shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on May 27, 2009 and rank pari passu with other shares in issue in all respects.

Details of the share options are set out in Note 53.

Warrants

Warrants 2012 are detachable from the Convertible Bonds 2014 issued during the year. Each Warrant 2012 entitles its holders to convert a warrant at an exercise price of HK$5.10 (to be converted to United States dollars at the fixed exchange rate of HK$7.75 = US$1.0) for one ordinary share of the Company, at any time from April 30, 2010 to April 30, 2012.

47. Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible bonds equity reserve HK$'000	Warrant reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
The Company							
At January 1, 2008	2,898,646	436	2,285	—	27,797	2,849,459	5,778,623
Profit for the year and other comprehensive income	—	—	—	—	—	242,100	242,100
Recognition of equity settled share-based payments	—	—	—	—	21,460	—	21,460
Lapse of share options	—	—	—	—	(6,868)	6,868	—
Final dividend - 2007	—	—	—	—	—	(22,519)	(22,519)
Interim dividend - 2008	—	—	—	—	—	(45,037)	(45,037)
At December 31, 2008	2,898,646	436	2,285	—	42,389	3,030,871	5,974,627
Loss for the year and other comprehensive loss	—	—	—	—	—	(37,651)	(37,651)
Share issued at a premium	596,700	—	—	—	—	—	596,700
Transaction costs attributable to issue of shares	(15,933)	—	—	—	—	—	(15,933)
Release of deferred tax liabilities on redemption of convertible bonds	—	—	485	—	—	—	485
Transfer to retained profits upon redemption of convertible bonds	—	—	(2,770)	—	—	2,770	—
Recognition of equity component of convertible bonds/warrants	—	—	115,563	112,494	—	—	228,057
Transaction costs attributable to issue of convertible bonds/warrants	—	—	(3,852)	(3,750)	—	—	(7,602)
Deferred tax liability on recognition of equity components of convertible bonds	—	—	(42,810)	—	—	—	(42,810)
Recognition of equity settled share-based payments	—	—	—	—	10,800	—	10,800
Lapse of share options	—	—	—	—	(5,033)	5,033	—
Final dividend - 2008	—	—	—	—	—	(45,038)	(45,038)
Interim dividend - 2009	—	—	—	—	—	(47,737)	(47,737)
At December 31, 2009	**3,479,413**	**436**	**68,901**	**108,744**	**48,156**	**2,908,248**	**6,613,898**

As at December 31, 2009, the Company's reserves available for distribution to shareholders comprised the retained profits of HK$2,908,248,000 (2008: HK$3,030,871,000).

48. Retirement Benefits Obligations

Defined Contribution Plans:

The Company and its subsidiaries operating in Hong Kong have participated in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Ordinance since December, 2000.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group's overseas subsidiaries operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll.

Defined Benefits Plans:

The Group operates several defined benefit plans for qualifying employees of its subsidiaries in Germany and the US, of which these plans covered substantially all remaining employees that are not covered by defined contribution plans. The major defined benefit plans are as follows:

	2009 **HK$'000**	2008 HK$'000
Pension plan obligations (Note i)	**618,350**	599,682
Post-retirement, medical and dental plan obligations (Note ii)	**24,011**	32,410
Life and medical insurance plan (Note ii)	**15,787**	32,803
Post-employment benefit plan obligations (Note iii)	**73,694**	95,185
Others	**5,425**	8,156
	737,267	768,236

Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes a plan that pays retirement benefits on service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the employees are entitled to retirement benefits varying between 10 and 20 per cent of final salary (based on the average of the last three years) on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out on December 7, 2009, by BDO Deutsche Warentreuhand Aktiengesellschaft, Germany.

Note ii: Post-retirement, medical and dental plan obligations/ Life and medical insurance plan

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the USA, operates unfunded post-retirement, medical benefits, dental and life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on January 22, 2010 by Willis North America, Inc.

Note iii: Post-employment plan obligations

The pension plan obligations are provided by Hoover Inc. for members of IBEW (International Brotherhood of Electrical Workers) Local 1985 employed by Hoover. The most recent actuarial valuation of the present value of the obligations were carried out on December 31, 2009 by CBIZ Benefits & Insurance Services.

48. Retirement Benefits Obligations *(continued)*

The main actuarial assumptions used were as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Discount rate	**5.60%**	5.25%	**4.25%**	5.50%	**5.25%**	5.50%	**5.55%**	6.09%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	3.00%
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**4.00%**	4.00%
Future pension increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Medical cost inflation (ultimate)	**N/A**	N/A	**5.00%**	5.00%	**5.00%**	5.00%	**N/A**	N/A

The effect of an increase of one percentage point in the assumed medical cost inflation on current service cost and interest cost accumulated post-employment benefit obligations are as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Current service cost and Interest cost	**N/A**	N/A	**20**	37	**45**	71	**N/A**	N/A
Accumulated post- employment benefit obligation for medical costs	**N/A**	N/A	**476**	677	**864**	1,297	**N/A**	N/A

Amounts recognised in profit or loss in respect of the plans are as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Current service cost	**4,212**	8,668	**—**	960	**—**	—	**—**	9,984
Actuarial loss (gain)	**36,054**	(70,747)	**(1,167)**	(6,590)	**(16,713)**	(1,456)	**6,506**	4,573
Expected return on plan assets	**—**	—	**—**	—	**—**	—	**(18)**	—
Curtailment gain	**—**	—	**—**	(61,944)	**—**	—	**—**	(42,670)
Interest cost	**27,689**	35,440	**1,512**	2,873	**963**	911	**5,924**	7,786
Past service cost	**—**	—	**—**	—	**—**	—	**(2,605)**	1,080
	67,955	(26,639)	**345**	(64,701)	**(15,750)**	(545)	**9,807**	(19,247)

The charge for the year has been included in staff costs.

48. Retirement Benefits Obligations *(continued)*

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of the plans is as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Present value of funded obligations	**—**	—	**—**	—	**—**	—	**102,932**	105,836
Present value of plan assets	**—**	—	**—**	—	**—**	—	**(29,238)**	(10,651)
	—	—	**—**	—	**—**	—	**73,694**	95,185
Present value of unfunded obligations	**618,350**	599,682	**24,011**	32,410	**15,787**	32,803	**—**	—
	618,350	599,682	**24,011**	32,410	**15,787**	32,803	**73,694**	95,185

Movements in the present value of the defined benefit obligations in the current year were as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
At January 1	**599,682**	688,271	**32,410**	108,069	**32,803**	34,950	**105,836**	134,281
Exchange differences	**4,281**	(25,140)	**(73)**	(179)	**(180)**	(87)	**(269)**	(352)
Current service cost	**4,212**	8,668	**—**	960	**—**	—	**—**	9,984
Actuarial loss (gain)	**36,054**	(70,747)	**(1,167)**	(6,590)	**(16,713)**	(1,456)	**6,506**	4,573
Curtailment gain	**—**	—	**—**	(61,944)	**—**	—	**—**	(42,670)
Interest cost	**27,689**	35,440	**1,512**	2,873	**963**	911	**5,924**	7,786
Past service cost	**—**	—	**—**	—	**—**	—	**(2,605)**	1,080
Benefit paid	**(53,568)**	(36,810)	**(8,671)**	(10,779)	**(1,086)**	(1,515)	**(12,460)**	(8,846)
At December 31	**618,350**	599,682	**24,011**	32,410	**15,787**	32,803	**102,932**	105,836

48. Retirement Benefits Obligations *(continued)*

Movements in the fair value of the plan assets in the current year were as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
At January 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**10,652**	—
Exchange differences	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(52)**	(13)
Returns from plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**18**	35
Contribution from employer	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**31,080**	19,475
Benefit paid	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(12,460)**	(8,846)
At December 31	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**29,238**	10,651

The plan assets of the post-employment benefit plan are being cash in a Federated Money Market Fund with an expected return of 4% (2008: 4%).

The Group expects to make a contribution of HK$31,040,000 (2008: HK$31,120,000) to the defined benefit plans during the next financial year.

Note:

One World Technologies, Inc., a subsidiary of the Group in the United States operates another defined benefit scheme. The pension costs of this defined benefit scheme are assessed in accordance with an actuarial valuation as at January 1, 2010 performed by Aon Consulting, an employee benefits consulting group, using the projected unit credit method. No medical trend rate assumption is necessary as at December 31, 2009 and 2008 since all retirees are assumed to be affected by the fixed dollar subsidy and a discount rate of 5.14% (2008: 6.25%) was assumed for calculating the actuarial valuation.

There are no assets set aside for these benefits and the plan is funded on a pay-as-you-go basis. The accrued benefit costs under this scheme are to be reimbursed by a former shareholder of the overseas subsidiary in accordance with an assignment assumption, reimbursement and indemnification agreement. As such, the overseas subsidiary has set up a receivable and an accrued benefit cost of the same amount of approximately HK$20,349,000 (2008: HK$20,674,000) as at December 31, 2009.

49. Deferred Tax Assets (Liabilities)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation HK$'000	Warranty provision HK$'000	Convertible bonds equity reserve HK$'000	Employee related provision HK$'000	Tax losses HK$'000	Inventory related items HK$'000	Others HK$'000	Total HK$'000
The Group								
At January 1, 2008	(49,377)	95,804	(485)	116,660	196,557	(283,347)	166,493	242,305
Currency realignment	227	(1,158)	—	(2,278)	(34,969)	4	458	(37,716)
(Charge) credit to profit or loss	22,129	(51,865)	—	(64,701)	179,108	59,953	(132,223)	12,401
At December 31, 2008	**(27,021)**	**42,781**	**(485)**	**49,681**	**340,696**	**(223,390)**	**34,728**	**216,990**
Currency realignment	**198**	**649**	**—**	**434**	**6,565**	**1,466**	**1,767**	**11,079**
Charge to equity	**—**	**—**	**(42,325)**	**—**	**—**	**—**	**—**	**(42,325)**
(Charge) credit to profit or loss	**(86,475)**	**(7,932)**	**5,150**	**84,517**	**147,685**	**(183,958)**	**58,595**	**17,582**
At December 31, 2009	**(113,298)**	**35,498**	**(37,660)**	**134,632**	**494,946**	**(405,882)**	**95,090**	**203,326**

	Accelerated tax depreciation HK$'000	Convertible bonds equity reserve HK$'000	Total HK$'000
The Company			
At January 1, 2008	(9,633)	(485)	(10,118)
Charge to profit or loss	(3,108)	—	(3,108)
At December 31, 2008	**(12,741)**	**(485)**	**(13,226)**
Charge to equity	**—**	**(42,325)**	**(42,325)**
Credit to profit or loss	**11,152**	**5,150**	**16,302**
At December 31, 2009	**(1,589)**	**(37,660)**	**(39,249)**

Note: Included in others are the deferred tax impact of the restructuring provision, intellectual properties and other temporary differences.

49. Deferred Tax Assets (Liabilities) *(continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Deferred tax assets	**575,524**	637,361	**—**	—
Deferred tax liabilities	**(372,198)**	(420,371)	**(39,249)**	(13,226)
	203,326	216,990	**(39,249)**	(13,226)

At the end of the reporting period, the Group has unused tax losses of HK$2,476 million (2008: HK$1,463 million) available for the offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of tax losses of HK$758 million (2008: HK$439 million) due to the unpredictability of future profit streams.

Management believe future taxable income will be sufficient to realize the full value of net deferred tax assets.

The Group incurred tax losses in various tax jurisdictions including the United States of America, Germany, the United Kingdom and New Zealand in the current or preceding year. As at December 31, 2009, the Group recognised deferred tax assets in these tax jurisdictions amounting to HK$486,303,000 (2008: HK$338,971,000). The realisation of the deferred tax assets is based on there are tax planning opportunities are available to the Group that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilised.

50. Major Non-Cash Transactions

During the year ended December 31, 2009, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of HK$35,113,000 (2008: HK$53,169,000).

During the year ended December 31, 2008, a finance lease with a carrying value of HK$108,256,000 was early terminated during the year.

51. Lease Commitments

At the end of the reporting period, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**175,013**	192,225	**—**	9,842
In the second to fifth year inclusive	**313,913**	324,632	**6,290**	7,502
After five years	**220,760**	221,244	**—**	17,822
	709,686	738,101	**6,290**	35,166

Operating lease payments represent rentals payable by the Group and the Company for certain of its plant and machinery, motor vehicles, office properties and other assets. Leases are negotiated for a term ranging from 1 year to 10 years.

52. Contingent Liabilities

	The Group		The Company	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**61,137**	31,659	**61,137**	31,659

In addition, the Company has given guarantees to banks and independent third parties in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries as at December 31, 2009 amounted to HK$4,741,583,000 (2008: HK$5,450,212,000).

53. Share Options

Scheme adopted on March 28, 2002 ("Scheme C") and terminated on March 27, 2007

Scheme C was adopted pursuant to a resolution passed on March 28, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expired on March 27, 2007. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Non-executive Directors (including Independent Non-executive Directors); or

(iii) suppliers or customers; or

(iv) any person or entity that provides research, development or other technological support; or

(v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting conditions from the date of grant to the fifth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

53. Share Options *(continued)*

Scheme adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Non-executive Directors (including Independent Non-executive Directors or officers); or

(iii) secondees; or

(iv) business partners, agents, consultants; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting conditions from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

53. Share Options *(continued)*

The following table discloses movements in the Company's share options during the year:

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	25.2.2004	Scheme C	400,000	—	—	(400,000)	—	12.170	25.2.2004 – 24.2.2009
	16.11.2009	Scheme D	—	600,000	—	—	600,000	6.770	16.11.2009 – 15.11.2019
Dr Roy Chi Ping Chung JP	25.2.2004	Scheme C	400,000	—	—	(400,000)	—	12.170	25.2.2004 – 24.2.2009
	16.11.2009	Scheme D	—	600,000	—	—	600,000	6.770	16.11.2009 – 15.11.2019
Mr Joseph Galli Jr	1.11.2006	Scheme C	1,500,000	—	—	—	1,500,000	11.252	1.11.2006 – 31.10.2011
	6.3.2007	Scheme C	1,000,000	—	—	—	1,000,000	10.572	6.3.2007 – 5.3.2012
	16.11.2009	Scheme D	—	1,000,000	—	—	1,000,000	6.770	16.11.2009 – 15.11.2019
Mr Kin Wah Chan	1.3.2004	Scheme C	1,000,000	—	—	(1,000,000)	—	12.525	1.3.2004 – 28.2.2009
	16.11.2009	Scheme D	—	1,000,000	—	—	1,000,000	6.770	16.11.2009 – 15.11.2019
Mr Chi Chung Chan	25.2.2004	Scheme C	1,000,000	—	—	(1,000,000)	—	12.170	25.2.2004 – 24.2.2009
	1.3.2004	Scheme C	500,000	—	—	(500,000)	—	12.525	1.3.2004 – 28.2.2009
	16.11.2009	Scheme D	—	1,000,000	—	—	1,000,000	6.770	16.11.2009 – 15.11.2019
Mr Stephan Horst Pudwill	1.3.2004	Scheme C	100,000	—	—	(100,000)	—	12.525	1.3.2004 – 28.2.2009
	16.11.2009	Scheme D	—	1,000,000	—	—	1,000,000	6.770	16.11.2009 – 15.11.2019
Mr Vincent Ting Kau Cheung	16.11.2009	Scheme D	—	400,000	—	—	400,000	6.770	16.11.2009 – 15.11.2019
Mr Joel Arthur Schleicher	25.2.2004	Scheme C	100,000	—	—	(100,000)	—	12.170	25.2.2004 – 24.2.2009
	16.11.2009	Scheme D	—	400,000	—	—	400,000	6.770	16.11.2009 – 15.11.2019
Mr Christopher Patrick	25.2.2004	Scheme C	100,000	—	—	(100,000)	—	12.170	25.2.2004 – 24.2.2009
Langley OBE	16.11.2009	Scheme D	—	400,000	—	—	400,000	6.770	16.11.2009 – 15.11.2019
Mr Manfred Kuhlmann	7.2.2005	Scheme C	100,000	—	—	—	100,000	17.750	7.2.2005 – 6.2.2010
	16.11.2009	Scheme D	—	400,000	—	—	400,000	6.770	16.11.2009 – 15.11.2019
Mr Peter David Sullivan	16.11.2009	Scheme D	—	400,000	—	—	400,000	6.770	16.11.2009 – 15.11.2019
Total for directors			**6,200,000**	**7,200,000**	**—**	**(3,600,000)**	**9,800,000**		

53. Share Options *(continued)*

The following table discloses movements in the Company's share options during the year: *(continued)*

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	1.3.2004	Scheme C	4,180,000	—	—	(4,180,000)	—	12.525	1.3.2004 – 28.2.2009
	14.4.2004	Scheme C	200,000	—	—	(200,000)	—	12.950	14.4.2004 – 13.4.2009
	7.6.2004	Scheme C	200,000	—	—	(200,000)	—	12.000	7.6.2004 – 6.6.2009
	2.10.2004	Scheme C	1,000,000	—	—	(1,000,000)	—	15.350	2.10.2004 – 1.10.2009
	13.12.2004	Scheme C	250,000	—	—	(250,000)	—	15.710	13.12.2004 – 12.12.2009
	7.4.2005	Scheme C	200,000	—	—	—	200,000	17.210	7.4.2005 – 6.4.2010
	17.6.2005	Scheme C	250,000	—	—	—	250,000	17.950	17.6.2005 – 16.6.2010
	1.1.2006	Scheme C	300,000	—	—	(250,000)	50,000	18.690	1.1.2006 – 31.12.2010
	1.3.2006	Scheme C	2,390,000	—	—	(75,000)	2,315,000	13.970	1.3.2006 – 28.2.2011
	15.6.2006	Scheme C	200,000	—	—	—	200,000	10.270	15.6.2006 – 14.6.2011
	17.6.2006	Scheme C	350,000	—	—	—	350,000	10.550	17.6.2006 – 16.6.2011
	4.10.2006	Scheme C	75,000	—	—	—	75,000	11.628	4.10.2006 – 3.10.2011
	8.11.2006	Scheme C	30,000	—	—	—	30,000	12.200	8.11.2006 – 7.11.2011
	4.12.2006	Scheme C	150,000	—	—	—	150,000	10.952	4.12.2006 – 3.12.2011
	13.12.2006	Scheme C	20,000	—	—	—	20,000	10.560	13.12.2006 – 12.12.2011
	1.1.2007	Scheme C	150,000	—	—	—	150,000	10.080	1.1.2007 – 31.12.2011
	6.3.2007	Scheme C	5,470,000	—	—	(635,000)	4,835,000	10.572	6.3.2007 – 5.3.2012
	20.7.2007	Scheme D	300,000	—	—	(100,000)	200,000	10.060	20.7.2007 – 19.7.2017
	24.8.2007	Scheme D	2,510,000	—	—	(200,000)	2,310,000	8.390	24.8.2007 – 23.8.2017
	16.10.2007	Scheme D	75,000	—	—	—	75,000	8.810	16.10.2007 – 15.10.2017
	7.11.2007	Scheme D	40,000	—	—	—	40,000	8.088	7.11.2007 – 6.11.2017
	23.11.2007	Scheme D	500,000	—	—	—	500,000	7.578	23.11.2007 – 22.11.2017
	14.1.2008	Scheme D	1,870,000	—	—	(550,000)	1,320,000	7.566	14.1.2008 – 13.1.2018
	17.4.2008	Scheme D	2,150,000	—	—	(225,000)	1,925,000	7.780	17.4.2008 – 16.4.2018
	14.5.2008	Scheme D	240,000	—	—	—	240,000	7.500	14.5.2008 – 13.5.2018
	30.5.2008	Scheme D	640,000	—	—	—	640,000	7.546	30.5.2008 – 29.5.2018
	1.9.2008	Scheme D	150,000	—	—	—	150,000	7.450	1.9.2008 – 31.8.2018
	2.9.2008	Scheme D	300,000	—	—	—	300,000	7.388	2.9.2008 – 1.9.2018
	11.9.2008	Scheme D	50,000	—	—	—	50,000	7.430	11.9.2008 – 10.9.2018
	2.10.2008	Scheme D	75,000	—	—	—	75,000	7.068	2.10.2008 – 1.10.2018
	1.12.2008	Scheme D	100,000	—	—	—	100,000	2.340	1.12.2008 – 30.11.2018
	16.11.2009	Scheme D	—	7,570,000	—	—	7,570,000	6.770	16.11.2009 – 15.11.2019
	7.12.2009	Scheme D	—	100,000	—	—	100,000	6.790	7.12.2009 – 6.12.2019
	21.12.2009	Scheme D	—	300,000	—	—	300,000	6.350	21.12.2009 – 20.12.2019
	28.12.2009	Scheme D	—	30,000	—	—	30,000	6.390	28.12.2009 – 27.12.2019
Total for employees			**24,415,000**	**8,000,000**	**—**	**(7,865,000)**	**24,550,000**		
Total for all categories			**30,615,000**	**15,200,000**	**—**	**(11,465,000)**	**34,350,000**		

53. Share Options *(continued)*

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Option type	Outstanding at 1.1.2009	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at 12.31.2009
Scheme C	**21,615,000**	**—**	**—**	**(10,390,000)**	**11,225,000**
Scheme D	**9,000,000**	**15,200,000**	**—**	**(1,075,000)**	**23,125,000**
	30,615,000	**15,200,000**	**—**	**(11,465,000)**	**34,350,000**

Option type	Outstanding at 1.1.2008	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at 12.31.2008
Scheme C	30,326,000	—	—	(8,711,000)	21,615,000
Scheme D	3,625,000	6,065,000	—	(690,000)	9,000,000
	33,951,000	6,065,000	—	(9,401,000)	30,615,000

Details of the share options held by the directors included in the above table are as follows:

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2009	**6,200,000**	**7,200,000**	**—**	**(3,600,000)**	**9,800,000**

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2008	8,560,000	—	—	(2,360,000)	6,200,000

53. Share Options *(continued)*

The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	Exercise price HK$	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
For the year ended December 31, 2009					
16.11.2009	**6.770**	**3 years**	**41%**	**0.793%**	**1.5%**
7.12.2009	**6.790**	**3 years**	**41%**	**0.817%**	**1.5%**
21.12.2009	**6.350**	**3 years**	**41%**	**0.947%**	**1.5%**
28.12.2009	**6.390**	**3 years**	**41%**	**1.101%**	**1.5%**
For the year ended December 31, 2008					
14.1.2008	7.566	3 years	35%	2.082%	1.5%
17.4.2008	7.780	3 years	35%	1.731%	1.5%
24.4.2008	7.818	3 years	35%	1.888%	1.5%
14.5.2008	7.500	3 years	35%	2.248%	1.5%
30.5.2008	7.546	3 years	35%	2.447%	1.5%
1.9.2008	7.450	3 years	35%	2.378%	1.5%
2.9.2008	7.388	3 years	35%	2.409%	1.5%
11.9.2008	7.430	3 years	35%	2.203%	1.5%
2.10.2008	7.068	3 years	35%	2.055%	1.5%
1.12.2008	2.340	3 years	35%	1.028%	1.5%

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The weighted average closing price of the Company's shares on various dates of grant was HK$6.84 (2008: HK$7.48) per option.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised a total expense of HK$10,800,000 for the year ended December 31, 2009 (2008: HK$21,460,000) in relation to share options granted by the Company.

The fair values of the share options granted in the current year measured as at various dates of grant ranged from HK$1.65 to HK$1.75 (2008: ranged from HK$0.52 to HK$1.79) per option. The weighted average fair value of the share options granted in the current year was HK$1.75 (2008: HK$1.75) per option.

The share options are vested in whole or in parts over 3 years from the date of grant.

54. Capital Commitments

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital expenditure in respect of the purchase of property, plant and equipment and licence:				
Contracted for but not provided	**68,744**	242,739	**7,092**	29,002
Authorised but not contracted for	**13,773**	16,076	**—**	—

55. Event After The Reporting Period

On March 11 and 12, 2010, the Company paid approximately HK$90,992,000 to buy back 37,281,610 warrants issued to the holders of the Convertible Bonds 2014.

On February 26, 2010, the Company has entered into an up to US$330,000,000 dual-tranche amortising syndicated loan. Tranche A, representing 85% of the syndicated loan with final maturity in 2015, to refinance existing borrowings. Tranche B, representing the balance 15%, final matures in 2014 for working capital.

56. Related Party Transactions

During the year, the Group entered into the following transactions with associates:

	2009	2008
	HK$'000	HK$'000
Management fee expenses	**70**	275
Sales income	**248**	491
Equipment charge income	**1,917**	1,886
Purchases	**61,616**	26,974

The remuneration of directors and other members of key management during the year was as follows:

	2009	2008
	HK$'000	HK$'000
Short-term benefits	**141,025**	148,826
Post-employment benefits	**1,142**	1,130
Share-based payments	**1,374**	608
	143,541	150,564

Details of the balances with related parties are set out in the consolidated statement of financial position Notes 22, 23, 28, 29 and 37.

57. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2009 and December 31, 2008 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
A&M Industries S.à.r.l.	Luxembourg	EUR 412,500	—	100	Investment holding
AC (Macao Commercial Offshore) Limited	Macau	MOP 780,000	—	100	Trading of power equipment and floor care product
AEG Electric Tools GmbH	Germany	EUR 20,451,675	—	100	Trading and manufacture of power equipment products
Baja, Inc.	US	US$ 17.36	—	75	Trading of outdoor power equipment products
Digiwireless Limited	Hong Kong	HK$ 2	100	—	Investment holding
DreBo Werkzeugfabrik GmbH *	Germany	EUR 1,000,000	—	100	Trading and manufacture of power equipment products
Homelite Asia (Dongguan) Company Limited	PRC	US$ 28,000,000	—	100	Manufacture of outdoor power equipment products
Homelite Asia Limited	British Virgin Islands (“BVI”)	US$ 1	—	100	Investment holding
Homelite Consumer Products, Inc.	US	US$ 10	—	100	Trading of outdoor power equipment products
Homelite Far East Company Limited	Hong Kong	HK$ 2	100	—	Trading of outdoor power equipment products
Hoover Inc.	US	US$ 1	—	100	Trading and manufacture of floor care products
MacEwen Property Co., Inc.	US	US$ 100	100	—	Property holding
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HK$ 100,000	100	—	Trading of household electronic and electrical products

57. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Milwaukee Electric Tool Corporation	US	US$ 50,000,000	—	100	Trading and manufacture of power equipment products
One World Technologies S.à.r.l.	Luxembourg	EUR 1,378,300	—	100	Investment holding
One World Technologies, Inc.	US	US$ 10	—	100	Investment holding
OWT France S.A.S.	France	EUR 1,750,000	—	100	Investment holding
OWT Industries, Inc.	US	US$ 10	—	100	Manufacture of electric components and power equipment products
Royal Appliance International GmbH	Germany	EUR 2,050,000	100	—	Trading of household electronic and electrical products
Royal Appliance Mfg. Co.	US	US$ 1	—	100	Trading and manufacture of floor care products
Ryobi Technologies (UK) Ltd	United Kingdom	GBP 4,000,000	—	100	Trading of electric power equipment products
RYOBI Technologies GmbH	Germany	EUR 500,000	100	—	Trading of electric power equipment products
Sang Tech Industries Limited	Hong Kong	HK$ 1,000,000	100	—	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HK$ 2,000,000	100	—	Manufacture of metallic parts
Solar Wide Industrial Limited	Hong Kong	HK$ 2,000,000	75.725	—	Manufacture of electronic products

57. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Techpower Engineering Company Limited	Hong Kong	HK$ 2	100	—	Manufacture of components
Techtronic Appliances (Hong Kong) Limited	Hong Kong	HK$ 2	50	50	Trading and manufacture of floor care products
Techtronic Appliances International Ltd.	BVI	US$ 1	—	100	Investment holding
Techtronic Floor CareTechnology Limited (formerly known as Healthy Gain Investments Limited)	BVI	US$ 50,000	100	—	Investment holding
Techtronic Industries (Dongguan) Co. Ltd.	PRC	US$ 19,000,000	—	100	Manufacture of power equipment products
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NT$5,000,000	100	—	Provision of inspection services
Techtronic Industries Australia Pty. Limited	Australia	AU$ 5,500,000	100	—	Trading of electric power equipment products
Techtronic Industries Central Europe GmbH (formerly known as AEG & Milwaukee Elektrowerkzeuge GmbH) *	Germany	EUR 25,600	—	100	Trading of electric power equipment product
Techtronic Industries ELC GmbH*	Germany	EUR 25,000	—	100	Trading of electric power equipment products and outdoor power equipment products
Techtronic Industries France SAS	France	EUR 14,919,832	—	100	Trading of electric power equipment products
Techtronic Industries Germany Holding GmbH	Germany	EUR 25,000	—	100	Investment holding
Techtronic Industries N.Z. Limited	New Zealand	NZ$ 1,165,500	100	—	Trading of electric power equipment products

57. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Techtronic Industries North America, Inc.	US	US$ 10	98.4	1.6	Investment holding
Techtronic Industries South Africa Company (Pty) Limited Δ	South Africa	ZAR 100	100	—	Trading of electric power equipment products
Techtronic Outdoor Products Technology Limited (formerly known as Homelite Technologies Ltd)	Bermuda	US$ 12,000	100	—	Investment holding
Techtronic Power Tools Technology Limited (formerly known as Eastway Fair Company Limited)	BVI	US$ 50,000	100	—	Investment holding
TTI Investments (Dongguan) Company Limited	Hong Kong	HK$ 2	100	—	Investment holding
Vax Appliances (Australia) Pty. Ltd.	Australia	AU$ 1,200,008	100	—	Assembly and distribution of floor care products
Vax Limited	United Kingdom	GBP 32,500	100	—	Assembly, procurement and distribution of floor care products

* *Exempt from the obligation to publish local financial statements.*

Δ *60% of nominal value of issued capital was held by the Group in 2008.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

58. Particulars of Associates

Particulars of the associates as at December 31, 2009 and December 31, 2008 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Principal activities
Gimelli International (Holdings) Limited	The Cayman Islands	US$6,250	40.8	Investment holding
Precision Technology Industries Limited	Bermuda	US$12,000,000	25.0	Manufacture of power equipment products

59. Presentation and Functional Currencies

The functional currency of the Company is United States dollars. The presentation currency of the Group is Hong Kong dollars as the Company is a public limited company incorporated in Hong Kong. The financial statements include the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows which are presented in the functional currency of the Company for reference only which have been arrived at based on the fixed exchange rate of HK$7.8 to US$1.0.

Financial Summary

Results

	Year ended December 31,				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Turnover	22,358,387	21,822,597	24,774,987	26,615,319	**23,984,646**
Profit before restructuring and relocation costs, share of results of associates, goodwill impairment and taxation	1,223,344	1,263,981	912,460	950,712	**430,456**
Restructuring and relocation costs	—	—	(743,018)	(717,971)	**—**
Goodwill impairment	—	—	—	(78,000)	**—**
Share of results of associates	(6,463)	(895)	(270)	(3,077)	**(987)**
Profit before taxation	1,216,881	1,263,086	169,172	151,664	**429,469**
Taxation (charge) credit	(157,714)	(184,017)	(38,999)	40,171	**62,684**
Profit for the year	1,059,167	1,079,069	130,173	191,835	**492,153**
Attributable to					
Owners of the Company	1,018,984	1,071,864	125,257	174,807	**490,658**
Minority interests	40,183	7,205	4,916	17,028	**1,495**
Profit for the year	1,059,167	1,079,069	130,173	191,835	**492,153**
Basic earnings per share	73.53 cents	73.18 cents	8.41 cents	11.64 cents	**31.87 cents**

Assets and Liabilities

	Year ended December 31,				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total assets	20,374,741	21,320,301	24,969,446	21,789,047	**23,784,352**
Total liabilities	14,141,732	14,242,326	17,958,018	14,841,609	**15,592,582**
	6,233,009	7,077,975	7,011,428	6,947,438	**8,191,770**
Equity attributable to equity holders of the parent	6,112,339	6,996,530	6,920,125	6,839,135	**8,081,962**
Minority interests	120,670	81,445	91,303	108,303	**109,808**
	6,233,009	7,077,975	7,011,428	6,947,438	**8,191,770**

Corporate Information

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Dr Roy Chi Ping Chung JP
Vice Chairman

Mr Joseph Galli Jr
Chief Executive Officer

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan
Mr Stephan Horst Pudwill

Non-executive Director

Mr Vincent Ting Kau Cheung

Independent Non-executive Directors

Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan

Financial Calendar 2010

April 16:	Announcement of 2009 annual results
May 25:	Last day to register for 2009 final dividend
May 26 - 28:	Book closure period
May 28:	Annual General Meeting
June 30:	Six months interim period end
July 30:	Final dividend payment
December 31:	Financial year end

Investor Relations Contact

Investor Relations and Communications
Techtronic Industries Co. Ltd.
24/F., CDW Building
388 Castle Peak Road
Tsuen Wan, N.T.
Hong Kong
email: ir@tti.com.hk

Website

www.ttigroup.com
Earnings results, annual/interim reports are available online.

List Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares (stock code: 669)
ADR Level 1 Programme (symbol: TTNDY)

Share Registrar and Transfer Office

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong
Tel: (852) 2980 1888

ADR Depositary

The Bank of New York

Principal Bankers

Bank of America, N.A.
Bank of China
Hang Seng Bank Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank

Solicitors

Vincent T K Cheung Yap & Co

Auditor

Deloitte Touche Tohmatsu

Company Secretary

Mr Frank Chi Chung Chan

Trademarks

All trademarks used are intellectual property of their respective owners and are protected under trademark law.

The use of the trademark Ryobi® is pursuant to a license granted by Ryobi Limited.

AEG® is a registered trademark and its use is pursuant to a License granted by AB Electrolux (publ).

RIDGID® is a registered trademark of Ridgid, Inc., part of Emerson Professional Tools, a business of St. Louis-based Emerson (NYSE: EMR).

Sears®, Craftsman®, and Kenmore® brands are registered trademarks of Sears Brands, LLC.

Designed by Sedgwick Richardson Photography by courtesy of *Gafencu Men*; www.hotography.com.hk; Torque Creative Services

RYOBI

WORKS WITH ALL RYOBI 18v ONE+ SYSTEM
One Power Source + Endless Possibilities™
TOOLS AND BATTERIES

www.ttigroup.com