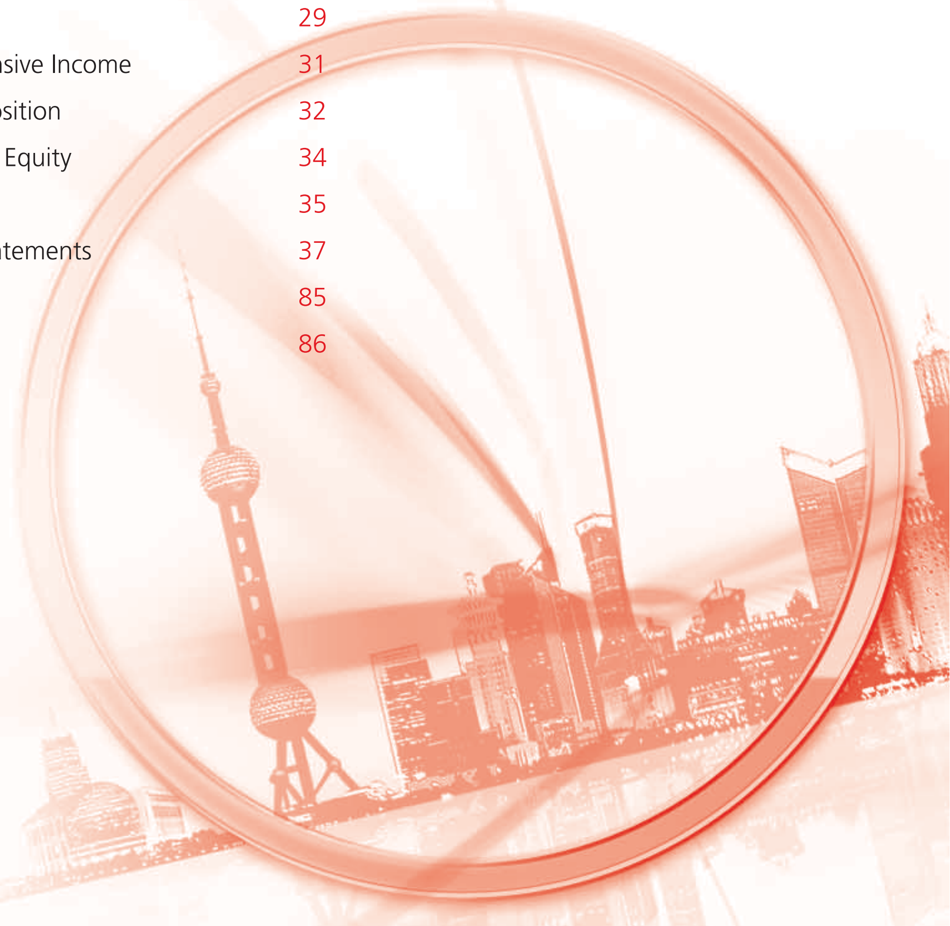
GENVON GROUP LIMITED

正峰集團有限公司

(formerly known as Wang Sing International Holdings Group Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code:2389)

ANNUAL REPORT | 2010

Content



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I would like to present the annual results of Genvon Group Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2010.

During the year under review, the Group recorded turnover of HK$108,760,000 (2009: HK$104,963,000). Loss attributable to shareholders amounted to HK$12,438,000 (2009: HK$45,930,000). Basic loss per share and diluted loss per share was HK$0.4 cents and 1.0 cents respectively (2009: Basic HK$4.3 cents, diluted Nil). The continued decline in the loss for the year was attributable to notable success achieved by the Group in the improvement of efficiency and the saving of costs last year. Meanwhile, the Group's property development business is expanding, and such business is expected to gradually contribute to the future success of the Group.

In 2010, the Group seriously reviewed its own resources and capabilities, thereby further defining a development direction which positioned the real estate industry as a major business line. We developed a medium to long-term development plan to vigorously reinforce our marketing efforts. The performance of contract sales was beyond our expectation. With an astounding improvement in operational efficiency, we achieved satisfactory operating cash flow. The construction and sale of the land project in Minhang District, Shanghai was in progress. At the end of this year, 260 suites were launched by the Group for public pre-sale, accounting for about 42% of the overall saleable area of the project. Given that there is a strong demand for residential housing from the public in Shanghai, and that the Group's sales strategy was very successful, more than 60% of the units were sold in just three weeks. The remaining suites and other saleable properties are expected to be rolled out for sale in the market by 2011.

In relation to the land bank, the Group completed the payment of the premium for the land piece in Hai'an County with gross floor area ("GFA") of about 547,000 square metres in November 2010. With such land, the Group paved a cornerstone for its future development in the second and third tier cities in the PRC. The Group, together with its jointly controlled entities, had land reserves of a total floor area of approximately 604,000 square metres. We believe that the existing land bank is sufficient for our development and building needs in three to five years.

For power tool business, driven by favourable turnover in the European and American markets, revitalized exports and consumer spending, and the stimulus package put forward by the government, major economies resumed growth momentum. Given growing consumer sentiment from customers, the orders for our power tool business began to rise in April 2010. At the same time, in order to improve efficiency and reduce costs, we implemented a series of initiatives, such as the speeding up of workflow, the enhancement of productivity and the tightening of control on material consumption and so on. These measures will help boost the operating results during the period. During the reporting period, the loss of the power tool business was drastically reduced by 55%. Based on the Group's estimate, the power tool business is expected to provide profit to the Group again in the coming years.

The Group is committed to maintaining a healthy financial position. In August 2010, the Group successfully raised net proceeds of HK$375,882,000 through a rights issue of 2,534,865,000 shares in the Company. The proceeds helped the Group to consolidate its financial position, and provided the Group with a cash balance of HK$208,269,000 as at 31 December 2010. The Group's strong financial resources will sustain its long-term development.

CHAIRMAN'S STATEMENT

Looking ahead, the gradual recovery of the world economy from the financial crisis will present both opportunities and challenges. We believe that factors supporting the extended growth of the real estate industry, such as the economic growth, urbanization process and demographic dividend in the country, will remain unchanged. To this end, to the extent of robust operation and controllable risks, the Group will uphold its clearly defined development strategy to capture a vast number of opportunities and to explore a broader prospect. We will actively implement the new long-term development plan, and continuously enhance our capabilities in development and land reserves. The Group will also positively seek for low-cost expansion opportunities, so as to strive to expand the Group's size and efficiency by leaps and bounds; at the same time, the Group will continue to optimize the operation model of the power tool business, while endeavouring to reward our shareholders and investors with brighter business performance. The Group will continue to identify opportunities to expand the Group's land bank in the coming year. I am confident that the Group's financial position will continue to be improved in the next few years, thereby creating promising returns for shareholders.

I would like take this opportunity to thank my fellow directors, management and staff, and to express heartfelt gratitude to all colleagues for their hard work and contribution to the development of the Group in the past year. At the same time, I would also like to express appreciation to all shareholders, the banking sector, the investment community and business partners for their strong vote of confidence in the Group and long-lasting patronage to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Property Development Business

During the period under review, in 2010, the domestic economy grew at a relatively rapid rate, accelerating the pace of economic restructuring. With notable success in the improvement of nationals' livelihood, the real estate industry, as a pillar industry of the nation's economy, played an active role. However, as a result of the control policies, the market was exposed to a certain extent of impacts. The real estate control policies began to reap fruits, as noted from a rapid growth in housing prices at the beginning of the year to an adjustment and slowdown of such growth in the second quarter. Notwithstanding, in the third quarter of 2010, the market rebounded and the housing prices showed signs of resurgence. In this light, the government again put forward a second round of intensive control policies, including the raising of the proportion of down payment, the adjustment of housing-related tax incentives, and the cessation of the granting of third suite loans. The central bank has twice raised benchmark interest rates for deposits and loans. Given this scenario, the growth in housing sales prices was slowed down in the fourth quarter.

Power Tool Business

In 2010, China's power tool exports recorded a larger increase over 2010, both in terms of export quantity and export value, demonstrating that the power tool industry is gradually standing out of the dark clouds of the international financial crisis. The regions for the domestic power tool exports were still largely concentrated on Europe and the USA. Markets in Europe, the USA and Asia displayed a recovering growth in market demand. During the period under review, the export growth in the power tool industry was mainly attributable to the following factors: firstly, the world economy began to show renewed growth since it was bottoming out of the impacts of the international financial crisis at the beginning of 2010, thus bringing a favourable turnover of the international power tool market to a certain extent; Secondly, as the international power tool distributors have completely consumed their product inventory through year-round adjustment and marketing in 2008 and 2009, there were increasing needs for them to place new purchase orders, thereby driving a stronger demand for the international power tool market during the period under review.

During the period under review, driven by the worldwide economic recovery and the continued rise in international oil prices, the domestic raw material prices remained high. The prices for major raw material related to the power tool industry registered different degrees of increase: copper prices rose by about 18%, steel prices rose by about 15%, and plastic raw material prices rose by about 13%. Given rising prices for raw materials, businesses are still faced with relatively strong challenges in cost while expanding their sales.

BUSINESS REVIEW

Property Development Business

Since mid 2009, the Group shifted to adopt a business strategy to develop high-quality residential areas for the upper and middle classes in the PRC. As at 31 December 2010, the Group's major real estate development projects were under smooth progress.

BUSINESS REVIEW *(Continued)*

Property Development Business *(Continued)*

Contract Sales

The Group's residential project which is now available for sale, is located in the first tier cities in the PRC. All of them are high-end development projects. Because of their superior quality, majority of the units were sold at a premium of 10-15% over the projects in the same area in the opening week for sale. During the year, the Group's saleable GFA signed but not yet recognized was about 13,405 square metres, generating contract sales revenue of RMB215,659,000 (2010: Nil square metres and RMB Nil). Such contract sales will be recognized depending on the timeframe for the completion of the construction, the issue of the occupation permits and the delivery to the purchasers.

In 2010, contract sales revenue was as follows:

Item	Purpose	sales area	Contract sales revenue	Approximate contract average price per metre
		(square metres)	(RMB'000)	(RMB)
上海顥峰南苑	residential	13,405	215,659	16,088

Land Bank

As at 31 December 2010, the Group had a land bank of total GFA of about 604,000 square metres, of which, the equity component amounted to approximately 440,000 square metres. During the year, the Group fully settled the balance of the consideration for the acquisition to Hai'an County Land Resources Bureau pursuant to the agreement under the land transfer contract on 8 November 2010. The new land bank was about 547,000 square metres, of which, the equity component amounted to approximately 383,000 square metres. The Group is now applying to Hai'an County Land Resources Bureau for the transfer of the land to a subsidiary of the Company.

From a perspective of geographical distribution, about 91% of the Group's land bank was situated in Jiangsu Province, with the remaining 9% located in Shanghai. We believe that the existing land bank is sufficient to meet the Group's development and construction needs in the next three to five years.

We believe that a sound strategy for land layout can effectively disperse the risks that may arise from the cyclical market fluctuations. While, in order to further strengthening the Company's land bank in the second and third tier cities, the Group will seek for new opportunities in the second and third tier cities in the future, so as to expand the land bank.

BUSINESS REVIEW *(Continued)*

Power Tool Business

During the review period, as the international economy revived, the power tool market is embedded with a growing demand. However, given that the domestic raw material prices kept rising, businesses were experiencing increasing costs for products. To keep ahead of the complex and volatile market environment, the Group continued to take positive measures. Capitalizing on large-scale production, splendid customer reputation and leading R&D and manufacturing capabilities, we attained the expected results by calmly and decisively leaping across the many challenges, thereby building a solid foundation for future development.

During the review period, in light of the continued appreciation of RMB against US dollars, the Group timely adjusted the marketing strategies by making more efforts to extend the reach into customers in the European market, and to promote an extensive range of cooperation. Good results were achieved. During the period under review, the Group further broadened its collaboration with a number of Fortune Top 500 enterprises. In addition to placing orders to the Group, the above key customers conducted ongoing exploration of new projects in medium to high-end products with the Group following the close cooperation with the Group in 2010. Those customers continued to place additional orders. The Group's future development with key customers is blessed with broad prospects.

Currently, the Company's customers include: world famous chain stores including BOSCH, B & Q, TTI, Kingfisher, and SPARKY, as well as major power and air tool distributors in Europe and the USA.

Unwavering Dedication to Quality

While fostering a steady expansion of business scale, the Group will always unswervingly identify the emphasis and enhancement of product quality as a development priority. We believe that excellence in product quality is the key for securing the trust from customers, and is also a foundation upon which we can improve the bargaining power of products and maximize the value for shareholders.

FINANCIAL REVIEW

Revenue and Profit Analysis

For the year ended 31 December 2010, the Group recorded a revenue of approximately HK$108,760,000, an increase of 3.6% as compared to 2009. Loss attributable to shareholders was approximately HK$12,438,000 in 2010 (2009: a loss of HK$45,930,000). The growth in revenue was mainly attributable to increased orders for power tool business. The reduced loss for the year was mainly due to increase in operating gross margins and decrease in financial costs.

Revenue Breakdown by Products and Geographical Locations

In terms of products, power tools were still the largest source of income for the Group. In 2010, the sales of power tools, air tools as well as hand tools and other products accounted for 99.9%, 0.5% and 0.5% of the Group's revenue respectively (2009: power tools 95%, air tools 2% and hand tools and other products 3%). Geographically, the USA was the major market of the Group. In 2010, the revenue proportion of the Group in the USA and other markets was 69:31 (2009: 45:55).

Gross Profit and Margin Analysis

For the year ended 31 December 2010, the Group's gross profit increased from approximately HK$8,344,000 in 2009 to approximately HK$10,502,000. The higher level of gross profit was mainly due to the strengthening of the sales of medium to high-end products with higher margin by the Group during the year.

FINANCIAL REVIEW *(Continued)*

Liquidity and Gearing Ratio

At 31 December 2010, the Group's cash on hand was HK$208,269,000 (2009: HK$35,198,000). The long term and short term debts of the Group were HK$433,252,000 (2009: HK$86,841,000) in aggregate. The total debts increased by approximately HK$346,411,000 as compared with the year ended of 2009. As at 31 December 2010, the gearing ratio (total borrowing/equity) was 66% (2009: 81%).

Capital Expenditure

The Group's capital expenditure in 2010 was approximately HK$7.3 million (2009: HK$6.3 million), expenditure for development of mould amounted to HK$1.8 million (2009: HK$0.32 million).

Working Capital Analysis

For the year ended 31 December 2010, the Group's trade debtors turnover days were 78 days (2009: 112 days). The account payables turnover days were 162 days (2009: 99 days) and the inventory turnover days were 56 days (2009: 50 days).

Capital Structure

The Group took full advantage of the financing platform as a listed company by striving to constantly optimize the capital and financing structure, so as to obtain sufficient funding for future property development projects.

In August 2010, the Group successfully made a rights issue on the basis of three rights shares for every two shares, raising HK$375,882,000. The Group will implement a prudent financial management strategy, in order to maintain the debt ratio and cash flow at a healthy and reasonable level. Proceeds so raised of approximately HK$203,320,000 were used to repay shareholder loans, and the remaining balance of HK$172,562,000 was used to settle the amount required for the purchase of the land piece in Hai'an County.

Pledge of Assets

The Group has pledged its property, plant and equipment with net book values of approximately HK$59,504,000 (2009: HK$55,206,000), prepaid lease payments amounted to approximately HK$24,526,000 (2009: HK$24,283,000) and properties under development held for sales amounted to approximately HK$366,763,000 (2009: HK$236,111,000) to secure general banking facilities granted to the Group.

Contingent Liabilities

At 31 December 2010, the Group did not have any material contingent liabilities (2009: nil).

Exposure to Foreign Exchange Risks

The Group's exposure to foreign exchange risks was primarily related to trade and other receivables, bank balances, trade and other payables and bank borrowings denominated in US dollars and RMB. In respect of the Group's exposure to potential foreign exchange risks arising from the currency exchange rate fluctuations, it did not make any arrangement or use any financial instruments to hedge against potential foreign exchange risks. However, the management will continue to monitor foreign exchange risks and adopt hedging measures where necessary.

FINANCIAL REVIEW *(Continued)*

Employee Benefits and Training

For the year ended 31 December 2010, the Group had approximately 439 employees, of which, 21 employees were management staff and 48 employees were engineers. The total staff cost (including directors' emoluments) amounted to approximately HK$20,408,000 (2009: HK$16,715,000).

Remuneration for the employees of the Group is based on their merit, qualifications and competence. Employees may also be granted shares options according to the share option scheme and at the discretion of the Board of Directors. Other benefits include contributions to the provident fund scheme or mandatory provident fund and medical insurance.

The Group focuses on the enhancement of the quality of staff through offering all kinds of staff training. During the year under review, the Group organized internal training courses for staff at all levels. Topics of the training courses included moral, ethic, languages, technical and management skill trainings. The Group also organized hundreds of on-the-job training programs in its production plants in the PRC.

FUTURE OUTLOOK

Property Development Business

2011 was a challenging year for China's real estate developers. The trend of the economic development and housing prices in 2011 will be dependant on the government's determination to the control of housing prices, the combination of policies, and the intensity of reforms. As property development is the pillar of the national economy, the government's measures are intended to maintain a healthy and solid development of the real estate sector. It is expected that the central government will still maintain a policy of putting pressures on the real estate market in the coming year. We believe that macroeconomic policy will be continuously fine-tuned to sustain a balanced economic development and a stable real estate market.

The Group believes that the central government's policy is designed to foster a healthy development of China's real estate industry. A number of recently-announced measures to curb shape rise in property prices and to combat speculative activities are focused on the first tier cities. As such, in the future, the Group will allocate more resources to the development of the second and third tier cities such as Anhui and Shandong, rather than the first tier cities where there are heated speculation of real estate. This is because the second and third tier cities in the PRC, where the demand for housing is driven by users whose affordability remains high, are less affected by the above control measures. In addition, basic factors including accelerated urbanization, high income growth and preference for home ownership will support the real estate markets in China's second and third tier cities. In view of inflation factor in the PRC, and a vigorous demand from the public, property prices are tending upwards despite successive policies to restrain such trend.

FUTURE OUTLOOK *(Continued)*

Power Tools

Looking ahead, the fierce competition in the market will present new challenges and opportunities. The Group has established a series of development strategies, and has taken a positive move to cement a firm foundation for future business development. Currently, the companies and affiliated factories under the Group are well prepared. With the growing number of future orders, the expected profitability will crave out a bright future for the Group.

To keep ahead of the complex external operating landscape, the Group will leverage on its own strong capabilities in the existing production capacity to raise the proportion of self production. While exploring opportunities for the cooperation in outsourcing production, we will fully tap into a wide range of advantages to make us well-positioned to further boom our business growth. At the present, as the Group's own production capacity is sufficient to meet future development, it is expected that there will be no need for the Group to make major capital investments in infrastructure in the next few years.

The Group will make continued efforts to strengthen the R&D of the high-end products, while continuing to reinforcing cooperation with world famous brands and chain stores in diverse horizons and multiple products. In particular, the Group will make emphasized efforts on stepping up product quality and roll out dozens of flagship products, thereby further expanding cooperation with customers in multiple series of products.

Riding on cooperation with internationally renowned brands, good reputation, excellent product quality, outstanding R&D capabilities and prominent services, the Group is confident of its future development. Given that the Group's overall operation systems in development, production and sales are becoming more sophisticated, and the orders for high-end products continue to grow, the Group is anticipated to achieve a steady growth in the future.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2010.

The manner in which the principles and code provisions in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") are applied and implemented is explained in the following sections of this Corporate Governance Report:

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has adopted various measures to ensure a high standard of corporate governance and has put in place corporate governance practices that are considered to be relevant to the Group, to meet the code provisions as set out in the CG Code.

In the opinion of the directors, the Company has complied with the code provisions as set out in the CG Code during the year under review, except for the code provision A.2.1 stated below, which in opinion of the directors is not appropriate to follow.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the Chief Executive Officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

BOARD COMPOSITION

The Board currently comprises nine members, consisting of five executive directors, one non-executive director and three independent non-executive directors.

The list of all directors, which also specifies the posts, e.g. of Chairman and/or CEO, and chairman and member of committee(s), held by each director are set out under "Corporate Information" on page 86. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

BOARD COMPOSITION *(Continued)*

The Board of the Company comprises the following directors:

Executive directors:

Mr Wang Zheng Chun *(Chairman and Chief Executive Officer)*
Mr Zhang Xiu He
Mr Xu Wen Cong
Mr Zheng Wei Chong
Mr Cheung Man

Non-executive director:

Mr Ho Hao Veng

Independent non-executive directors:

Mr Ang Siu Lun, Lawrence
Mr Ma Kwai Yuen
Mr Law Wing Tak, Jack

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

None of the members of the Board is related to one another.

During the year ended 31 December 2010, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr Wang Zheng Chun currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and Chief Executive Officer, are necessary.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy shall submit himself for re-election by shareholders at the first general meeting after appointment.

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election. None of the independent non-executive directors of the Company has entered into an appointment letter with the Company for a specific term of service but their appointment is subject to retirement by rotation and offers himself for re-election in accordance with the Articles of Association of the Company. Moreover, the Company in general meeting shall have power by ordinary resolution to remove any director before the expiration of his period of office.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board for the appointment or removal of directors.

NOMINATION COMMITTEE

The Nomination Committee comprises four members, namely Mr Ang Siu Lun, Lawrence (Chairman of the Committee), Mr Ma Kwai Yuen, Mr Law Wing Tak, Jack and Mr Wang Zheng Chun, the majority of them are independent non-executive directors.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes
- To identify suitable candidates for appointment as directors
- To make recommendations to the Board on appointment or re-appointment of and succession planning for directors.

The Nomination Committee met once up to the date of this report and the attendance records are set out under "Directors' Attendance Records" on page 14. It reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

In accordance with the Company's Articles of Association, Mr Wang Zheng Chun, Mr Xu Wen Cong and Zhang Xiu He shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

The Company's circular dated 14 April 2011 contains detailed information of the directors standing for re-election.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the executives where necessary.

The senior management of the Company would attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for directors' inspection.

The Company's Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

DIRECTORS' ATTENDANCE RECORDS

Up to the date of this report, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the meetings of the Board, Nomination Committee, Remuneration Committee and Audit Committee are set out below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Executive Directors				
Mr Wang Zheng Chun	8/8	0/1	–	–
Mr Zheng Wei Chong	8/8	–	1/1	–
Mr Xu Wen Cong	8/8	–	–	–
Mr Zhang Xiu He	8/8	–	–	–
Mr Cheung Man	8/8	–	–	–
Non-executive Director				
Mr Ho Hao Veng	7/8	–	0/1	2/3
Independent Non-executive Directors				
Mr Ang Siu Lun, Lawrence	6/8	1/1	1/1	3/3
Mr Ma Kwai Yuen	6/8	1/1	1/1	3/3
Mr Law Wing Tak, Jack	7/8	0/1	0/1	1/3

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code and the Model Code throughout the year ended 31 December 2010.

In addition, the Company has applied the Model Code to the employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Model Code by the employees was noted by the Company.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The Remuneration Committee comprises five members, namely, Mr Ho Hao Veng (Chairman of the Committee), Mr Ang Siu Lun, Lawrence, Mr Ma Kwai Yuen, Mr Law Wing Tak, Jack and Mr Zheng Wei Chong, the majority of which are independent non-executive directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the directors and the senior management for the year under review.

The Remuneration Committee held one meeting up to the date of this report and the attendance records are set out under "Directors' Attendance Records" on page 14.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements. The directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Internal Controls

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

The Board has also engaged a renowned international accounting firm to provide advisory service on the establishment of effective internal control system, assisting the Company to outline the internal control system policies and procedures, monitoring the implementation of changes in internal control system.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The Company has developed its systems of internal control and risk management.

The key elements of the Group's internal control system include the following:

- A comprehensive financial accounting system to provide for performance measurement indicators and to ensure compliance with relevant rules

- Annual plans prepared by senior management on financial reporting, operations and compliance with reference to potential significant risks

- Appropriate policy to ensure the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget

- Review and evaluation of the control process and monitoring of any risk factors on a regular basis by the management; and report by the same to the Audit Committee on any findings and measures to address the variances and identified risks.

ACCOUNTABILITY AND AUDIT *(Continued)*

Internal Controls *(Continued)*

The internal audit division is responsible for performing risk-based audits and conducting reviews of the effectiveness of the Group's internal control system.

The main duties of the internal audit division include the following:

- Establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls, and providing for identification and management of risks
- Presenting a risk-based internal audit plan to the Audit Committee for approval
- Reporting to the Audit Committee on any key findings and progress of the internal audit process.

Audit Committee

The Audit Committee comprises four independent non-executive directors, namely, Mr Ma Kwai Yuen (Chairman of the Committee), Mr Ho Hao Veng, Mr Ang Siu Lun, Lawrence and Mr Law Wing Tak, Jack, with independent non-executive directors in majority (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditors before submission to the Board
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee oversees the internal control system of the Group, reviews the internal control report submitted by the internal audit division, reports to the Board on any material issues, and makes recommendations to the Board.

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2010, the financial reporting and compliance procedures, the report of the internal audit division on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

The Audit Committee held three meetings up to the date of this report and the attendance records are set out under "Directors' Attendance Records" on page 14.

ACCOUNTABILITY AND AUDIT *(Continued)*

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 29.

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2010 amounted to HK$1,325,000 and HK$910,000 respectively.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are normally available to attend the annual general meeting and other relevant shareholder meetings to answer questions at shareholder meetings.

The 2010 Annual General Meeting ("AGM") was held on 9 June 2010. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM.

During the year under review, the Company also convened three extraordinary general meetings and at least 10 clear business days' notice was given for each meeting.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its registered office at Suite 1101, 11/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for any enquiries.

SHAREHOLDER RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

DIRECTORS AND
SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Wang Zheng Chun

Mr. Wang Zheng Chun, aged 46, was appointed as an Executive Director of the Group in June 2008. He was re-designated as the Chairman of the Group in October 2008. He has over ten years of experience in property development and management. Mr. Wang has substantial experience in developing and constructing villas, residential units and commercial buildings in the People's Republic of China. Mr. Wang is also the committee member of 上海市閔行區工商業聯合會 (The Association of Industry and Commerce in Minhang District, Shanghai).

Zheng Wei Chong

Mr. Zheng Wei Chong, aged 43, is an Executive Director of the Group. Mr. Zheng holds a bachelor of law degree from the China University of Political Science and Law. Prior to joining the Group in November 2007, Mr. Zheng has more than ten years of management experience in various business sectors. Mr. Zheng is mainly responsible for the Group's legal issue.

Xu Wen Cong

Mr. Xu Wen Cong, aged 42, was appointed as an Executive Director of the Group in October 2008. Mr. Xu is responsible for the property management and development businesses. Mr. Xu graduated from Zhejiang University and has over seventeen years of experience in property construction and installation in the PRC, and he has acquired all-round experience in enterprise management, project planning, property construction and ancillary works. His last employment was the standing vice general manager of a property development company located in Shanghai. Mr. Xu is mainly responsible for the Group's property development business.

Zhang Xiu He

Mr. Zhang Xiu He, aged 42, was appointed as an Executive Director of the Group in October 2008. Mr. Zhang is responsible for the businesses of investment and finance, the enterprise financial management, and supervision of the cashflow position of the Group. Mr. Zhang obtained a Bachelor of Economics and Master of Professional Accountancy in Fushun Petroleum Engineering Management Institute and The Chinese University of Hong Kong, respectively. Mr. Zhang served as a head of finance, chief finance officer and vice general manager of a company listed in Shanghai between the period from July 1999 and April 2005, and has been serving as a director and chief executive officer of an investment management company in Shanghai before joining the Group.

Cheung Man

Mr. Cheung Man, aged 43, was appointed as an Executive Director of the Group in September 2009. Prior to joining the Company, Mr. Cheung has served at senior positions in a number of securities and investment companies. Mr. Cheung has more than seventeen years of the experience in investment banking and is well connected with fund managers in Shanghai and Hong Kong.

NON-EXECUTIVE DIRECTOR

Ho Hao Veng

Mr. Ho Hao Veng, aged 64, was appointed as an Independent Non-executive Director of the Group in April 2002 and was re-designated as a Non-executive Director of the Group in September 2005. Mr. Ho graduated from Queen's University, Ontario, Canada with a Bachelor's degree in Applied Science and he has been a securities dealer since 1975. Mr. Ho has been an executive director of some companies of the Keuntai Group since 1971 and is mainly responsible for the overall management and operations of the fund management sector with a focus on equity markets and international foreign exchange markets, real estate development and property investment sectors. Mr. Ho has also been a director of Tai Fung Bank Limited, Macau since June 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ang Siu Lun, Lawrence

Mr. Ang Siu Lun, Lawrence, aged 50, was appointed as an Independent Non-executive Director of the Group in September 2005. Mr. Ang holds a Bachelor of Science degree in Physics and Computer Science and a Master of Business Administration degree from The Chinese University of Hong Kong. Mr. Ang is currently an executive director of Geely Automobile Holdings Limited, a listed public company in Hong Kong. Mr. Ang is also a non-executive director of Honbridge Holdings Limited, a listed public company in Hong Kong. Mr. Ang previously worked in a number of major international investment banks for nineteen years with extensive experience in equity research, investment banking and financial analysis.

Ma Kwai Yuen

Mr. Ma Kwai Yuen, aged 58, was appointed as an Independent Non-executive Director in September 2008. Mr. Ma is an executive director of a consulting company in Hong Kong and has over thirty years of professional experience in the accounting and financial management and consulting industries. Mr. Ma also holds a LLM degree from University of Wolverhampton and is a fellow member of The Chartered Institute of Management Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the CPA Australia. Mr. Ma is also an independent non-executive director of China Aoyuan Property Limited and PacMOS Technologies Holdings Limited, which are listed public companies in Hong Kong. Mr. Ma has ceased to be an independent non-executive director of Vision Tech International Holdings Limited and China Shineway Pharmaceutical Group Limited since 11 June 2009 and 17 December 2009 respectively.

Law Wing Tak, Jack

Mr. Law Wing Tak, Jack, aged 57, was appointed as an Independent Non-executive Director of the Group in October 2008. Mr. Law is a graduate of Newcastle University in the United Kingdom with a degree of Bachelor of Arts in Economics and Accounting. Mr. Law is a member of the Institute of Chartered Accountants in England and Wales and a member of Hong Kong Institute of Certified Public Accountants. Mr. Law has been in the corporate finance business for more than twenty years and has held directorships in a number of Hong Kong and the United Kingdom listed companies. His experience covers the areas of banking, credit control, financial management, appraising and implementing investment projects, merger & acquisitions, and corporate finance. Mr. Law is also currently a partner of a firm of chartered accountants in the United Kingdom. Mr. Law is currently the chief executive officer of Ford Eagle Group Limited.

SENIOR MANAGEMENT

Liu Hoi Keung

Mr. Liu Hoi Keung, aged 46, is the Chief Financial Officer of the Group since January 2008 . Mr. Liu received his Master of Science degree from the University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Company, he had served as Director and Company Secretary of another listed company in Hong Kong for more than ten years. Mr. Liu also has more than nine years experience working in international accounting firms.

Zhao Fang Yan

Mr. Zhao Fang Yan, aged 42, in October 2008 was appointed as director of Jiangsu Golden Harbour Enterprises Limited. Mr. Zhao graduated from the Shenyang Industrial University, and achieved Industrial Management engineering Bachelor's degree, and the Master degree of the Management of Science and engineering. Mr. Zhao is responsible for the overall management of the Group. Prior to joining the Company, he was the executive director of a company listed in Shanghai and Mr. Zhao has over ten years experience on management.

John Bee

Mr. John Bee, aged 44, was appointed as general manager of Jiangsu Golden Harbour Enterprises Limited in July 2009. Mr. Bee holds a Bachelor of Laws degree from East China University of Political Science and Law, and a Master of Business Administration degree from the University of Washington. Prior to joining the Group, Mr. Bee has over eighteen years of experience in marketing and sales, in which more than 10 years experience as general manager in a well known power tools enterprise.

Wan Ji Ming

Mr. Wan Ji Ming, aged 41, is the Director of Technique Global operation center of the Group and Vice President of Golden Harbour. Mr. Wan is responsible for the technical aspect of the factory and to supervise the design and production of power tool products. Mr. Wan graduated from the Jiangsu Industry College with a Bachelor's degree of mechanical engineering. Mr. Wan has over twelve years of experience in the power tool industry. Mr. Wan is experienced in product design and production management. Mr. Wan is also specialized in bringing local Chinese management philosophy into effective. Mr. Wan joined the Group in December 2001.

Lam Ka Tak

Mr Lam Ka Tak, aged 29, is the Financial Controller and Company Secretary of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He graduated from the Hong Kong Polytechnic University. Prior to joining the Company in 2010, he had more than seven years experience working in international accounting firms.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

CHANGE OF COMPANY NAME

Pursuant to the special resolution approval by the shareholders of the Company at the Extraordinary General Meeting held on 11 May 2010, the name of the Company was changed from Wang Sing International Holdings Group Limited 旺城國際控股集團有限公司 to Genvon Group Limited 正峰集團有限公司, which became effective on 12 May 2010.

RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 31.

The Directors do not recommend the payment of a dividend for the year.

MAJOR SUPPLIERS AND CUSTOMERS

The largest and the top five suppliers of the Group accounted for approximately 24% and 39.51% respectively of the Group's total purchase for the year.

The largest and the top five customers of the Group accounted for approximately 50.11% and 86.86% respectively of the Group's total revenue for the year.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have a beneficial interest in any of the Group's five largest customers or suppliers during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2010, the Company's reserves available for distribution amounted to HK$26,751,000 which consisted of share premium of HK$301,030,000 net of accumulated losses of HK$274,279,000.

SHARE CAPITAL

Details of movement during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

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

Executive Directors:

Mr. Wang Zheng Chun *(Chairman and Chief Executive Officer)*
Mr. Xu Wen Cong
Mr. Zhang Xiu He
Mr. Zheng Wei Chong
Mr. Cheung Man

Non-executive Director:

Mr. Ho Hao Veng

Independent non-executive Directors:

Mr. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack

In accordance with the Article 108 of the Company's Articles of Association, Mr. Wang Zheng Chun, Mr. Xu Wen Cong and Mr. Zhang Xiu He will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The term of office of each Independent non-executive Director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

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).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts 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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

(i) Long positions

Ordinary shares of HK$0.10 each of the Company

Name of Director	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approx. percentage of the issued share capital of the Company
Mr. Wang Zheng Chun	Held by spouse	70,148,000 (Note 1)	–	70,148,000	1.66%
	Held by controlled corporation	2,268,403,000 (Note 2)	–	2,268,403,000	53.69%
	Held by controlled corporation	795,718,000 (Note 3)	–	795,718,000	18.84%
		3,134,269,000	–	3,134,269,000	74.19%
	Beneficial owner	–	10,937,500 (Note 4)	10,937,500	0.26%
Mr. Zheng Wei Chong	Beneficial owner	–	3,281,250 (Note 5)	3,281,250	0.08%
Mr. Xu Wen Cong	Beneficial owner	–	3,281,250 (Note 5)	3,281,250	0.08%
Mr. Zhang Xiu He	Beneficial owner	11,550,000	3,281,250 (Note 5)	14,831,250	0.35%
Mr. Cheung Man	Beneficial owner	–	3,281,250 (Note 5)	3,281,250	0.08%
Mr. Ho Hao Veng	Beneficial owner	2,396,000	1,675,907 (Note 6)	4,071,907	0.10%
Mr. Ang Siu Lun, Lawrence	Beneficial owner	–	1,675,907 (Note 7)	1,675,907	0.04%
Mr. Ma Kwai Yuen	Beneficial owner	–	1,093,975 (Note 5)	1,093,975	0.03%
Mr. Law Wing Tak, Jack	Beneficial owner	–	1,093,975 (Note 5)	1,093,975	0.03%

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

(i) Long positions *(Continued)*

Ordinary shares of HK$0.10 each of the Company *(Continued)*

Notes:

1. Mr. Wang Zheng Chun is deemed to be interested in 70,148,000 shares, being the interests beneficially held by his spouse, Ms. Shen Ling Zhao.

2. The 2,268,403,000 shares are held by Grand Vision Group Limited, the entire issued share capital of which is beneficially owned by Mr. Wang Zheng Chun.

3. The 795,718,000 shares are held by Hillfame Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang Zheng Chun.

4. The 10,937,500 shares are derived from share options granted by the Company to Mr. Wang Zheng Chun on 6 November 2009 which entitle the holder thereof to subscriber for a total number of 10,937,000 shares at an exercise price of HK$0.21 per share exercisable during the period from 6 November 2010 to 5 November 2019.

5. The interests derived from share options granted by the Company on 6 November 2009 which entitle the holders thereof to subscribe for shares at an exercise price of HK$0.21 per share during the period from 6 November 2010 to 5 November 2019.

6. Of the 1,675,907 underlying shares which Mr. Ho Hao Veng ("Mr. Ho") is interested in, interest in 582,157 shares are derived from share options granted by the Company to Mr. Ho on 18 August 2006 which entitle the holder thereof to subscribe for a total number of 582,157 shares at an exercise price of HK$0.114 per share exercisable during the period from 18 August 2007 to 10 April 2012 and interest in the remaining 1,093,750 shares are derived from share options granted by the Company to Mr. Ho on 6 November 2010 which entitle the holder thereof to subscribe for a total number of 1,093,750 shares at an exercise price of HK$0.21 per share exercisable during the period from 6 November 2010 to 5 November 2019.

7. Of the 1,675,907 underlying shares which Mr. Ang Siu Lun, Lawrence ("Mr. Ang") is interested in, interest in 582,157 shares are derived from share options granted by the Company to Mr. Ang on 18 August 2006 which entitle the holder thereof to subscribe for a total number of 582,157 shares at an exercise price of HK$0.114 per share exercisable during the period from 18 August 2007 to 10 April 2012 and interest in the remaining 1,093,750 shares are derived from share options granted by the Company to Mr. Ang on 6 November 2010 which entitle the holder thereof to subscribe for a total number of 1,093,750 shares at an exercise price of HK$0.21 per share exercisable during the period from 6 November 2010 to 5 November 2019.

Save as disclosed above, none of the Directors, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

(ii) Share options

Particulars of the Company's share option scheme are set out in note 32 to the consolidated financial statements.

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

	Number of share options					
Directors	**Outstanding at beginning of year**	**Adjustment on rights issue** (Note)	**Granted during the year**	**Lapsed during the year**	**Outstanding at end of year**	**Closing price immediately before the date of grant**
Mr. Wang Zheng Chun	10,000,000	937,500	–	–	10,937,500	0.229
Mr. Zheng Wei Chong	3,000,000	281,250	–	–	3,281,250	0.229
Mr. Xu Wen Cong	3,000,000	281,250	–	–	3,281,250	0.229
Mr. Zhang Xiu He	3,000,000	281,250	–	–	3,281,250	0.229
Mr. Cheung Man	3,000,000	281,250	–	–	3,281,250	0.229
Mr. Ho Hao Veng	1,000,000	93,750	–	–	1,093,750	0.229
	532,258	49,899	–	–	582,157	0.2
Mr. Ang Siu Lun, Lawrence	1,000,000	93,750	–	–	1,093,750	0.229
	532,258	49,899	–	–	582,157	0.2
Mr. Ma Kwai Yuen	1,000,000	93,750	–	–	1,093,750	0.229
Mr. Law Wing Tak, Jack	1,000,000	93,750	–	–	1,093,750	0.229
	27,064,516	2,537,298	–	–	29,601,814	

Note:

As a result of the completion of the rights issue on 10 August 2010, the number of shares to be issued upon exercise of the outstanding share options have been adjusted. Optima Capital Limited has certified the adjustment effective retrospectively on 22 July 2010.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACT

During the year, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered or existed.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed above in the section headed "Directors' interests in shares and underlying shares" at 31 December 2010, the shareholders (other than Directors or chief executives of the Company) who had interests of 5% or more or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares beneficially held	Percentage of holding
Mr. Wang Zheng Chun	Interest held by spouse (Note 1)	70,148,000	1.66%
	Interest held by controlled corporation (Note 2)	2,268,403,000	53.69%
	Interest held by controlled corporation (Note 3)	795,718,000	18.83%
	Beneficial Owner (Note 4)	10,937,500	0.26%
		3,145,206,500	74.44%

Note:

1. Mr. Wang Zheng Chun is deemed to be interested in 70,148,000 shares, being the interest beneficially held by his spouse, Ms. Shen Ling Zhao.

2. The 2,268,403,000 shares are held by Grand Vision Group Limited, the entire issued share capital of which is beneficially owned by Mr. Wang Zheng Chun.

3. The 795,718,000 shares are held by Hillfame Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang Zheng Chun.

4. The 10,937,500 shares derived from share options granted by the Company to Mr. Wang Zheng Chun on 6 November 2010 which entitle the holder thereof to subscribe for a total number of 10,937,500 shares at an exercise price of HK$0.21 per share exercisable during the period from 6 November 2010 to 5 November 2019.

Save as disclosed above and in the section headed "Directors' interests in shares and underlying shares", as at 31 December 2010, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the Independent non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wang Zheng Chun
Chairman

23 March 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF GENVON GROUP LIMITED
正峰集團有限公司
(FORMERLY KNOWN AS WANG SING INTERNATIONAL HOLDINGS GROUP LIMITED
旺城國際控股集團有限公司)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Genvon Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 84, which comprise the consolidated statement of financial position as at 31 December 2010, 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 of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 our agreed terms of engagement, 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 of the consolidated financial statements that give true and fair view 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's loss 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 disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	**108,760**	104,963
Cost of sales		**(98,258)**	(96,619)
Gross profit		**10,502**	8,344
Other gains and losses	9	**10,402**	6,621
Selling and distribution expenses		**(5,472)**	(6,814)
Administrative expenses		**(43,630)**	(40,335)
Fair value gain on conversion option embedded in convertible note	27	**18,302**	14,486
Finance costs	12	**(2,776)**	(28,232)
Loss for the year	14	**(12,672)**	(45,930)
Other comprehensive income (expense)			
Exchange differences arising on translation		**4,725**	(36)
Total comprehensive expense for the year		**(7,947)**	(45,966)
Loss for the year attributable to:			
Owners of the Company		**(12,438)**	(45,930)
Non-controlling interest		**(234)**	–
		(12,672)	(45,930)
Total comprehensive expense attributable to:			
Owners of the Company		**(7,713)**	(45,966)
Non-controlling interest		**(234)**	–
		(7,947)	(45,966)
Loss per share	15		
– basic (HK cents)		**(0.4)**	(3.9)
– diluted (HK cents)		**(1.0)**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	16	**94,504**	95,263
Prepaid lease payments	17	**24,569**	24,453
Intangible assets	18	**5,400**	4,260
		124,473	123,976
Current assets			
Inventories	19	**15,030**	12,994
Properties under development held for sale	20	**366,763**	236,111
Trade and other receivables	21	**106,401**	56,093
Deposit paid for acquisition of land use rights	22	**523,540**	–
Prepaid lease payments	17	**735**	711
Bank balances and cash	23	**208,269**	35,198
		1,220,738	341,107
Current liabilities			
Trade and other payables	24	**47,477**	34,525
Deposits and accrued expenses		**5,600**	6,251
Deposits received from pre-sale of properties		**175,254**	–
Bank and other borrowings – due within one year	25	**210,657**	43,157
Loans from related companies	26	**46,311**	43,684
Conversion option embedded in convertible note	27	**–**	18,302
Liability component of convertible note	27	**–**	188,774
		485,299	334,693
Net current assets		**735,439**	6,414
Total assets less current liabilities		**859,912**	130,390

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
Capital and reserves			
Share capital	28	**422,477**	168,991
Reserves		**58,205**	(61,315)
		480,682	107,676
Non-controlling interest		**179,570**	–
Total equity		**660,252**	107,676
Non-current liabilities			
Bank and other borrowings – due after one year	25	**176,284**	–
Deferred income	29	**23,376**	22,714
		199,660	22,714
		859,912	130,390

The consolidated financial statements on pages 31 to 84 were approved and authorised for issue by the Board of Directors on 23 March 2011 and are signed on its behalf by:

Wang Zheng Chun
DIRECTOR

Zheng Wei Chong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2010

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Share options reserve HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 January 2009	52,997	170,025	6,323	800	14,045	710	(219,177)	25,723	–	25,723
Other comprehensive expense for the year	–	–	–	–	(36)	–	–	(36)	–	(36)
Loss for the year	–	–	–	–	–	–	(45,930)	(45,930)	–	(45,930)
Total comprehensive expenses for the year	–	–	–	–	(36)	–	(45,930)	(45,966)	–	(45,966)
Issue of shares:										
– on open offer	105,994	–	–	–	–	–	–	105,994	–	105,994
– on subscription	10,000	13,000	–	–	–	–	–	23,000	–	23,000
Transaction costs attributable to issue of shares	–	(4,391)	–	–	–	–	–	(4,391)	–	(4,391)
Recognition of equity-settled share-based payments	–	–	3,316	–	–	–	–	3,316	–	3,316
Release upon lapse of vested share options	–	–	(2,722)	–	–	–	2,722	–	–	–
At 31 December 2009	168,991	178,634	6,917	800	14,009	710	(262,385)	107,676	–	107,676
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**4,725**	**–**	**–**	**4,725**	**–**	**4,725**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(12,438)**	**(12,438)**	**(234)**	**(12,672)**
Total comprehensive income (expenses) for the year	**–**	**–**	**–**	**–**	**4,725**	**–**	**(12,438)**	**(7,713)**	**(234)**	**(7,947)**
Issue of shares:										
– on rights issue	**253,486**	**126,744**	**–**	**–**	**–**	**–**	**–**	**380,230**	**–**	**380,230**
Transaction costs attributable to issue of shares	**–**	**(4,348)**	**–**	**–**	**–**	**–**	**–**	**(4,348)**	**–**	**(4,348)**
Capital contributed by non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**179,804**	**179,804**
Recognition of equity-settled share-based payments	**–**	**–**	**4,837**	**–**	**–**	**–**	**–**	**4,837**	**–**	**4,837**
Release upon lapse of vested share options	**–**	**–**	**(544)**	**–**	**–**	**–**	**544**	**–**	**–**	**–**
At 31 December 2010	**422,477**	**301,030**	**11,210**	**800**	**18,734**	**710**	**(274,279)**	**480,682**	**179,570**	**660,252**

The merger reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition under the group reorganisation on 11 April 2002.

Other reserves, consisting of expansion fund and the reserve fund, are provided in accordance with the Articles of Association of a subsidiary established in The People's Republic of China (the "PRC").

Laws and regulations in the PRC allow foreign investment enterprises to appropriate from profit after taxation, prepared in accordance with the PRC statutory requirements, an amount to the reserve fund and expansion fund according to the decision of the Board of Directors or the Articles of Association of the enterprises.

The reserve fund is used to expand the enterprise's working capital. When that subsidiary suffers losses, the reserve fund may be used to make up unrecovered losses under special circumstances.

The expansion fund is to be used for business expansion of that subsidiary and, if approved, can also be used to increase capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2010

	2010	2009
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(12,672)**	(45,930)
Adjustments for:		
Share-based payment expenses	**4,837**	3,316
Amortisation of intangible assets	**1,971**	1,596
Depreciation of property, plant and equipment	**7,383**	8,333
Release of prepaid lease payments	**719**	274
Loss (gain) on disposal of property, plant and equipment	**241**	(196)
Impairment loss recognised on trade receivables	**31**	1,448
Interest income from banks	**(322)**	(352)
Finance costs	**2,776**	28,232
Fair value gain on conversion option embedded in convertible note	**(18,302)**	(14,486)
Write back of other payables	**(6,233)**	–
Recovery of bad debts written off in prior years	**(634)**	(1,125)
Operating cash flows before movements in working capital	**(20,205)**	(18,890)
(Increase) decrease in inventories	**(2,036)**	227
(Increase) decrease in trade and other receivables	**(47,332)**	10,868
Increase in deposit paid for acquisition of land use rights	**(523,540)**	–
Increase in properties under development held for sale	**(90,223)**	(9,633)
Increase (decrease) in trade and other payables	**19,185**	(31,768)
Decrease in deposits and accrued expenses	**(651)**	(2,168)
Increase in deposits received from pre-sale of properties	**175,254**	–
NET CASH USED IN OPERATING ACTIVITIES	**(489,548)**	(51,364)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(4,358)**	(3,863)
Purchase of intangible assets and development costs paid	**(2,900)**	(2,450)
Interest received from banks	**322**	352
Proceeds on disposal of property, plant and equipment	**255**	358
Purchase of prepaid lease payments	**–**	(24,410)
Decrease in pledged bank deposits	**–**	2,285
NET CASH USED IN INVESTING ACTIVITIES	**(6,681)**	(27,728)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2010

	2010	2009
	HK$'000	HK$'000
FINANCING ACTIVITIES		
New bank and other borrowings raised	**396,229**	35,179
Capital contributed by non-controlling interest	**179,804**	–
Proceeds from issue of new shares (net of cost directly attributable to issue of shares)	**172,562**	45,031
Advances from related companies	**82,942**	57,900
Repayments of amounts due to related companies	**(81,860)**	(61,344)
Repayments of bank and other borrowings	**(67,459)**	(19,894)
Interest paid	**(17,598)**	(3,912)
Government grants received	**–**	22,714
NET CASH FROM FINANCING ACTIVITIES	**664,620**	75,674
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**168,391**	(3,418)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**35,198**	38,536
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**4,680**	80
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**208,269**	35,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2010

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's controlling shareholder is Mr. Wang Zheng Chun ("Mr. Wang"), an Executive Director of the Company.

The Company acts as an investment holding company. Details of the principal activities of its principal subsidiaries are set out in note 36. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information to the annual report.

The functional currency of the Company is United States dollars ("USD"), and the consolidated financial statements are presented in Hong Kong dollars ("HKD"). The Directors of the Company selected HKD as the presentation currency because the shares of the Company are listed on the Stock Exchange.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards and Interpretations issued but not yet effective *(Continued)*

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The application of HKFRS 9 may affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of the other new and revised Standards and Interpretations will have no material impact on the consolidated financial statements.

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i. e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

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 exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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 their estimated residual value, using the straight-line method.

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.

Construction in progress

Construction in progress is carried at cost less any recognised impairment loss. Costs comprise direct and indirect costs of acquisition or construction. Construction in progress is classified to the approximate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for intended use.

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.

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 building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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 the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing 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.

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. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1 January 2010 onwards, on the disposal of a foreign operation (i. e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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 year in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and other schemes managed by the PRC government are charged as an expense when employees have rendered service entitling them to the contributions.

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 liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised on 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 and deferred tax assets are recognised 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 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 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 profits 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 rate (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 expects, 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)*

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 for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as 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.

Research and development expenditures

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 if, and 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 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, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

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 liabilities at fair value through profit or loss ("FVTPL")) 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 to profit or loss.

Financial assets

The Group's financial assets comprise mainly loans and receivables.

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 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 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.

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 and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For certain categories of financial asset, such as trade receivables, 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 past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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. If, in a subsequent period, the amount of 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, 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.

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 after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

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 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 financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing 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.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, bank and other borrowings and loans from related companies 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible note

Convertible notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion options that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument are conversion option derivatives. When convertible notes are issued, both the liability and conversion option derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

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 receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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 and payable is recognised in profit or loss.

Properties under development held for sale

Properties under development held for sale are stated at the lower of cost and estimated net realisable value. Properties under development which are intended for sale in the ordinary course of business upon completion are classified as current assets.

Before the construction takes place, the amortisation charge provided for the leasehold land is recognised in profit or loss. During the construction period, the amortisation charge provided for the leasehold land is capitalised as part of costs of the properties for development.

Equity-settled share-based payment transactions

Share options granted to employees under an equity-settled share-based payment arrangement

The fair value of employee 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 (share options reserve).

At the end of the reporting period, the Group revises 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 in the statement of comprehensive income, with a corresponding adjustment to share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees under an equity-settled share-based payment arrangement *(Continued)*

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Goods acquired in an equity-settled share-based payment arrangement

When the Group acquires goods in an equity-settled share-based payment arrangement, it measures the goods received and the corresponding increase in equity, directly, at the fair value of the goods received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods received, the Group measures the fair value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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.

Impairment on property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The review comprises a comparison of the carrying amount and recoverable amount of the property, plant and equipment and intangible assets and hence involves consideration of the value in use. The cash flows used in the value in use calculation are based on the most up-to-date budgets and plans formally approved by management covering a 5-year period and are based on reasonable and supportable assumptions. For impairment assessment as at 31 December 2010, discount rate of 14% (2009: 14%) and a zero-growth rate have been used. In management's view, the discount rate represents the rate that the market would expect on an investment of equivalent risk. To the extent that the carrying amount exceeds the recoverable amount, an impairment loss has been recognised in respect of the affected property, plant and equipment and intangible assets. No impairment loss on property, plant and equipment and intangible assets was recognised in both years.

Deferred taxation

As at 31 December 2010, the Group has not recognised any deferred tax assets in the consolidated statement of financial position in relation to unused tax losses of certain group entities. The recognition 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 more than expected, a material deferred tax asset may be recognised, which would be credited to profit or loss in the consolidated statement of comprehensive income for the year. Details of unused tax losses not recognised amounted to approximately HK$58,245,000 (2009: HK$175,679,000) as disclosed in note 13.

5. 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 maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of debts (that includes bank and other borrowings, loans from related companies and convertible note) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital on a regular basis. Based on recommendations of the Directors, the Group will balance its overall capital structure through issues of new shares and share buy-backs as well as the issue of new debts or repayment of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010	2009
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**235,975**	55,609
Financial liabilities		
Amortised cost	**480,729**	310,140
Conversion option embedded in convertible note	–	18,302

(b) Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, loans from related companies and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk , interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Market risk

(i) Currency risk

The functional currencies of the Company's principal subsidiaries are USD and Renminbi ("RMB"). The functional currencies of some of the principal subsidiaries are USD because most of the sales transactions of those subsidiaries are negotiated, denominated and settled in USD. While most of the Group's operations are transacted in the functional currencies of the respective group entities, the Group undertakes certain transactions denominated in foreign currencies. The Group currently has not formulated any hedging policies against its exposure to currency risk. Yet, the Group still manages its foreign currency risk by closely monitoring movements of foreign currency exchange rates.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies other than functional currencies of the relevant group entities at the end of the reporting periods are as follows:

	2010	2009
	HK$'000	HK$'000
Assets		
RMB	**13**	355
USD	**264**	229
Euro ("EUR")	**13**	1,148
HKD	**675**	69
Liabilities		
RMB	**2,541**	2,791
HKD	**277**	200,594

Management monitors foreign exchange exposure as stated above and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

As HKD is pegged to USD, currency risk in relation to HKD and USD denominated monetary assets and liabilities is expected to be minimal. The Group is mainly exposed to the risk of fluctuation of RMB and EUR.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

The following table details the sensitivity of the Group to a 10% (2009: 10%) increase and decrease in USD against RMB and EUR. 10% (2009: 10%) 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 only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2009: 10%) change in foreign currency rates. On this basis, there will be an increase in loss (2009: increase in loss) where the functional currency of relevant entities weakens against RMB, EUR and USD by 10% (2009: 10%), and vice versa. For a 10% (2009: 10%) weakening of USD against the relevant currencies, loss for the year would be as follows:

	Assets		**Liabilities**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease (increase) in loss	**3**	151	**(254)**	(279)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group's cash flow interest rate risk primarily relates to its variable-rate bank balances and bank and other borrowings. Details of the Group's bank balances and bank and other borrowings are disclosed in notes 23 and 25 respectively.

The Group was also exposed to fair value interest rate risk in relation to fixed rate bank and other borrowings as at 31 December 2010 (see Note 25 for details of these borrowings).

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2009: 50 basis point) increase or decrease 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 (2009: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2010 would increase/decrease by HK$865,000 (2009: increase/decrease by HK$194,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(iii) Price risk

The conversion option derivative embedded in convertible note is measured at fair value at the end of the reporting period using Black-Scholes Model. Therefore, the Group is exposed to price risk.

The sensitivity analysis on conversion option embedded in convertible note set out below has been determined based on the exposure to the change of share price of the Company.

No analysis or price risk on the conversion option derivative embedded in convertible note for the year ended 31 December 2010 as the convertible note had been redeemed on 14 July 2010. Details are set out in note 28.

At 31 December 2009, if the share price of the Company had increased or decreased by 20% with all other variables under Black-Scholes option pricing model held constant, the consolidated pre-tax loss for the year would have been HK$12,934,000 or HK$9,488,000 higher or lower respectively, arising from losses or gains in fair value of the conversion option embedded in convertible note.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and debtors is the carrying amount of the respective financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group is 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 reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with good reputation.

The Group has a customer whose outstanding trade receivables represent approximately 47% (2009: 45%) of the total trade receivables of the Group as at 31 December 2010 which expose the Group to the concentration of credit risk. Other than that, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties. The Group reviews the recoverable amounts of outstanding trade receivables on regular basis and an allowance for doubtful debt is made where there is an identified loss.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2010

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables

	Weighted average contractual interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flow	Carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010							
Non-derivate financial liabilities							
Trade and other payables	**–**	**47,477**	**–**	**–**	**–**	**47,477**	**47,477**
Bank borrowings							
– short term	**5.78%**	**–**	**–**	**54,350**	**–**	**54,350**	**52,885**
– long term	**5.52%**	**–**	**–**	**–**	**186,095**	**186,095**	**176,284**
Other borrowings	**11.47%**	**–**	**62,175**	**103,420**	**–**	**165,595**	**157,772**
Loans from related companies	**–**	**46,311**	**–**	**–**	**–**	**46,311**	**46,311**
		93,788	**62,175**	**157,770**	**186,095**	**499,828**	**480,729**
2009							
Non-derivate financial liabilities							
Trade and other payables	–	8,991	16,655	8,879	–	34,525	34,525
Bank borrowings	6.15%	219	658	44,473	–	45,350	43,157
Loans from related companies	–	43,684	–	–	–	43,684	43,684
Convertible note	–	–	–	195,500	–	195,500	188,774
		52,894	17,313	248,852	–	319,059	310,140

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value

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

- the fair value of financial assets and financial liabilities (other than derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs; and

- the fair value of the conversion option derivative embedded in the convertible bond is determined with reference to the valuation carried out by Grant Sherman Appraisal Limited ("GSAL"), an independent firm of professional valuers not connected with the Group and is calculated using the Black-Scholes Pricing Model. Key assumptions used in determining the fair value of the conversion option derivative are set out in note 27.

The fair value of the liability component of the convertible note as at 31 December 2009 was estimated to be HK$194,101,000. The fair value is determined assuming redemption on the maturity date, using a discount rate of 9.07% and holding credit risk margin constant as at 31 December 2009.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market 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).

- 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).

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

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

At the end of the reporting period, the Group has no Level 1 nor 3 fair value measurement financial instruments.

	Level 2	
	2010	2009
	HK$'000	HK$'000
Financial liabilities at fair value through profit or loss		
Conversion option embedded in convertible note	**–**	18,302

There were no transfers between Level 1 and 2 in the current year.

7. REVENUE

Revenue represents the amounts received and receivable for sales of power tools, air tools, hand tools and other products to outside customers during the year.

8. SEGMENT INFORMATION

For the purposes of resources allocation and performance assessment, the Group's chief operating decision maker (i.e. Executive Directors) regularly review internal reports derived from two operating segments which consist of (a) Manufacturing and Trading of power tools, air tools, hand tools and other products ("Manufacturing and Trading") and (b) Property Development and Trading. Segment information about the Manufacturing and Trading segment is further analysed based on the geographical location of customers for the purposes of resource allocation and performance assessment:

– Europe

– the United States of America (the "USA")

– Other countries

In prior year, the sales to customers in Europe include Germany and France. However, the sales to customers located in France is significantly reduced in the current year and therefore, the information of geographical location of customers' reported to chief operating decision marker is grouped under "Europe" in 2010.

The following is an analysis of the Group's revenue and results by operating segment. Amounts reported for the prior periods had been restated to conform to the requirements of HKFRS 8.

8. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2010

	Manufacturing and Trading				
	Europe HK$'000	USA HK$'000	Other countries HK$'000	Property Development and Trading HK$'000	Total HK$'000
Segment revenue – external	**26,115**	**74,613**	**8,032**	**–**	**108,760**
RESULTS					
Segment profit	**2,478**	**7,078**	**915**	**(5,015)**	**5,456**
Unallocated corporate income					**28,704**
Unallocated corporate expenses					**(44,056)**
Finance costs					**(2,776)**
Loss for the year					**(12,672)**

For the year ended 31 December 2009

	Manufacturing and Trading				
	Europe HK$'000	USA HK$'000	Other countries HK$'000	Property Development and Trading HK$'000	Total HK$'000
Segment revenue – external	37,702	47,312	19,949	–	104,963
RESULTS					
Segment profit	3,126	2,758	1,012	(1,845)	5,051
Unallocated corporate income					21,107
Unallocated corporate expenses					(43,856)
Finance costs					(28,232)
Loss for the year					(45,930)

The accounting policies for 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 central administration costs, directors' salaries, finance costs, other gains and losses, selling and distribution expenses and impairment loss recognised in respect of property, plant and equipment. Cost of sales for each geographical location of Manufacturing and Trading segment is allocated on the basis of the revenue earned by each segment.

Segment assets and liabilities are not regularly reviewed by the chief operating decision maker for the purposes of performance assessment and resource allocation.

8. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2010

	Manufacturing and Trading					
	Europe HK$'000	USA HK$'000	Other countries HK$'000	Property Development and Trading HK$'000	Others HK$'000	Total HK$'000
Amounts included in the segment profit:						
Depreciation of property, plant and equipment	1,452	4,150	447	131	1,203	7,383
Amortisation of intangible assets	473	1,352	146	–	–	1,971
Impairment losses recognised on trade receivables	–	–	31	–	–	31

For the year ended 31 December 2009

	Manufacturing and Trading					
	Europe HK$'000	USA HK$'000	Other countries HK$'000	Property Development and Trading HK$'000	Others HK$'000	Total HK$'000
Amounts included in the segment profit:						
Depreciation of property, plant and equipment	852	1,071	452	116	5,842	8,333
Amortisation of intangible assets	572	720	304	–	–	1,596
Impairment losses recognised on trade receivables	24	1,103	321	–	–	1,448

8. SEGMENT INFORMATION *(Continued)*

Revenue from major products

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

	2010	2009
	HK$'000	HK$'000
Sales of power tools	**108,682**	99,510
Sales of air tools	**27**	2,222
Sales of hand tools	**51**	459
Sales of housewares	**–**	2,772
	108,760	104,963

The above information about the Group's revenue from major products was determined based on the location of customers. The Group's non-current assets are substantially located in the Mainland China.

Information about major customers

For the year ended 31 December 2010, revenue from a single customer in the Manufacturing and Trading segment amounted to HK$54,497,000 (2009: HK$68,507,000) which contributed to approximately 50.11% (2009: 65.27%) of the Group's total revenue.

9. OTHER GAINS AND LOSSES

	2010	2009
	HK$'000	HK$'000
Write back of other payables	**6,233**	–
Exchange gain (loss)	**1,292**	(223)
(Loss) gain on disposal of property, plant and equipment	**(241)**	196
Interest income from banks	**322**	352
Recovery of bad debts written off in prior years	**634**	1,125
Compensation received from an independent third party (Note)	**–**	4,085
Sundry income	**2,162**	1,086
	10,402	6,621

Note: The amount represented the compensation received from an independent third party, who was the vendor of a proposed project to be entered into by the Company in 2009 but the project was eventually abandoned because the vendor decided not to proceed the project. A compensation was received by the Company according to the terms of the relevant agreement.

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine (2009: eleven) directors were as follows:

Year ended 31 December 2010

	Executive Directors					Non-executive Director	Independent non-executive Directors			
	Mr. Wang Zheng Chun HK$'000	Mr. Xu Wen Cong HK$'000	Mr. Zhang Xiu He HK$'000	Mr. Zheng Wei Chong HK$'000	Mr. Cheung Man HK$'000	Mr. Ho Hao Veng HK$'000	Mr. Ang Siu Lun, Lawrence HK$'000	Mr. Ma Kwai Yuen HK$'000	Mr. Law Wing Tak, Jack HK$'000	Total HK$'000
Fees	–	–	–	–	–	100	120	150	150	520
Other emoluments:										
Salaries	1,560	551	551	390	540	–	–	–	–	3,592
Contributions to retirement benefits scheme	54	54	61	–	12	–	–	–	–	181
Share based payment expenses	819	246	246	246	246	82	82	82	82	2,131
Total emoluments	2,433	851	858	636	798	182	202	232	232	6,424

Year ended 31 December 2009

	Executive Directors						Non-executive Director	Independent non-executive Directors				
	Mr. Wang Zheng Chun HK$'000	Mr. Xu Wen Cong HK$'000	Mr. Zhang Xiu He HK$'000	Mr. Zheng Wei Chong HK$'000	Mr. Cheung Man HK$'000	Mr. Wang Shu HK$'000	Mr. Ho Hao Veng HK$'000	Mr. Ang Siu Lun, Lawrence HK$'000	Mr. Ma Kwai Yuen HK$'000	Mr. Law Wing Tak, Jack HK$'000	Mr. Wei Tong Li HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	100	120	150	150	17	537
Other emoluments:												
Salaries	1,079	544	544	420	165	28	–	–	–	–	–	2,780
Contributions to retirement benefits scheme	–	–	–	–	4	2	–	–	–	–	–	6
Share based payment expenses	134	40	40	40	40	–	13	13	13	13	–	346
Total emoluments	1,213	584	584	460	209	30	113	133	163	163	17	3,669

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2009: four) were Directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining two (2009: one) individual(s) was as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**1,045**	450
Contributions to retirement benefits scheme	**121**	–
Share-based payment expenses	**492**	40
Total emoluments	**1,658**	490

Their emoluments were within the band of not exceeding HK$1,000,000.

During the years ended 31 December 2010 and 2009, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any emoluments during the years ended 31 December 2010 and 2009.

12. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	**17,598**	2,883
Loans from related companies	**–**	1,029
Imputed interest expense on convertible note	**14,546**	24,320
	32,144	28,232
Less: Interest capitalised in properties under development held for sale	**(29,368)**	–
	2,776	28,232

Borrowing cost capitalised during the year arose from specific borrowing that are used to finance the construction costs of properties under development for sale.

13. TAXATION

No provision for PRC income tax has been made in the consolidated financial statements as all of the PRC subsidiaries incurred tax losses for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to the Decree Law No. 58/99M, Chapter 2, Article 12, dated 18 October 1999, a subsidiary of the Company, Gerrards (Commercial Offshore de Macau) Ltd., is exempted from Macao Complementary Tax. There is no provision in the relevant law and regulations on the duration of such exemption. Accordingly, no provision for the relevant income tax in Macau has been made in the consolidated financial statements.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2010 **HK$'000**	2009 HK$'000
Loss before taxation	**(12,672)**	(45,930)
Tax at the PRC Enterprise Income Tax rate of 25%	**(3,168)**	(11,482)
Tax effect of expenses not deductible for tax purpose	**8,658**	9,559
Tax effect of income not taxable for tax purpose	**(6,720)**	(3,502)
Tax effect of tax losses and deductible temporary difference not recognised	**1,230**	5,671
Effect of tax exemption granted	**–**	(246)
Taxation for the year	**–**	–

At the end of the reporting period, the Group has estimated unused tax losses and other deductible temporary difference of HK$58,245,000 (2009: HK$175,679,000) and HK$23,376,000 (2009: HK$22,714,000) respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire on various dates up to 2015.

14. LOSS FOR THE YEAR

	2010	2009
	HK$'000	HK$'000
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**7,383**	8,333
Amortisation of intangible assets	**1,971**	1,596
Release of prepaid lease payments	**719**	274
Directors' emoluments (note 10)	**6,424**	3,669
Other staff costs	**10,279**	9,418
Other staff's retirement benefits scheme contribution	**999**	658
Share-based payment expenses for staffs other than Directors	**2,706**	2,970
Total staff costs	**20,408**	16,715
Auditors' remuneration	**1,325**	1,366
Impairment loss recognised on trade receivables (included in administrative expenses)	**31**	1,448
Cost of inventories recognised as expense	**98,258**	96,619

15. LOSS PER SHARE

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

	2010	2009
	HK$'000	HK$'000
Loss		
Loss for the purpose of basic loss per share	**12,438**	45,930
Effect of dilutive potential ordinary shares:		
Effect on fair value gain on conversion option embedded in the convertible note	**18,302**	–
Loss for the purpose of diluted loss per share	**30,740**	45,930

15. LOSS PER SHARE *(Continued)*

	Number of shares	
	2010	2009
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,785,892**	1,170,272
Effect of dilutive potential ordinary shares:		
Convertible note	**360,156**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**3,146,048**	1,170,272

The weighted average number of ordinary shares for the purposes of basic loss per share has been adjusted for the rights issue completed on 10 August 2010.

The weighted average number of ordinary shares for the purposes of basic loss per share for the year ended 31 December 2009 had been adjusted for the open offer completed on 29 July 2009 and the rights issue completed on 10 August 2010.

The computation of the diluted loss per share for the year ended 31 December 2010 does not assume the exercise of certain batches of the Company's options as the exercise would result in a decrease in loss per share for the year ended 31 December 2010. The computation of the diluted loss per share does not assume the exercise of the remaining batches of the Company's options because the exercise prices of those options were higher than the average market price for shares for the year.

The computation of the diluted loss per share did not assume the exercise of the Company's options because the exercise prices of those options were higher than the average market price for shares for 2009.

The computation of the diluted loss per share for the year ended 31 December 2009 did not assume the conversion of the Company's outstanding convertible note as the exercise would result in a decrease in loss per share for the year ended 31 December 2009.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 January 2009	69,574	–	83,677	33,147	10,384	3,098	2,399	202,279
Exchange adjustments	113	–	338	18	91	3	2	565
Additions	1,190	187	759	320	691	121	595	3,863
Transfer	–	(79)	–	–	79	–	–	–
Disposals	–	–	(43)	–	–	(44)	(1,235)	(1,322)
At 31 December 2009	70,877	108	84,731	33,485	11,245	3,178	1,761	205,385
Exchange adjustments	2,469	2	2,729	439	215	72	55	5,981
Additions	–	129	616	1,801	1,668	97	47	4,358
Transfer	134	(223)	–	–	89	–	–	–
Disposals	–	–	(920)	–	–	(98)	–	(1,018)
At 31 December 2010	**73,480**	**16**	**87,156**	**35,725**	**13,217**	**3,249**	**1,863**	**214,706**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2009	7,832	–	52,740	29,779	8,681	1,948	1,839	102,819
Exchange adjustments	14	–	86	16	10	2	2	130
Charge for the year	1,332	–	2,705	2,375	1,357	264	300	8,333
Elimination on disposals	–	–	(31)	–	–	(39)	(1,090)	(1,160)
At 31 December 2009	9,178	–	55,500	32,170	10,048	2,175	1,051	110,122
Exchange adjustments	352	–	1,984	404	403	41	35	3,219
Charge for the year	1,406	–	2,720	1,374	1,342	268	273	7,383
Elimination on disposals	–	–	(434)	–	–	(88)	–	(522)
At 31 December 2010	**10,936**	**–**	**59,770**	**33,948**	**11,793**	**2,396**	**1,359**	**120,202**
CARRYING VALUES								
At 31 December 2010	**62,544**	**16**	**27,386**	**1,777**	**1,424**	**853**	**504**	**94,504**
At 31 December 2009	61,699	108	29,231	1,315	1,197	1,003	710	95,263

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

Buildings	Over the shorter of the unexpired term of the relevant lease and their estimated useful lives, ranging from 20 to 50 years
Plant and machinery	10%
Moulds	20%
Leasehold improvements, furniture and fixtures	20-33$^{1}/_{3}$%
Computer equipment	20%
Motor vehicles	20-33$^{1}/_{3}$%

All the Group's buildings are situated on the land under medium-term lease outside Hong Kong.

As at the end of the reporting period, the Directors conducted an annual review of the Group's assets including certain buildings and plant and machinery, moulds, prepaid lease payments and intangible asset which are used in the Group's manufacturing and trading segment. The recoverable amounts of the relevant assets have been determined based on the value in use calculation. The discount rate and growth rate in measuring the recoverable amounts determined based on the value in use was 14% (representing the rate that the market would expect on an investment of equivalent risk) and 0% respectively. No impairment loss has been recognised in profit or loss for both years.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise property interests in medium-term leasehold lands in the PRC and are amortised over the term of relevant leases with a range from 20 to 50 years.

	2010	2009
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current assets	**735**	711
Non-current assets	**24,569**	24,453
	25,304	25,164

18. INTANGIBLE ASSETS

	Development costs	**Patents, trademark, licences and manufacture know-how**	**Exclusive supply right**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 January 2009	12,940	18,014	37,350	68,304
Exchange adjustments	22	14	–	36
Additions	1,287	1,163	–	2,450
At 31 December 2009	14,249	19,191	37,350	70,790
Exchange adjustments	557	348	–	905
Additions	2,618	282	–	2,900
Write off	–	–	(37,350)	(37,350)
At 31 December 2010	**17,424**	**19,821**	**–**	**37,245**
AMORTISATION AND IMPAIRMENT				
At 1 January 2009	10,896	16,660	37,350	64,906
Exchange adjustments	18	10	–	28
Amortisation for the year	789	807	–	1,596
At 31 December 2009	11,703	17,477	37,350	66,530
Exchange adjustments	433	261	–	694
Amortisation for the year	1,099	872	–	1,971
Write off	–	–	(37,350)	(37,350)
At 31 December 2010	**13,235**	**18,610**	**–**	**31,845**
CARRYING VALUES				
At 31 December 2010	**4,189**	**1,211**	**–**	**5,400**
At 31 December 2009	2,546	1,714	–	4,260

18. INTANGIBLE ASSETS *(Continued)*

Development costs are internally generated. All of the Group's patents, trademark, licences and manufacture know-how and exclusive supply right were acquired from third parties.

The above intangible assets have definite useful lives. They are amortised on a straight-line basis over the following periods:

Development costs	5 years
Patents, trademark, licences, and manufacture know-how	5 to 15 years
Exclusive supply right	7 years

19. INVENTORIES

	2010	2009
	HK$'000	HK$'000
Raw materials	**6,226**	6,523
Work in progress	**3,623**	2,898
Finished goods	**5,181**	3,573
	15,030	12,994

20. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

The amount represents a parcel of land and properties being developed into its residential properties for sale in the ordinary course of business upon completion. The parcel of land is situated in the Mainland PRC and held under a long lease.

The construction work is expected to be completed by end of 2012.

During the year ended 31 December 2010, the Group commenced the pre-sales of properties and an aggregate amount of deposits HK$175,254,000 were received from the buyers of the properties and recognised in current liabilities in the consolidated statement of financial position.

21. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit period of 60-120 days to its trade customers. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	HK$'000
Within 30 days	**11,392**	8,114
Between 31 to 60 days	**9,726**	6,193
Between 61 to 90 days	**1,613**	1,288
Between 91 to 120 days	**2**	844
Over 120 days	**466**	416
Trade receivables	**23,199**	16,855
Other receivables	**4,084**	3,556
Deposits and prepayments (Note)	**79,118**	35,682
	106,401	56,093

Before accepting any new customer, the Group will assess the potential customer's credit quality and determines its credit limits. Credit sales are made to customers with an appropriate credit history. Credit limits attributed to customers are reviewed regularly.

At the end of the reporting period, the Directors considered that trade receivables which are neither past due nor impaired are of good credit quality.

Included in the Group's trade receivable balance are receivables with aggregate carrying amount of HK$466,000 (2009: HK$416,000) 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.

Ageing of trade receivables which are past due but not impaired:

	2010	2009
	HK$'000	HK$'000
Over 120 days	**466**	416

The Directors considered trade and other receivables which are past due but not impaired are of good credit quality. Satisfactory settlement was received subsequent to the end of the reporting period.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts of trade receivables:

	2010	2009
	HK$'000	HK$'000
Balance at beginning of the year	**–**	–
Impairment losses recognised on trade receivables	**31**	1,448
Amounts written off as uncollectible	**(31)**	(1,448)
Balance at end of the year	**–**	–

Trade and other receivables that are denominated in the following currencies other than the functional currencies of the relevant group entities are set out below:

	RMB	**EUR**	**HK$**
As at 31 December 2010 (HK$'000)	**13**	**–**	**12**
As at 31 December 2009 (HK$'000)	7	6	20

Note: Included in deposits and prepayments are deposits paid to subcontractors for the construction of properties under development held for sale of approximately HK$17,496,000 (2009: HK$32,808,000) and a refundable deposit of HK$58,761,000 (equivalent to RMB50,000,000) paid to the Bureau of Land Resources Haian county, the PRC, as perquiste in connection to the acquisition of land use rights (see Note 22). The amount will be refundable within the next twelve months from the end of the reporting period and the amount is therefore classified as current assets.

22. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS

On 11 January 2010, Shanghai Zhuanfeng Land and Building Development Limited ("Shanghai Zhuanfeng"), a wholly-owned subsidiary of the Company, won a tender at an open auction to acquire the land use right of a parcel of land (the "Jiangsu Land") for a cash consideration of RMB445,480,000 (equivalent to approximately HK$523.5 million) and entered into a confirmation letter with Bureau of Land Resources, Haian County, the PRC at that date. The parcel of land will be used for development of residential properties for sale in the ordinary course of business upon completion.

In addition, on 15 January 2010, Shanghai Zhuanfeng and Shanghai Lankai Property Development Company Limited, an independent third party, entered into a joint venture agreement to establish a joint venture company as the project company for the development of the Jiangsu Land. Under the joint venture agreement, Shanghai Zhuanfeng and Shanghai Lankai Property Development Company Limited ("Shanghai Lankai") have 70% and 30% equity interest, respectively, in the joint venture company. During the current year, Shanghai Zhuanfeng and Shanghai Lankai made cash capital injection into the joint venture company in proportion to their shareholdings. The joint venture company was established in March 2010, and named as Jiangsu Zhengfeng Land and Building Development Limited ("Jiangsu Zhengfeng"). Jiangsu Zhengfeng is a 70% owned subsidiary of the Company.

On 8 November 2010, the remaining consideration was fully paid by Jiangsu Zhengfeng to the Bureau of Land Resources, Haian County.

22. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS *(Continued)*

As at 31 December 2010, the transfer of the Jiangsu Land has not been completed as the Bureau of Land Resources, Haian County needs further time to put the Jiangsu Land to a vacant possession for the purpose of the land transfer. It is expected that the Jiangsu Land will be transferred to Jiangsu Zhengfeng by the end of the first quarter of year 2011. As a result, the amounts paid for the Jiangsu Land of approximately HK$523,540,000 is accounted for as deposit paid for the acquisition of land use rights and classified as current assets.

23. BANK BALANCES AND CASH

The bank balances carried interest at variable market rates which range from 0.001% to 0.36% (2009: 0.001% to 0.1%) per annum.

Bank balances that are denominated in the following currencies other than functional currencies of the relevant group entities are set out below:

	RMB	**US$**	**EUR**	**HK$**
As at 31 December 2010 (HK$'000)	**–**	**264**	**13**	**663**
As at 31 December 2009 (HK$'000)	348	229	1,142	49

24. TRADE AND OTHER PAYABLES

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

	2010	2009
	HK$'000	HK$'000
Within 30 days	**20,864**	12,040
Between 31 to 60 days	**15,457**	4,615
Between 61 to 90 days	**923**	2,140
Between 91 to 120 days	**1,084**	1,031
Over 120 days	**5,283**	5,820
Trade payables	**43,611**	25,646
Other payables	**3,866**	8,879
	47,477	34,525

The average credit period on purchases of goods is 90 days.

Trade and other payables that are denominated in the following currencies other than the functional currencies of the relevant group entities are set out below:

	RMB	**HK$**
As at 31 December 2010 (HK$'000)	**2,541**	**277**
As at 31 December 2009 (HK$'000)	2,791	42

25. BANK AND OTHER BORROWINGS

	2010 HK$'000	2009 HK$'000
Bank loans	**229,169**	43,157
Other loans	**157,772**	–
	386,941	43,157
Secured	**229,169**	43,157
Unsecured	**157,772**	–
	386,941	43,157
Carrying amount repayable*:		
Within one year	**210,657**	43,157
More than two years but not more than five years	**176,284**	–
	386,941	43,157
Less: Amounts due within one year shown under current liabilities	**(210,657)**	(43,157)
Amounts shown under non-current liabilities	**176,284**	–
Fixed-rate borrowings	**113,965**	–
Floating-rate borrowings	**272,976**	43,157
	386,941	43,157

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

During the year ended 31 December 2010, the Group obtained new bank loans amounting to RMB195,000,000 (equivalent to HK$223,954,000) including new loans of RMB15,000,000 (equivalent to HK$17,227,000) which carry interest at fixed rate of 6.1% per annum and RMB30,000,000 (equivalent to HK$34,452,000) which carry interest at variable rates of commercial banks in PRC of 5.6% per annum and are repayable within one year. A new bank loan of RMB150,000,000 (equivalent to HK$172,275,000) which carries interest at the People's Republic of China base interest rate less 5% per annum (effective interest rate of 5.04% per annum) and will be repayable in 2013.

During the year ended 31 December 2010, the Group obtained new other loans from independent third parties of principal amount of RMB150,000,000 (equivalent to HK$172,275,000) including RMB70,000,000 (equivalent to HK$80,395,000) which carry interest at the prevailing market rate of commercial banks in the PRC and RMB80,000,000 (equivalent to HK$91,880,000) with fixed interest rate at 15% per annum. All of the other loans are unsecured and repayable within one year.

25. BANK AND OTHER BORROWINGS *(Continued)*

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

	2010	2009
Effective interest rates:		
Variable-rate borrowings	**5.6% – 6.1%**	5.8%–6.4%
Fixed-rate borrowings	**6.1% – 15%**	–

The Group has pledged its property, plant and equipment, prepaid lease payments and properties under development held for sales with carrying values of approximately HK$59,504,000 (2009: HK$55,206,000), HK$24,526,000 (2009: HK$24,283,000) and HK$366,763,000 (2009: HK$236,111,000) respectively to secure general banking facilities granted to the Group.

26. LOANS FROM RELATED COMPANIES

	2010	2009
	HK$'000	HK$'000
Interest-free loans	**46,311**	43,684

The related companies are controlled by Mr. Wang Zheng Chun, a Director of the Company.

During the year ended 31 December 2010, the Group obtained loans advanced by related companies amounting to HK$82,942,000 and repaid an aggregate amount of HK$81,860,000 to them.

All loans from related companies as at 31 December 2010 are unsecured, interest free and repayable on demand.

27. CONVERTIBLE NOTE

The Company issued a zero coupon convertible note in the aggregate principal value of HK$195,500,000 on 15 July 2008 to Grand Vision Group Limited which is wholly owned by Mr. Wang as part of consideration paid for the acquisition of the piece of land referred to in note 20. The convertible note was denominated in Hong Kong dollars. The note entitles the holders to convert it into ordinary shares of the Company at any time between the date of having obtained the state-owned land use rights certificate and the physical possession and actual occupation in respect of the property in the name of Shanghai Zhuanfeng Land and Building Development Limited and its settlement date on 14 July 2010 at a conversion price of HK$0.46 per share, which was subsequently adjusted to HK$0.29 per share as a result of open offer completed on 27 July 2009. The convertible note was redeemed on 14 July 2010 at 104% of the principal amount. Details are set out in note 28(e).

The convertible note contains two components, liability component and conversion option derivative. The effective interest rate of the liability component was 13.9%. The conversion option derivative was measured at fair value with changes in fair value recognised in profit or loss.

27. CONVERTIBLE NOTE *(Continued)*

The movement of the liability component and conversion option derivative of the convertible note for the year is set out as below:

	Liability component HK$'000	Conversion option derivative HK$'000
As at 1 January 2009	164,454	32,788
Interest charge	24,320	–
Gain arising on changes of fair value	–	(14,486)
As at 31 December 2009 and 1 January 2010	**188,774**	**18,302**
Interest charge	**14,546**	**–**
Gain arising on changes of fair value	**–**	**(18,302)**
Repayment	**(203,320)**	**–**
As at 31 December 2010	**–**	**–**

The fair value of the conversion option embedded in the Convertible Note as at 31 December 2009 was determined based on the Black-Scholes Pricing model. The inputs into the model were as follows:

Stock price at the end of reporting period	HK$0.206
Exercise price	HK$0.29
Expected volatility	85.09%
Risk-free rate	0.17%
Remaining option life	7 months
Dividend yield	0%

28. SHARE CAPITAL

	Number of shares	Value HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2009	2,000,000,000	200,000
Increase during the year (Note a)	3,000,000,000	300,000
At 31 December 2009	5,000,000,000	500,000
Increase during the year (Note b)	**5,000,000,000**	**500,000**
At 31 December 2010	**10,000,000,000**	**1,000,000**
Issued and fully paid:		
At 1 January 2009	529,970,000	52,997
Open offer (Note c)	1,059,940,000	105,994
Shares issued (Note d)	100,000,000	10,000
At 31 December 2009	1,689,910,000	168,991
Rights issue (Note e)	**2,534,865,000**	**253,486**
At 31 December 2010	**4,224,775,000**	**422,477**

Notes:

(a) On 10 July 2009, the authorised ordinary share capital of the Company was increased from HK$200,000,000 to HK$500,000,000 by the creation of 3,000,000,000 ordinary shares of HK$0.10 each.

(b) On 11 June 2010, the authorised share capital of the Company was increased from HK$500,000,000 to HK$1,000,000,000 by the creation of 5,000,000,000 ordinary shares of HK$0.10 each.

(c) On 27 July 2009, the Company issued and allotted 1,059,940,000 shares pursuant to the open offer made by the Company on 10 July 2009 of which 795,718,000 shares were issued and allotted to Hillfame acting in the capacity of the underwriter for the open offer. Pursuant to the open offer, two offer shares at subscription price of HK$0.1 each were offered to every share held by the qualifying shareholders on 10 July 2009.

(d) On 18 December 2009, the Company entered into three subscription agreements with three independent third parties pursuant to which the Company has conditionally agreed to allot and issue and each of the subscribers has conditionally agreed to subscribe for 50,000,000, 30,000,000 and 20,000,000 new shares respectively, at the subscription price of HK$0.23 each per new share.

(e) On 13 June 2010, the Company announced that, among others, the Company had entered into an Underwriting Agreement with Grand Vision Group Limited (the "Underwriter") and Mr. Wang Zheng Chun on 11 June 2010 in relation to the Rights Issue (the "Rights Issue").

In according with the Underwriting Agreement, the Underwriter agreed to advance a shareholder's loan in the amount equal to the redemption amount of the convertible note plus the 4% premium thereon (i.e. HK$203.32 million) (the "Shareholder's Loan") to the Company. The Shareholder's Loan is unsecured, interest-free and repayable within one year from the date of advance. The Shareholder's Loan was used to settle the Outstanding Principal and interest of the convertible note set out in note 27.

On 10 August 2010, the Rights Issue has become unconditional and the Company completed the Rights Issue by issuing 2,534,865,000 Rights Shares on the basis of three shares for every two shares, at the subscription price at HK$0.15 per Rights Shares. Six valid acceptances of provisional allotments have been received for an aggregate of 301,462,000 Rights Shares.

The Underwriting Agreement also became unconditional on 10 August 2010. As a result of the under-subscription of the Rights Shares, the Underwriter was obliged to subscribe for 2,233,403,000 Rights Shares that have not been subscribed for. The aggregate Subscription Price of HK$335.0 million payable by the Underwriter has been offset against the entire Shareholder's Loan and the balance of HK$131.7 million was settled in cash. Proceeds from other subscribers amounted to HK$45.2 million. The cash proceeds of approximately HK$176.9 million, before share issue expenses, are used as general working capital of the Group.

These new shares rank pari passu with the then existing shares in issue in all aspects.

29. DEFERRED INCOME

The amount represents the government grant of RMB20,000,000 received from the local government in the PRC in relation to costs to be incurred for the acquisition of high-tech machines and relevant costs incurred in the production. The amount was recognised as deferred income and is to be released to profit or loss over the useful lives of the relevant assets. As at 31 December 2010, the Group has utilised approximately RMB110,000 (equivalent to HK$126,000) on relevant purchases (2009: Nil).

30. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments of HK$1,993,000 (2009: HK$1,557,000) paid under operating leases in respect of office and factory premises.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**1,609**	1,936
In the second year	**2,889**	713
	4,498	2,649

Leases for office premises are negotiated for a range of two to four years and rentals are fixed for an average of two years.

31. CAPITAL COMMITMENTS

	2010 **HK$'000**	2009 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	**25**	50

32. SHARE-BASED PAYMENT TRANSACTIONS

Share options granted

Effective from 26 April 2002, the Company operates a share option scheme ("Share Option Scheme") for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include (i) any employee or proposed employee (whether full time or part time, including any executive Director but not any non-executive Director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds any equity interest; (ii) any non-executive Director or proposed non-executive Director (including independent non-executive Director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier or potential supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer or potential customer of the Group or any Invested Entity; (v) any person or entity that provides or will provide research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; and (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares as at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

The following tables disclose the movements of the Company's share options granted under the Share Option Scheme. There is no share option granted prior to 18 August 2006.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share options granted *(Continued)*

Options granted on 18 August 2006

Category	Adjusted exercise price per share HK$ note (iv)	Estimated fair value per share option at the date of grant HK$	Exercisable period	Number of share options outstanding at 1 January 2009	Lapsed during the year	Adjustment note (iii)	Number of share options outstanding at 31 December 2009	Number of share options lapsed during the year	Adjustment note (iv)	Number of share options outstanding at 31 December 2010
Directors	0.114	0.0319	note (i)	1,320,000	(1,192,258)	936,774	1,064,516	–	**99,798**	**1,164,314**
Employees	0.114	0.0330	note (ii)	6,300,000	(5,535,481)	3,267,735	4,032,254	–	**378,025**	**4,410,279**
				7,620,000	(6,727,739)	4,204,509	5,096,770	–	**477,823**	**5,574,593**

Notes:

(i) The share options are exercisable one year after 18 August 2006 to 10 April 2012.

(ii) One-fifth of the share options granted to the employees will be vested annually in the next five years from 18 August 2006. Upon the lapse of vesting period, the share options are exercisable until 10 April 2012.

(iii) The number and exercise price of the share options were adjusted as a result of the completion of open offer on the basis of two offer shares for every one existing share held on 29 July 2009.

(iv) The number and exercise price of the share options were adjusted as a result of the completion of rights issue held on 10 August 2010.

Options granted on 10 January 2008

Category	Adjusted exercise price per share HK$ note (iii)	Estimated fair value per share option at the date of grant HK$	Exercisable period	Number of share options outstanding at 1 January 2009	Adjustment note (ii)	Number of share options outstanding at 31 December 2009	Number of share options lapsed during the year	Adjustment note (iii)	Number of share options outstanding at 31 December 2010
Employee	0.477	0.4648	note (i)	10,000,000	6,161,228	16,161,228	–	**1,515,115**	**17,676,343**

Notes:

(i) The first 5,000,000 share options will be vested one year after 10 January 2008. The remaining balance of 5,000,000 share options will be vested two years after 10 January 2008. Upon the lapse of vesting period, the share options are exercisable until 9 January 2018.

(ii) The number and exercise price of the share options were adjusted as a result of the completion of open offer on the basis of two offer shares for every one existing share held on 29 July 2009.

(iii) The number and exercise price of the share options were adjusted as a result of the completion of rights issue held on 10 August 2010.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share options granted *(Continued)*

Options granted on 7 March 2008

Category	Adjusted exercise price per share HK$ note (iii)	Estimated fair value per share option at the date of grant HK$	Exercisable period	Number of share options at 1 January 2009	Number of share options lapsed during this year	Adjustment note (ii)	Number of share options outstanding at 31 December 2009	Number of share options lapsed during the year	Adjustment note (iii)	Number of share options outstanding at 31 December 2010
Employees	0.261	0.285	note (i)	16,000,000	(12,159,649)	3,745,609	7,585,960	**(161,403)**	**696,052**	**8,120,609**

Notes:

(i) One-fifth of the share options granted to the employees will be vested annually in the next five years from the Grant Date. Upon the lapse of vesting period, the share options are exercisable until 6 March 2018.

(ii) The number and exercise price of the share options were adjusted as a result of the completion of open offer on the basis of two offer shares for every one existing share held on 29 July 2009.

(iii) The number and exercise price of the share options were adjusted as a result of the completion of rights issue held on 10 August 2010.

Options granted on 5 May 2008

Category	Adjusted exercise price per share HK$ note (iii)	Estimated fair value per share option at the date of grant HK$	Exercisable period	Number of share options at 1 January 2009	Number of share options lapsed during this year	Adjustment note (ii)	Number of share options outstanding at 31 December 2009	Number of share options lapsed during the year	Adjustment note (iii)	Number of share options outstanding at 31 December 2010
Employees	0.183	0.1769	note (i)	6,150,000	(2,650,000)	2,135,000	5,635,000	**–**	**528,281**	**6,163,281**

Notes:

(i) The share options are exercisable immediately after 5 May 2008 to 4 May 2018.

(ii) The number and exercise price of the share options were adjusted as a result of the completion of open offer on the basis of two offer shares for every one existing share held on 29 July 2009.

(iii) The number and exercise price of the share options were adjusted as a result of the completion of rights issue held on 10 August 2010.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share options granted *(Continued)*

Options granted on 6 November 2009

Category	Exercise price per share	Estimated fair value per share option at the date of grant	Exercisable period	Number of share options outstanding at 1 January 2009	Number of share options granted during the year	Number of share options outstanding at 31 December 2009	Number of share options lapsed during the year	Adjustment	Number of share options outstanding at 31 December 2010
	HK$	HK$						note (ii)	
Directors	0.210	0.1487	note (i)	–	26,000,000	26,000,000	**–**	**2,437,500**	**28,437,500**
Employees	0.210	0.1487	note (i)	–	22,000,000	22,000,000	**(3,281,250)**	**2,062,500**	**20,781,250**
				–	48,000,000	48,000,000	**(3,281,250)**	**4,500,000**	**49,218,750**

Notes:

(i) One-third of the share options granted to the employees will be vested annually in the next three years from 6 November 2010. Upon the lapse of vesting period, the share options are exercisable until 5 November 2019.

(ii) The number and exercise price of the share options were adjusted as a result of the completion of rights issue held on 10 August 2010.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share options granted *(Continued)*

The Group recognised the total expense of HK$4,837,000 for the year ended 31 December 2010 (2009: HK$3,316,000) in relation to share options granted by the Company.

During the year ended 31 December 2010, 3,442,653 (2009: 21,537,388) share options lapsed and no share options were exercised and cancelled during the year.

33. RETIREMENT BENEFITS SCHEMES

The Group operates retirement schemes and a central provident fund scheme covering their employees in Hong Kong. The Group has joined the MPF Scheme for qualifying employees of the Group in Hong Kong. Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations, which are essentially defined contribution schemes.

The contribution to the MPF Scheme is calculated based on the rules set out in the MPF Ordinance which is 5% on the basic salary of the relevant employee subject to a specific ceiling.

The Group's employees who are employed by subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of their payroll 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.

Total contributions to retirement benefits schemes charged to the profit or loss in the consolidated statement of comprehensive income amounted to HK$1,180,000 (2009: HK$664,000).

34. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties during the year are as follows:

(a) The Directors of the Company consider that the remuneration of key management personnel of the Group is set out in notes 10 and 11.

(b) Transaction and balances with related companies are set out in notes 12, 24 and 28(e), respectively.

35. PLEDGE OF ASSETS

At the end of the reporting period, the Group's bank borrowings and credit facilities from financial institution were secured by the followings:

	2010 **HK$'000**	2009 HK$'000
Prepaid lease payments	**24,526**	24,283
Property, plant and equipment	**59,504**	55,206
Properties under development held for sales	**366,763**	236,111
	450,793	315,600

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2010 and 2009 are as follows:

Name of subsidiaries	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Issued share capital/ registered capital effective held by the Company		Principal activities
				2010	2009	
Anhui Jinwang Development Investment Company Limited	WFOE	PRC	Registered capital RMB50,000	**–**	–	Investment holding
Delos International Trading Company	Corporation	PRC	Registered capital RMB3,000,000	**100%**	–	Trading of power tools and air tools
Genvon Developing Co. Ltd. (formerly known as Wang Sing Developing Co., Ltd.)	Corporation	Hong Kong	Ordinary share US$1	**100%**	100%	Trading of power tools and air tools
Genvon Products Limited (formerly known as Wang Sing Products Limited)	Corporation	Hong Kong	Ordinary shares HK$1,000,000	**100%**	100%	Trading of power tools and air tools
Gerrards (Commercial Offshore de Macau) Ltd.	Offshore company	Macau	Quota capital MOP100,000	**100%**	100%	Trading of power tools and air tools
Gerrards Agents Limited	Corporation	British Virgin Islands	Share US$1	**100%**	100%	Investment holding
Jiangsu Golden Harbour Enterprises Ltd.	WFOE	PRC	Registered capital US$33,000,000	**100%**	100%	Manufacture and distribution of power tools
Jiangsu Newairy Technology Ltd.	WFOE	PRC	Registered capital US$2,600,000	**100%**	100%	Manufacture and distribution of air tools
Jiangsu Zhengfeng Land and Building Development Company Limited #	WFOE	PRC	Registered capital RMB10,000,000	**70%**	–	Development of real estate properties

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiaries	Form of business structure	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Issued share capital/ registered capital effective held by the Company 2010	2009	Principal activities
Shanghai Zhuanfeng	WFOE	PRC	Registered capital RMB10,000,000	**100%**	100%	Development of real estate properties
United Win International Corporation	Corporation	British Virgin Islands	Shares US$100	**100%**	100%	Investment holding

Newly set up subsidiary in 2010

The above table lists the subsidiaries of the Group 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 issued any debt securities during the year or at the end of the reporting period.

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	233,571	226,544	186,331	104,963	**108,760**
Loss for the year attributable to the owners of the Company	(116,546)	(88,546)	(77,463)	(45,930)	**(12,438)**

	At 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Assets and liabilities					
Total assets	302,568	313,172	451,398	465,083	**1,345,211**
Total liabilities	(223,442)	(228,314)	(425,675)	(357,407)	**(684,959)**
	79,126	84,858	25,723	107,676	**660,252**
Equity attributable to owners of the Company	79,126	84,858	25,723	107,676	**480,682**
Non-controlling interest	–	–	–	–	**179,570**
	79,126	84,858	25,723	107,676	**660,252**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Zheng Chun
(Chairman and Chief Executive Officer)
Mr. Zheng Wei Chong
Mr. Zhang Xiu He
Mr. Xu Wen Cong
Mr. Cheung Man

Non-executive Director

Mr. Ho Hao Veng

Independent Non-executive Directors

Mr. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack

AUTHORISED REPRESENTATIVES

Mr. Zheng Wei Chong
Mr. Lam Ka Tak (appointed on 20 September 2010)
Miss. Tang Sze Ning (resigned on 20 September 2010)

COMPANY SECRETARY

Mr. Lam Ka Tak (appointed on 20 September 2010)
Miss. Tang Sze Ning (resigned on 20 September 2010)

AUDIT COMMITTEE

Mr. Ma Kwai Yuen *(Chairman)*
Mr. Ho Hao Veng
Mr. Ang Siu Lun, Lawrence
Mr. Law Wing Tak, Jack

REMUNERATION COMMITTEE

Mr. Ho Hao Veng *(Chairman)*
Mr. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack
Mr. Zheng Wei Chong

NOMINATION COMMITTEE

Mr. Ang Siu Lun, Lawrence *(Chairman)*
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack
Mr. Wang Zheng Chun

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

2389

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Bank of China Limited
China Construction Bank Corporation
Hang Seng Bank Limited

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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18/F., Fook Lee Commercial Centre
Town Place
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Wanchai
Hong Kong