

# GENVON GROUP LIMITED

## 正峰集團有限公司

Incorporated in the Cayman Islands with limited liability  
Stock Code: 2389

Interim Report 2013





## CONTENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash Flows	6
Notes to the Condensed Consolidated Financial Statements	7
Management Discussion and Analysis	25
Additional Information	33
Corporate Information	42

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	NOTES	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue	4	279,769	60,303
Cost of sales		(199,510)	(57,622)
Gross profit		80,259	2,681
Other income, gains and losses		4,273	6,186
Selling and distribution expenses		(5,334)	(4,173)
Administrative expenses		(18,018)	(17,374)
Finance costs	5	(2,166)	(2,265)
Profit (loss) before taxation		59,014	(14,945)
Income tax expense	6	(33,302)	–
Profit (loss) for the period	7	25,712	(14,945)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		4,974	(4,231)
Total comprehensive income (expense) for the period		30,686	(19,176)
Profit (loss) for the period attributable to:			
Owners of the Company		27,200	(13,916)
Non-controlling interests		(1,488)	(1,029)
		25,712	(14,945)
Total comprehensive income (expense) attributable to:			
Owners of the Company		28,578	(17,020)
Non-controlling interests		2,108	(2,156)
		30,686	(19,176)
Earning (loss) per share	9		
– basic and diluted (HK cents)		0.64	(0.33)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2013

	NOTES	<b>30 June 2013 HK\$'000 (unaudited)</b>	31 December 2012 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>88,947</b>	89,205
Prepaid lease payments		<b>23,948</b>	23,844
Deferred tax asset		<b>20,121</b>	15,488
Investment property	11	<b>4,716</b>	–
Intangible assets		<b>4,378</b>	4,441
		<hr/> <b>142,110</b>	132,978
<b>Current assets</b>			
Inventories		<b>34,890</b>	24,125
Stock of properties	12	<b>1,234,602</b>	999,295
Trade and other receivables	13	<b>179,056</b>	111,621
Deposit paid for acquisition of land use rights	14	<b>–</b>	230,291
Prepaid lease payments		<b>643</b>	632
Pledged bank deposits		<b>87,873</b>	–
Bank balances and cash		<b>159,273</b>	123,251
		<hr/> <b>1,696,337</b>	1,489,215
Assets classified as held for sale		<b>3,030</b>	2,977
		<hr/> <b>1,699,367</b>	1,492,192

	NOTES	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Current liabilities			
Trade, bills and other payables	15	213,401	244,011
Deposits and accrued expenses		7,929	5,031
Deposits received from pre-sale of properties	12	192,130	65,464
Loans from related companies	21(a)	4,518	63,023
Bank and other borrowings			
– due within one year	16	132,196	149,967
Tax payable		136,218	109,189
		<b>686,392</b>	636,685
Liabilities associated with assets classified as held for sale		6,277	1,233
		<b>692,669</b>	637,918
Net current assets		<b>1,006,698</b>	854,274
Total assets less current liabilities		<b>1,148,808</b>	987,252
Capital and reserves			
Share capital	17	423,134	422,477
Reserves		199,220	169,622
Equity attributable to owners of the Company		622,354	592,099
Non-controlling interests		204,520	202,412
Total equity		<b>826,874</b>	794,511
Non-current liabilities			
Bank and other borrowings			
– due after one year	16	284,412	168,209
Deferred income		37,522	24,532
		<b>321,934</b>	192,741
		<b>1,148,808</b>	987,252



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company								Total	Non-controlling interests	Total
	Share capital	Share premium account	Share options reserve	Merger reserve	Warrant reserve	Translation reserve	Other reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 (audited)	422,477	301,030	12,102	800	-	53,080	710	(315,049)	475,150	204,720	679,870
Loss for the period	-	-	-	-	-	-	-	(13,916)	(13,916)	(1,029)	(14,945)
Other comprehensive expense for the period	-	-	-	-	-	(3,104)	-	-	(3,104)	(1,127)	(4,231)
Total comprehensive expense for the period	-	-	-	-	-	(3,104)	-	(13,916)	(17,020)	(2,156)	(19,176)
Recognition of equity-settled share-based payments	-	-	373	-	-	-	-	-	373	-	373
Release upon lapse of vested share options	-	-	(281)	-	-	-	-	281	-	-	-
At 30 June 2012 (unaudited)	422,477	301,030	12,194	800	-	49,976	710	(328,684)	458,503	202,564	661,067
At 1 January 2013 (audited)	422,477	301,030	12,459	800	-	53,404	710	(198,781)	592,099	202,412	794,511
Profit (loss) for the period	-	-	-	-	-	-	-	27,200	27,200	(1,488)	25,712
Other comprehensive income for the period	-	-	-	-	-	1,378	-	-	1,378	3,596	4,974
Total comprehensive income for the period	-	-	-	-	-	1,378	-	27,200	28,578	2,108	30,686
Issue of warrants (note 18)	-	-	-	-	290	-	-	-	290	-	290
Recognition of equity-settled share-based payments	-	-	9	-	-	-	-	-	9	-	9
Issue of shares upon exercise of options	657	1,614	(893)	-	-	-	-	-	1,378	-	1,378
At 30 June 2013 (unaudited)	423,134	302,644	11,575	800	290	54,782	710	(171,581)	622,354	204,520	826,874

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	94,673	7,658
NET CASH USED IN INVESTING ACTIVITIES		
Placement of pledged bank deposits	(87,130)	–
Purchase of property, plant and equipment	(1,358)	(867)
Purchase of intangible assets	(811)	(1,053)
Compensation received from government for the resumption of land and relocation of production facilities	12,447	–
Receipt in advance for assets classified as held for sale	4,979	–
Interest received	489	185
Net proceeds on disposal of a subsidiary (net of direct expenses) (Note 20)	100	377
Proceeds on disposal of property, plant and equipment	–	37
	<b>(71,284)</b>	<b>(1,321)</b>
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
New bank and other borrowings raised	195,419	86,143
Issue of shares upon exercise of options	1,378	–
Issue of warrants	290	–
Repayment of bank and other borrowings	(107,736)	(67,684)
Repayment of loans from related companies	(59,124)	(24,992)
Interest paid	(19,865)	(6,645)
Loans from related companies	–	8,614
Advance from non-controlling interests of a subsidiary	–	2,461
	<b>10,362</b>	<b>(2,103)</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>33,751</b>	<b>4,234</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>123,251</b>	<b>67,899</b>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>2,271</b>	<b>(366)</b>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<b>159,273</b>	<b>71,767</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. RETROSPECTIVE CHANGE OF FUNCTIONAL CURRENCY OF THE COMPANY

In prior years, the Company's functional currency was determined as United States dollars ("USD") by applying the provisions of paragraph 9 of HKAS 21 The Effects of Changes in Foreign Exchange Rates as USD was the currency of the economic environment that influenced the Group's revenue generated from the sales of power tools business.

The Group commenced its property development business in 2008 after the acquisition of a subsidiary in Shanghai, the People's Republic of China (the "PRC"). In the current period, the directors re-assessed the accounting policy in determining the functional currency of the Company and considered paragraph 9 of HKAS 21 together with the other factors set out in paragraph 10 of HKAS 21. The directors have determined that Hong Kong dollars ("HKD") better reflects the economic substance of the Company and its business activity as an investment holding company operating in Hong Kong in light of the mixed currencies situation of its primary sources of revenue. The directors determined that the primary economic environment has been substantially changed since 15 July 2008, the date of acquisition of the above subsidiary engaged in property development business. Accordingly, the functional currency was retrospectively changed from USD to HKD.

The retrospective change of functional currency of the Company has no material effects on the financial positions of the Group as at 30 June 2013, 31 December 2012 and 1 January 2012 and the results of the Group for the periods ended 30 June 2013 and 30 June 2012 and as such no restated financial information has been presented.



### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property which is measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012.

During the current interim period, the Group has applied the following accounting policies for new transactions entered into during the period.

#### **Investment property**

Investment property is a property held to earn rental and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gain or loss arising from changes in the fair value of investment property is included in profit or loss for the period in which it arises.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

#### **Stock of properties**

*Transfer from stock of properties to investment properties carried at fair value*

The Group transfers a property from stock of properties to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

### 3. PRINCIPAL ACCOUNTING POLICIES – continued

#### Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for fixed number of the Company's own equity instruments is equity instrument. The net proceed received from the issue of warrants is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated losses.

In addition, in the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRS 10	Consolidated Financial Statements;
HKFRS 11	Joint Arrangements;
HKFRS 12	Disclosure of Interests in Other Entities;
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
HKFRS 13	Fair Value Measurement;
HKAS 19 (as revised in 2011)	Employee Benefits;
HKAS 27 (as revised in 2011)	Separate Financial Statements;
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities;
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle; and
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine.

#### **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

### 3. PRINCIPAL ACCOUNTING POLICIES – continued

#### HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements and HK(SIC) – Int 12 “Consolidation – Special Purpose Entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1st January, 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the adoption of HKFRS 10 has had no material effect on the amounts reported in these condensed consolidated financial statements.

#### HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

### **3. PRINCIPAL ACCOUNTING POLICIES – continued** **HKFRS 13 Fair Value Measurement – continued**

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The application of HKFRS 13 would result in more extensive disclosures about the valuation technique of the investment property. Such disclosures will be made in the consolidated financial statements for the annual period ending 31 December 2013.

#### ***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the above new or revised HKFRSs and amendments in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

#### 4. 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) Property Development (b) Manufacturing and Trading of power tools ("Manufacturing and Trading"). These segments are the basis upon which the internal reports are prepared about the components of the Group that are regularly reviewed by the Executive Directors in order to allocate resources to segments and to assess their performance.

The following is an analysis of the Group's revenue and results by operating and reportable segment.

Six months ended 30 June 2013

	Property Development HK\$'000	Manufacturing and Trading HK\$'000	Total HK\$'000
Segment revenue – external	181,595	98,174	279,769
<b>RESULTS</b>			
Segment profit (loss)	64,511	(3,700)	60,811
Unallocated corporate income, gains and losses			4,273
Unallocated corporate expenses			(3,904)
Finance costs			(2,166)
Profit before taxation			59,014



**4. SEGMENT INFORMATION – continued**

Six months ended 30 June 2012

	Property Development HK\$'000	Manufacturing and Trading HK\$'000	Total HK\$'000
Segment revenue			
– external	–	60,303	60,303
<b>RESULTS</b>			
Segment loss	(7,710)	(6,604)	(14,314)
Unallocated corporate income, gains and losses			6,186
Unallocated corporate expenses			(4,552)
Finance costs			(2,265)
Loss before taxation			(14,945)

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of central administration costs, finance costs, other income, gains and losses, income tax expense and impairment loss recognised in respect of property, plant and equipment (if any). This is the measure reported to the Group's Executive Directors for the purpose of the resources allocation and performance assessment.

## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	<b>22,144</b>	9,930
Less: interest capitalised in properties under development	<b>(19,978)</b>	(7,665)
	<b>2,166</b>	2,265

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

## 6. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	<b>20,344</b>	–
Land Appreciation Tax ("LAT")	<b>17,278</b>	–
	<b>37,622</b>	–
Deferred taxation	<b>(4,320)</b>	–
	<b>33,302</b>	–

Under the Law of the PRC 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.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

## 7. PROFIT (LOSS) FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>3,147</b>	3,606
Release of prepaid lease payments	<b>319</b>	385
Impairment loss on intangible assets (included in cost of sales) (note a)	<b>–</b>	1,012
Amortisation of intangible assets (included in cost of sales)	<b>973</b>	1,034
Cost of stock of properties recognised as expense	<b>106,963</b>	–
Cost of other inventories recognised as expense	<b>92,547</b>	55,576
Loss (gain) on disposal of property, plant and equipment	<b>30</b>	(5)
Net exchange gain (included in other income, gains and losses)	<b>(19)</b>	(162)
Gain on disposal of subsidiary (note 20) (included in other income, gains and losses)	<b>–</b>	(982)
Write-back of trade and other payables (included in other income, gains and losses) (note b)	<b>–</b>	(4,059)

### Notes:

- (a) During the six months ended 30 June 2012, the Group recognised an impairment loss of HK\$1,012,000 in relation to the intangible assets. This was result of the suspension of production of certain model of power tools which was driven by lower profits than were expected.
- (b) The amounts represents write-back of trade and other creditors by certain subsidiaries which had passed the right of recourse period under relevant statutory requirement. The relevant subsidiaries have been deregistered in the prior year.

## 8. DIVIDEND

No dividends were paid, declared or proposed during the current and prior reporting periods. The directors have determined that no dividend will be paid in respect of the interim period.

## 9. EARNING (LOSS) PER SHARE

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

### Earning (loss)

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Earning (loss) for the purpose of basic and diluted earning (loss) per share (Profit (loss) for the period attributable to owners of the Company)	<b>27,200</b>	(13,916)
<b>Number of shares</b>	<b>2013</b>	2012
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purpose of basic earning (loss) per share	<b>4,230,082</b>	4,224,750
Effect of dilutive potential ordinary shares:		
Share options	<b>4,061</b>	–
Warrants	<b>21,250</b>	–
Weighted average number of ordinary shares for the purpose of diluted earning (loss) per share	<b>4,255,393</b>	4,244,750

For the period ended 30 June 2013, the computation of the diluted loss per share does not assume the exercise of certain batches of the Company's options since the average market price of the Company's shares is lower than the exercise price of those options.

## **9. EARNING (LOSS) PER SHARE – continued**

### **Number of shares – continued**

For the period ended 30 June 2012, the computation of diluted loss per share does not assume the exercise of the Company's outstanding options since the average market price of the Company's shares is lower than the exercise price of the share options.

## **10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2013, the Group acquired property, plant and equipment of HK\$1,358,000 (six months ended 30 June 2012: HK\$867,000).

## **11. INVESTMENT PROPERTY**

During the period, a completed property for sales is leased out under operating lease to earn rental income and classified as investment property. The fair value of the investment property at the date of transfer was HK\$4,716,000 and the gain on fair value change on the date of transfer of HK\$2,540,000 has been recognised in other income, gains and losses. In the opinion of the directors, the fair value change of the investment property from the date of initial recognition to the end of the reporting period is insignificant.

The fair value of the investment property at the date of transfer and as at the end of reporting period has been determined by management's valuation with reference to the recent transaction prices of comparable property. Comparable property of similar size, character and location are analysed in order to arrive at a fair comparison of capital value.

The investment property of the Group is held under medium term land use rights in the PRC.



## 12. STOCK OF PROPERTIES/DEPOSITS RECEIVED FROM PRE-SALE OF PROPERTIES

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Properties under development (note)	<b>1,007,588</b>	660,314
Completed properties for sales	<b>227,014</b>	338,981
	<hr/>	<hr/>
Total stock of properties	<b>1,234,602</b>	999,295

Note: The entire amount of properties under development for sale at the end of both reporting periods represent the land and the construction cost for project in Haian County, Jiangsu Province, the PRC and are expected not to be realised within twelve months from the end of the reporting period.

During the period, an addition of properties under development amounting to HK\$234,396,000 (equivalent to RMB186,720,000) was transferred from deposit paid for acquisition of land use rights which represents a parcel of land (the "New Jiangsu Land") to be developed into residential properties for sale in the ordinary course of business upon completion. The parcel of land is situated in Haian County, the PRC and held under a long lease, details of which are set out in note 14.

During the period, a completed property for sales amounting to HK\$2,136,000 was reclassified as investment property upon commencement of an operating lease for letting of the property to an independent third party tenant.

As at 30 June 2013, the Group received an aggregate amount of deposits of HK\$192,130,000 (2012: HK\$65,464,000) from the pre-sales of properties and recognised as current liabilities in the condensed consolidated statement of financial position. An amount of HK\$151,866,000 (2012: HK\$25,820,000) represents deposits expected not to be realised within twelve months from the end of the reporting period.

### 13. TRADE AND OTHER RECEIVABLES

The Group's entire trade customers are receivables for the sales of power tools. The Group allows an average credit period of 60 to 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 presented based on the invoice date at the end of the reporting period:

	<b>30 June 2013 HK\$'000 (unaudited)</b>	31 December 2012 HK\$'000 (audited)
Within 30 days	<b>17,338</b>	12,209
Between 31 to 60 days	<b>20,731</b>	10,692
Between 61 to 90 days	<b>6,921</b>	2,534
Between 91 to 120 days	<b>381</b>	648
Over 120 days	<b>93</b>	2
	<hr/>	
Trade receivables	<b>45,464</b>	26,085
Other receivables	<b>8,612</b>	7,091
Deposits and prepayments (note)	<b>124,980</b>	78,445
	<hr/>	
	<b>179,056</b>	111,621
	<hr/>	

Note: Included in deposits and prepayments are deposits paid to building contractors for the construction of properties under development for sale of HK\$34,817,000 (31 December 2012: HK\$3,444,000), deposits paid to local government authorities upon the commencement of construction of properties under development for sale in Haian County, the PRC, of HK\$9,038,000 (equivalent to RMB7,200,000) (2012: HK\$8,880,000 (equivalent to RMB7,200,000)), the prepayment for related taxes for the deposits received from pre-sale of properties of HK\$11,367,000 (2012: nil) and a refundable deposit of HK\$61,767,000 (equivalent to RMB50,000,000) (31 December 2012: HK\$61,667,000 (equivalent to RMB50,000,000)) paid to the Bureau of Land Resources, Haian County, the PRC, as pre-requisite in connection to the acquisition of certain land use rights. The amounts will be refundable upon completion of certain stages of construction or within the next twelve months from the end of the reporting period and the amounts are therefore classified as current assets.

#### 14. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS

As at 31 December 2012, the amount represents the cash consideration paid for the New Jiangsu Land located in Haian County, Jiangsu Province, the PRC. The transfer of the New Jiangsu Land had not been completed as at that date as the Bureau of Land Resources, Haian County need further time to put the New Jiangsu Land to a vacant possession for the purpose of the land transfer. During the period ended 30 June 2013, the land use right certificate of the Jiangsu Land has been obtained and the corresponding amount of deposit was transferred to properties under development during the period.

#### 15. TRADE, BILLS AND OTHER PAYABLES

The average credit period on purchases of goods is ranging from 30 – 90 days.

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

	<b>30 June 2013 HK\$'000 (unaudited)</b>	31 December 2012 HK\$'000 (audited)
Within 30 days	<b>32,770</b>	183,748
Between 31 to 60 days	<b>14,347</b>	17,451
Between 61 to 90 days	<b>9,454</b>	7,137
Between 91 to 120 days	<b>4,544</b>	10,432
Over 120 days	<b>59,579</b>	20,007
Trade payables	<b>120,694</b>	238,775
Bills payable (note)	<b>87,873</b>	–
Other payables	<b>4,834</b>	5,236
	<b>213,401</b>	244,011

Note: The bills payable are payable to a building contractor for the construction of properties under development for sale and are aged between 91-120 days based on invoice date. The bills payable are secured by the Group's pledged bank deposits as detailed in note 19.

## 16. BANK AND OTHER BORROWINGS

During the period ended 30 June 2013, the Group obtained new bank loans amounting to RMB62,000,000 (equivalent to HK\$77,172,000) which carry interests at variable rate at the People's Bank of China base interest rate per annum (effective interest rate of 6.15% per annum). These new banks loans are secured and will be repayable in 2015.

During the six months ended 30 June 2013, the Group obtained new other loans from an independent third party in the principal amount of RMB25,000,000 (equivalent to HK\$31,117,000) with fixed interest rate of 15% per annum. In addition, the Group obtained a new loan from a building contractor of the Group in the principal amount of RMB70,000,000 (equivalent to HK\$87,130,000) with fixed interest rate of 4.78% per annum. These new loans and all of the other loans are unsecured and repayable within one to three years.

During the six months ended 30 June 2013, the Group repaid bank loans amounting to RMB15,000,000 (equivalent to HK\$18,671,000) and other loans borrowed from independent third parties of principal amount of RMB71,555,000 (equivalent to HK\$89,065,000).

## 17. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2012, 30 June 2012, 31 December 2012 and 30 June 2013	<b>10,000,000</b>	1,000,000
Issued and fully paid:		
At 1 January 2012, 30 June 2012, 31 December 2012	<b>4,224,775</b>	422,477
Exercise of share options	<b>6,563</b>	657
At 30 June 2013	<b>4,231,338</b>	423,134

## 17. SHARE CAPITAL – continued

During the period ended 30 June 2013, a total of 6,563,000 (2012: nil) share options of the Company had been exercised at the aggregate consideration of HK\$1,378,000 (2012: nil). These shares rank *pari passu* in all respects with other shares in issue.

## 18. WARRANT RESERVE

On 21 January 2013, the Company entered into a conditional warrant subscription agreement (the “Warrant Subscription Agreement”) with an independent third party (the “Subscriber”) in relation to the subscription of a total of 400,000,000 warrants (the “Warrants”) by the Subscriber at the issue price of HK\$0.001 per unit of Warrants (the “Warrant Subscriptions”). The Warrants entitle the Subscriber to subscribe for in aggregate 400,000,000 shares in the Company at the subscription price of HK\$0.22 per new share (subject to anti-dilutive adjustment) for a period commencing on the date falling three months after the date of issue of the Warrants and ending on the date falling 12 months after the date of issue of the Warrants. Each Warrant carries the right to subscribe for one new ordinary share in the Company.

The conditions set out in the Warrant Subscription Agreement have been fulfilled and completion of the Warrant Subscriptions took place on 29 January 2013. The net proceeds from the Warrant Subscriptions were approximately HK\$290,000.

No Warrants were exercised during the period ended 30 June 2013.

## 19. PLEDGE OF ASSETS

The Group has pledged its property, plant and equipment, prepaid lease payments and properties under development for sale with carrying values of HK\$41,942,000 (31 December 2012: HK\$49,988,000), HK\$17,486,000 (31 December 2012: HK\$24,476,000) and HK\$773,193,000 (31 December 2012: HK\$660,314,000) respectively to secure general banking facilities granted to the Group.

At the end of the reporting period, the Group has also pledged its bank deposits with carrying amount of HK\$87,873,000 (31 December 2012: nil) to secure the bills payable to a building contractor for the construction of properties under development for sale. The pledged bank deposits are with maturity date of less than one year and carry interest at the fixed rate of 3.05% per annum.



## 20. DISPOSAL OF A SUBSIDIARY

During the period ended 30 June 2012, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in a subsidiary which holds a valid licence of offshore company and is engaged in trading of power tools. Its business was taken up by another subsidiary of the Group upon the disposal. The disposal was completed on 30 April 2012, on which day the Group lost control of the subsidiary. The gain on disposal of a subsidiary is calculated as follows:

	HK\$'000
Net assets disposal of:	
Cash and cash equivalents	74
Gain on disposal	982
	<hr/>
Total consideration (net of direct expenses paid or payable related to disposal of HK\$431,000)	1,056
	<hr/>
Satisfied by:	
Cash	600
Deferred consideration (included in other receivables) (note)	456
	<hr/>
	1,056
	<hr/>
Net cash inflow (outflow) arising on disposal:	
Total cash consideration received	600
Cash and cash equivalents disposal of	(74)
Direct expenses related to disposal	(149)
	<hr/>
	377
	<hr/>

Note: During the second half of the year ended 31 December 2012, HK\$356,000 of the deferred consideration had been received and the remaining HK\$100,000 has been received during the period ended 30 June 2013.

## 21. RELATED PARTY DISCLOSURES

Balances and transactions with related parties during the period are as follows:

- (a) All loans from related companies as at 30 June 2013 and 31 December 2012 are unsecured, interest-free and repayable on demand. All of these loans are due to the companies controlled by Mr. Wang Zheng Chun (“Mr. Wang”), the Chairman and ultimate controlling shareholder of the Company.
  - (b) In January 2011, the Group entered into a rental agreement for an office premise with a related party, 上海曹峰置業有限公司, in which Mr. Wang has controlling interest. The total rental expense paid by the Group during the six months ended 30 June 2013 under this agreement is RMB405,000 (equivalent to HK\$504,000) (2012: RMB405,000 (equivalent to HK\$498,000)).
- 

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

#### Property Development Business

In the first half of 2013, China's real estate investment environment showed positive signs of broad-based recovery, coupled with the solid rebound in trading volume in the residential market in urban areas, the general rise in property prices in major cities, and the increase in both volume and prices in the land market. Under these favourable backdrops, contracts sales of developers recorded a remarkable year-on-year growth, and properties were in resilient potential demand from the market. However, the lower rate of growth in the second quarter of 2013 when compared with that of the first quarter was a reflection that the previously suppressed market demand has been gradually absorbed, and the government's initiatives in putting in place strengthened control measures on the real estate market in February 2013 were starting to pay off.

In light of a moderate pace of economic growth, land disposal and the real estate market remained the very essence to China. The picking up of sales performance during the period has boosted the overall investment sentiment in the real estate market, albeit at a slow pace. Regulatory authorities will closely monitor the developments of the real estate sector. The government may suppress sharply rising prices, if so, by introducing more stringent macroeconomic measures. While endeavouring to maintain an appropriate balance in the real estate market, we envisage that the prices of the property market will stand at reasonable levels in the future.

#### Power Tool Business

During the period under review, the economy in the US and Europe had not yet bottomed out, as marked by their subdued aggregate demand and sensitivity to prices. As such, given a year-on-year downward trend of selling prices of products, compounded by the slow appreciation of the renminbi, the surge in labour costs in China, the rising production levels of mechanical and electrical products in the domestic traditional industry, as well as the lesser intensity of the government's supporting policies on the foreign trade sector, the purely OEM electromechanical manufacturing industry is facing great challenges. The export outlook for power tools remained largely daunting.

## **MANAGEMENT DISCUSSION AND ANALYSIS – continued**

### **BUSINESS REVIEW – continued**

#### **Property Development Business – continued**

The Group's property development business continued to be focused on two cities including Shanghai and Jiangsu, with both of them demonstrating impressive economic growth. Although the PRC has adopted a series of austerity measures, the impact on the Group's major land bank in Jiangsu Province was negligible. This was mainly due to the high affordability of the residents in Jiangsu, where the average housing price was merely approximately RMB7,000 per square metre of Gross Floor Area ("GFA"). Also, thanks to other favourable factors such as strong demand for housing, swift economic development and accelerated pace of urbanization, housing prices were kept at solid and steady levels.

As the Group's core land bank of GFA of about 547,000 square metres is situated in prime locations within close proximity to Hai'an Qixing Lake (海安七星湖), and the local government placed an emphasis on the future development of Qixing Lake, it is believed that the Group will lay a solid foundation for boosting its housing sales.

#### **Recognized revenue**

During the period, the Group's sales revenue of properties amounted to HK\$181,595,000 (RMB145,893,000) (2012: nil (RMB nil)), and the total saleable GFA attributed to the accounts was 10,047 square metres (2012: nil). The average selling price of recognized sales was RMB14,521 per square metre. During the period, the overall gross profit margin was 41%, which were all derived from the properties under the Shanghai projects.

**MANAGEMENT DISCUSSION AND ANALYSIS – continued****BUSINESS REVIEW – continued****Recognized revenue – continued**

The table set out below summarized the recognized sales revenue by projects for the first six months ended 30 June 2013:

Location	Project	Purpose	Gross floor area (Square metres)	Sales revenue after deducted business tax (RMB'000)	Average selling price after deducted business tax (RMB)	The Group's equity
Shanghai	颀峰南苑 – 瑞麗名邸	Residential	340	5,460	16,059	100%
Shanghai	颀峰北苑 – 中景水岸	Duplexes	9,707	140,433	14,467	100%
		Total	10,047	145,893		

**Contract Sales**

For the first six months ended 30 June 2013, the Group's saleable GFA contracted for but not yet recognized was about 22,082 square metres, generating contract sales revenue of RMB168,300,000 (2012: 4,044 square metres and RMB74,568,000). The average selling price was RMB7,622 per square metre (2012: RMB18,439). The recognition of these contract sales will depend on the timeframe for the completion of the construction, the issue of the occupation permits and the delivery to buyers, and all of these procedures are expected to be realized in 2013 and 2014.

**MANAGEMENT DISCUSSION AND ANALYSIS – continued****BUSINESS REVIEW – continued****Contract Sales – continued**

The contract sales revenue by projects for the first six months ended 30 June 2013 was as follows:

Project	Purpose	Sales area (Square metres)	Contract	Approximate
			sales revenue (RMB'000)	contract average selling price (RMB)
上海顛峰南苑	Residential	254	4,196	16,520
上海顛峰北苑	Duplexes	2,498	41,255	16,515
江蘇星湖灣	Residential	19,330	122,849	6,355
	Total	22,082	168,300	

**Land Bank**

No new land bank was added as the Group's land bank is sufficient to cater for its development needs in the coming three to five years. As at 30 June 2013, the Group had a land bank of total GFA of about 547,000 square metres, of which the equity component amounted to approximately 383,000 square metres.

To ensure the continued rapid growth, we will continue to replenish its land bank prudently and carefully through a number of channels, thereby paving a solid path for us to bolster up our future profitability. At present, the management is looking into a number of projects located in the first and second-tier cities including Shanghai, Shandong and Nantong, etc.



## **MANAGEMENT DISCUSSION AND ANALYSIS – continued**

### **BUSINESS REVIEW – continued**

#### **Power Tool Business**

The Group's factories are mainly engaged in the production and sale of products including AC and DC power tools and air tools. Our scope of business includes the worldwide export and the domestic sales of parts and components. During the period under review, given the continuous depreciation of the US dollar along with the relatively rapid appreciation of RMB, foreign exchange loss was maintained at 1% on average. In order to maintain the profits of our factories, the selling prices were buoyed up by our factories and great efforts were made by our factories in enhancing efficiency governance and cost control. We attained strong growth in business volume from Bosch – one of our major customers. Throughout the tough period for the foreign trade sector, the orders for the Group's factories grew by 20% over the figure of the previous year, thus setting off part of the loss of its factories.

#### **FINANCIAL REVIEW**

For the six months ended 30 June 2013, the Group recorded revenue of approximately HK\$279,769,000, representing an increase of 364% when compared to 2012. Profit attributable to shareholders in 2013 amounted to approximately HK\$27,200,000 (2012: loss of HK\$13,916,000) during the period. The increase in revenue was mainly attributable to the gradual recovery of the economic environment in the US and Europe leading to the increase in the number of orders for power tools business and the delivery of the projects in Shanghai during the period.

#### **Gross Profit and Profit Margin Analysis**

For the six months ended 30 June 2013, gross profit for the Group's property business and power tool business was HK\$74,633,000 and HK\$5,626,000 respectively, representing an increase of HK\$74,633,000 and HK\$2,945,000 over last year respectively.

The increase in gross profit for power tool business was primarily due to the increase in output and sales volume during the period, and the resultant reduction of fixed costs shared by each product.

#### **Liquidity and Financial Resources**

As at 30 June 2013, the Group's cash on hand (including pledged bank deposits) was HK\$247,146,000 (2012: HK\$123,251,000). The Group's long-term and short-term debts were HK\$416,608,000 (2012: HK\$318,176,000) in aggregate.

## MANAGEMENT DISCUSSION AND ANALYSIS – continued

### FINANCIAL REVIEW – continued

#### Liquidity and Financial Resources – continued

As at 30 June 2013, the Group was at a net borrowing position of HK\$169,462,000 after netting off total bank and other borrowings against cash on hand (2012: net borrowing of HK\$194,925,000). Details are set out as follows:

	<b>As at 30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
Pledged bank deposits	<b>87,873</b>	–
Bank balances and cash	<b>159,273</b>	123,251
	<b>247,146</b>	123,251
Less: Bank and other borrowings in aggregate	<b>(416,608)</b>	(318,176)
Net borrowing position	<b>(169,462)</b>	(194,925)

The net gearing ratio of the Group as at 30 June 2013 was 27% (2012: 33%), calculated by total borrowings less bank balances and cash divided by owners' equity.

As at 30 June 2013, the Group had a total undrawn bank loan facility of HK\$376,601,000 (equivalent to RMB300,000,000), including the 3-year construction loan facility obtained by the Group in 2011. The finance cost of the Group during the period was 6.03% (total finance cost divided by average borrowings).

#### Capital Expenditure

The Group's capital expenditure in 2013 was approximately HK\$1,358,000 (2012: HK\$867,000), whereas expenditure for development of moulds amounted to HK\$233,000 (2012: HK\$16,000).

## MANAGEMENT DISCUSSION AND ANALYSIS – continued

### FINANCIAL REVIEW – continued

#### Working Capital Analysis

For the six months ended 30 June 2013, for the Group's power tool business, the turnover days for trade receivables was 85 days (2012: 69 days), whereas the turnover days for trade payables was 150 days (2012: 159 days) and the inventory turnover days was 59 days (2012: 63 days).

#### Pledge of Assets

As at 30 June 2013, the Group had pledged its property, plant and equipment with a net book value of HK\$41,942,000 (2012: HK\$49,988,000), prepaid lease payments of approximately HK\$17,486,000 (2012: HK\$24,476,000) and properties under development for sales of approximately HK\$773,193,000 (2012: HK\$660,314,000) to secure general banking facilities granted to the Group.

The Group has also pledged its bank deposits with carrying amount of HK\$87,873,000 (2012: nil) to secure the bills payable to a building contractor for the construction of properties under development for sale. The pledged bank deposits are with maturity date of less than one year and carry interest at the fixed rate of 3.05% per annum.

#### Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities (2012: nil).

#### Foreign Exchange Risk

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.

#### Employee Benefits and Training

As at 30 June 2013, the Group had approximately 461 employees, of which, 15 employees were management staff and 49 employees were engineers. Total staff cost (including Directors' emoluments) for the six months ended 30 June 2013 amounted to approximately HK\$10,971,000 (2012: HK\$8,926,000). The Group makes great efforts to enhance the quality of staff. During the period 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.

## MANAGEMENT DISCUSSION AND ANALYSIS – continued

### FUTURE OUTLOOK

#### Property Development Business

We expect that the central government will persistently implement control measures, and the real estate market will sustain stable development in the short term. Thanks to the increased urbanization by the central government as well as economic growth and stability, in the coming two decades, China's urban population is expected to grow from the current level of 691 million to nearly 1 billion, which will fuel a robust demand for value-for-money, high-end residential properties.

The Group will embrace a prudent-yet-proactive acquisition strategy and will remain focused on the development of residential properties in first and second-tier cities such as Shanghai and Nantong where there is higher per capita GDP. Besides, the Group will continue to maintain adequate cash flow, and reduce financial costs through the optimization of the financing structure.

#### Power Tool Business

Going ahead, the Group's factories will continue to tie up close cooperation with Bosch in the aspect of the production of OEM products. With the upgrade and update of OEM products in a comprehensive manner during the period from the second half of 2013 to 2014, our factories will benefit from brand new OEM products.

However, the prospect of the overseas power tools market in the short run may turn uncertain due to the economic environment in Europe and the U.S.. The Group is of the view that the power tools business is not going to turn around to a profitable level in the foreseeable future. As part of the resource consolidation measures, the Group intends to dispose of its power tools business for the purpose of more efficient use of the funds of the Group. Following the disposal, the Group will become a company that is principally engaged in real estate development, and will thereafter be able to highlight the performance of the Group's property development business to investors in a more vivid way.

## ADDITIONAL INFORMATION

### 1. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2013, the interests and short positions of the directors and chief executives of the Company 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 ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

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	1.65%
	Held by controlled corporation	2,268,403,000 (Note 2)	–	2,268,403,000	53.61%
	Held by controlled corporation	795,718,000 (Note 3)	–	795,718,000	18.81%
			3,134,269,000	–	3,134,269,000
	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%



**ADDITIONAL INFORMATION – continued****1. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES – continued**

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. Cheung Man	Beneficial owner	–	3,281,250 (Note 5)	3,281,250	0.08%
Mr. Liu Hoi Keung	Beneficial owner	–	27,120,874 (Note 6)	27,120,874	0.64%
Mr. Ho Hao Veng	Beneficial owner	2,396,000	1,093,750 (Note 5)	3,489,750	0.08%
Mr. Ang Siu Lun, Lawrence	Beneficial owner	–	1,093,750 (Note 5)	1,093,750	0.03%
Mr. Ma Kwai Yuen	Beneficial owner	–	1,093,750 (Note 5)	1,093,750	0.03%

**Notes:**

1. Mr. Wang Zheng Chun (“Mr. Wang”) is deemed to be interested in 70,148,000 shares, being the interests beneficially held by his spouse, Madam Shen Ling Zhao.
2. The 2,268,403,000 shares are held by Grand Vision Group Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang.
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.
4. The 10,937,500 underlying shares which Mr. Wang is interested in are derived from the share options granted by the Company to Mr. Wang on 6 November 2009 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.



**ADDITIONAL INFORMATION – continued****1. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES – continued**

Notes: – continued

5. The interests are 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 exercisable during the period from 6 November 2010 to 5 November 2019.
6. Of the 27,120,874 underlying shares which Mr. Liu Hoi Keung (“Mr. Liu”) is interested in, interest in 17,676,343 shares are derived from share options granted by the Company to Mr. Liu on 10 January 2008 which entitle the holder thereof to subscribe for a total number of 17,676,343 shares at an exercise price of HK\$0.477 per share exercisable during the period from 10 January 2009 to 9 January 2018, interest in 6,163,281 shares are derived from share options granted by the Company to Mr. Liu on 5 May 2008 which entitle the holder thereof to subscribe for a total number of 6,163,281 shares at an exercise price of HK\$0.183 per share exercisable during the period from 5 May 2008 to 4 May 2018, and interest in the remaining 3,281,250 shares are derived from share options granted by the Company to Mr. Liu on 6 November 2009 which entitle the holder thereof to subscribe for a total number of 3,281,250 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, underlying shares or debentures 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.

**ADDITIONAL INFORMATION – continued****2. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

Other than as disclosed above in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares", at 30 June 2013, the shareholders (other than the directors or chief executives of the Company) who had interests 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 been notified to the Company were as follows:

**Long Positions in the shares of the Company**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares beneficially held</b>	<b>Number of underlying shares held</b>	<b>Percentage of holding</b>
Mr. Wang Zheng Chun	Interest held by spouse (Note 1)	70,148,000	–	1.65%
	Interest held by controlled corporation (Note 2)	2,268,403,000	–	53.61%
	Interest held by controlled corporation (Note 3)	795,718,000	–	18.81%
	Beneficial owner (Note 4)	10,937,500	–	0.26%
		<u>3,145,206,500</u>	<u>–</u>	<u>74.33%</u>
Mr. Liu Xu Ming	Beneficial owner (Note 5)	–	400,000,000	9.45%

**Notes:**

- Mr. Wang Zheng Chun is deemed to be interested in 70,148,000 shares, being the interest beneficially held by his spouse, Madam Shen Ling Zhao.
- The 2,268,403,000 shares are held by Grand Vision Group 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.
- 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.

**ADDITIONAL INFORMATION – continued****2. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES – continued****Long Positions in the shares of the Company – continued**

Notes: – continued

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 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.
5. These shares represents the interest in warrants entitling Mr. Liu Xu Ming to subscribe for 400,000,000 shares of the Company at the subscription price of HK\$0.22 per share exercisable during the period from 29 April 2013 to 28 January 2014.

Save as disclosed above and in the section headed “Directors’ and chief executive’s interests and short positions in shares and underlying shares”, at 30 June 2013, the Company had not been notified by any persons (other than the 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.

**3. SHARE-BASED PAYMENT TRANSACTIONS**  
**Equity-Settled Share Option Scheme**

The Company operates a share option scheme (the “Old Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Old Share Option Scheme became effective on 26 April 2002 and expired on 10 April 2012. On 24 May 2013, the Company has adopted a new share option scheme to replace the Old Share Option Scheme. Upon termination of the Old Share Option Scheme, no share options can be granted under such scheme and holders of all share options granted under it prior to its termination shall be entitled to exercise the outstanding share options pursuant to the terms of it until expiry of such options.

**ADDITIONAL INFORMATION – continued****3. SHARE-BASED PAYMENT TRANSACTIONS – continued****Equity-Settled Share Option Scheme – continued**

The following table discloses the movements of the Company's share options granted under the Old Share Option Scheme:

Options granted on 10 January 2008

<b>Category</b>	<b>Adjusted exercise price per share HK\$</b>	<b>Estimated fair value per share option at the date of grant HK\$</b>	<b>Exercisable period</b>	<b>Number of share options at 1/1/2013 and 30/6/2013</b>
Director Mr. Liu Hoi Keung	0.477	0.4648	note (i)	<u>17,676,343</u>

Note:

- (i) The first 50% of the share options will be vested one year after 10 January 2008. The remaining 50% of the share options will be vested two years after 10 January 2008. The share options are exercisable once they become vested until 9 January 2018.

Options granted on 7 March 2008

<b>Category</b>	<b>Adjusted exercise price per share HK\$</b>	<b>Estimated fair value per share option at the date of grant HK\$</b>	<b>Exercisable period</b>	<b>Number of share options at 1/1/2013 and 30/6/2013</b>
Employees	0.261	0.2935	note (i)	<u>6,531,797</u>

Note:

- (i) One-fifth of the share options granted to the employees will be vested annually in the next five years from 7 March 2008. The share options are exercisable once they become vested until 6 March 2018.

**ADDITIONAL INFORMATION – continued****3. SHARE-BASED PAYMENT TRANSACTIONS – continued****Equity-Settled Share Option Scheme – continued**

Options granted on 5 May 2008

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2013 and 30/6/2013
Director				
Mr. Liu Hoi Keung	0.183	0.1769	note (i)	<u>6,163,281</u>

Note:

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

Options granted on 6 November 2009

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2013	Number of share options exercised during the period (note (ii))	Number of share options at 30/6/2013
Directors						
Mr. Wang Zheng Chun	0.210	0.1487	note (i)	10,937,500	–	10,937,500
Mr. Zheng Wei Chong	0.210	0.1487	note (i)	3,281,250	–	3,281,250
Mr. Xu Wen Cong	0.210	0.1487	note (i)	3,281,250	–	3,281,250
Mr. Cheung Man	0.210	0.1487	note (i)	3,281,250	–	3,281,250
Mr. Liu Hoi Keung	0.210	0.1487	note (i)	3,281,250	–	3,281,250
Mr. Ho Hao Veng	0.210	0.1487	note (i)	1,093,750	–	1,093,750
Mr. Ang Siu Lun, Lawrence	0.210	0.1487	note (i)	1,093,750	–	1,093,750
Mr. Ma Kwai Yuen	0.210	0.1487	note (i)	1,093,750	–	1,093,750
Mr. Zhang Xiu He (resigned on 7 February 2013)	0.210	0.1487	note (i)	3,281,250	(3,281,250)	–
				<u>30,625,000</u>	<u>(3,281,250)</u>	<u>27,343,750</u>
Employees	0.210	0.1487	note (i)	12,031,250	(3,281,250)	8,750,000
				<u>42,656,250</u>	<u>(6,562,500)</u>	<u>36,093,750</u>

Note:

(i) One-third of the share options granted will be vested annually in the next three years from 6 November 2009. The share options are exercisable until 5 November 2019.

(ii) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$0.255.



**ADDITIONAL INFORMATION – continued****3. SHARE-BASED PAYMENT TRANSACTIONS – continued****Equity-Settled Share Option Scheme – continued**

During the period ended 30 June 2013, the Group recognised the total expense of HK\$9,000 (six months ended 30 June 2012: HK\$373,000) in relation to share options granted by the Company.

During the period ended 30 June 2013, no share options lapsed (six months ended 30 June 2012: 6,668,591) and certain share options were exercised to subscribe for a total of 6,562,500 shares (six months ended 30 June 2012: nil).

**4. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There was no purchase, sales or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2013.

**5. CORPORATE GOVERNANCE CODE**

The Corporate Governance Report of the Board has been set out in our 2012 annual report. The Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2013, except for the deviations from code provisions A.2.1 and A.4.1.

Code provision A.2.1 of the Code 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, being the Chairman of the Company, is also the Chief Executive Officer. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Although the independent non-executive directors of the Company have not entered into any appointment letter with the Company for a specific term, they are subject to retirement by rotation once every three years and offer themselves 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.

**6. COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES**

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company confirms that, after specific enquiry with each director, all directors have confirmed compliance with the Model Code during the six months ended 30 June 2013.



## **ADDITIONAL INFORMATION – continued**

### **7. AUDIT COMMITTEE**

The Audit Committee was established on 11 April 2002 with written terms of reference. The Board establishes formal and transparent arrangements for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

The members of the Audit Committee comprise three independent non-executive directors, Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Ho Hao Veng.

The Company's interim result announcement and interim report for the six months ended 30 June 2013 have been reviewed by the external auditor, Deloitte Touche Tohmatsu and the Audit Committee of the Company.

### **8. REMUNERATION COMMITTEE**

The Remuneration Committee was established on 23 May 2006 with written terms of reference. The main objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high calibre team which is essential to the success of the Group.

The members of the Remuneration Committee comprise three independent non-executive directors, Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Ho Hao Veng and one executive director, Mr. Zheng Wei Chong.

### **9. NOMINATION COMMITTEE**

The Nomination Committee was established on 20 April 2006 with written terms of reference. It establishes the formal process for identifying and nominating the suitable candidates for the appointment of the Board, reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary.

The members of the Nomination Committee comprise two independent non-executive directors, Mr. Ang Siu Lun, Lawrence and Mr. Ma Kwai Yuen and one executive director, Mr. Wang Zheng Chun.

### **10. CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF LISTING RULES**

In accordance with Rule 13.51B(1) of the Listing Rules, the change in the information of the directors of the Company since the date of 2012 Annual Report of the Company is set out below:

- With effect from 8 July 2013, Mr. Ma Kwai Yuen resigned as an independent non-executive director of China Aoyuan Property Group Limited, a company whose shares are listed on the Stock Exchange.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Wang Zheng Chun  
*(Chairman and Chief Executive Officer)*  
 Mr. Zheng Wei Chong  
 Mr. Xu Wen Cong  
 Mr. Cheung Man  
 Mr. Liu Hoi Keung

#### Independent Non-executive Directors

Mr. Ang Siu Lun, Lawrence  
 Mr. Ma Kwai Yuen  
 Mr. Ho Hao Veng

#### AUTHORISED REPRESENTATIVES

Mr. Zheng Wei Chong  
 Mr. Lam Ka Tak

#### COMPANY SECRETARY

Mr. Lam Ka Tak

#### AUDIT COMMITTEE

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

#### REMUNERATION COMMITTEE

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

#### NOMINATION COMMITTEE

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

#### AUDITOR

Deloitte Touche Tohmatsu  
 Certified Public Accountants

#### STOCK CODE

2389

#### WEBSITE

[www.genvon.com](http://www.genvon.com)

#### PRINCIPAL BANKERS

Bank of Nanjing Co., Ltd.  
 Bank of China Limited  
 China Construction Bank Corporation  
 Hang Seng Bank Limited

#### REGISTERED OFFICE

Century Yard  
 Cricket Square  
 Hutchins Drive  
 P.O. Box 2681 GT  
 George Town  
 Grand Cayman  
 British West Indies

#### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1708-09, 17/F  
 Wharf T&T Centre  
 7 Canton Road  
 Tsim Sha Tsui  
 Kowloon

#### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
 18/F., Fook Lee Commercial Centre  
 Town Place 33 Lockhart Road  
 Wanchai  
 Hong Kong