2013
ANNUAL REPORT

GENVON GROUP LIMITED
正峰集團有限公司

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

Contents

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

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
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

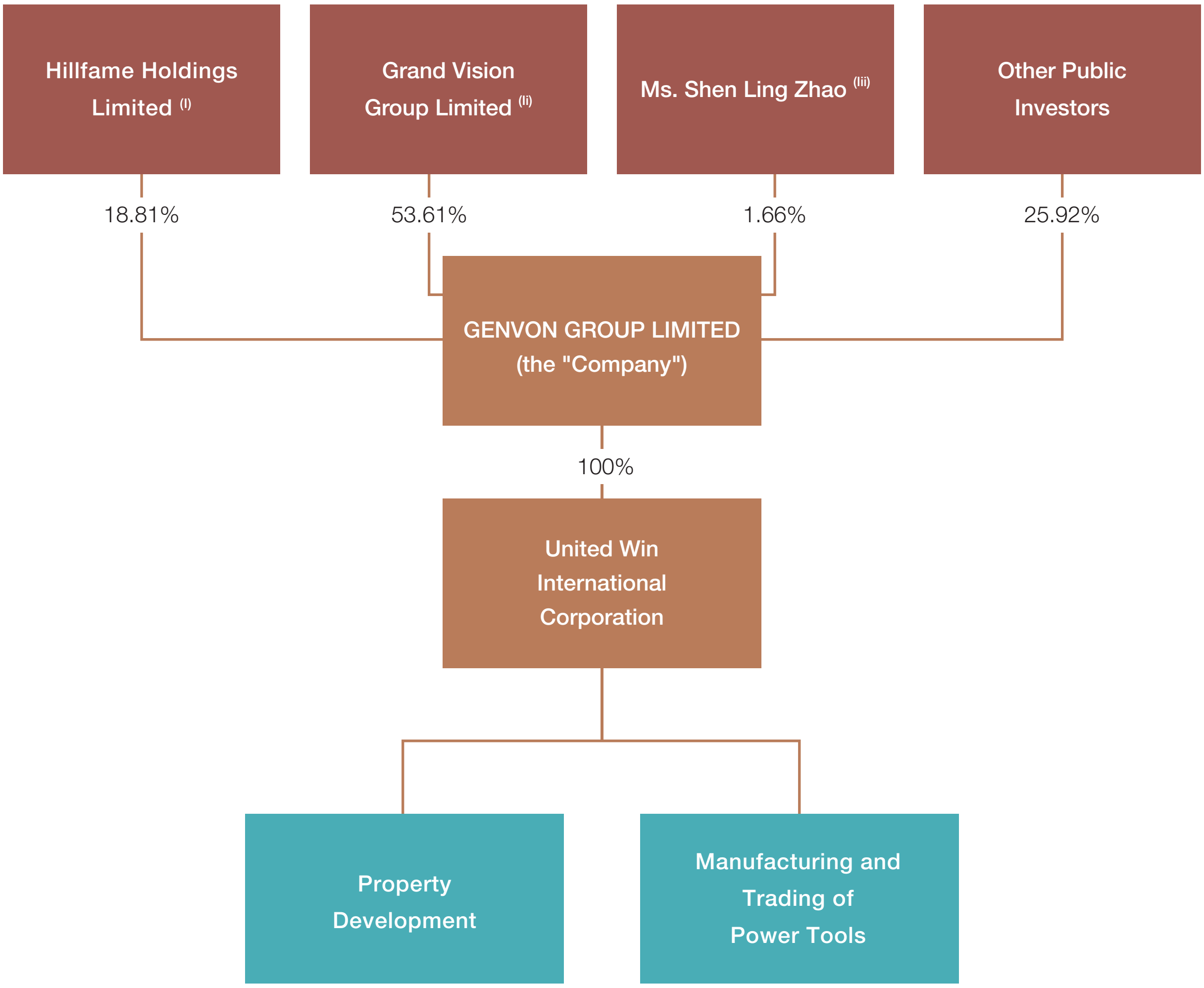
Room 1708-09, 17/F
Wharf T&T Centre
7 Canton Road
Tsim Sha Tsui
Kowloon

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

Corporate Structure

At 31 December 2013



(i) A Company beneficially-owned by Mr. Wang Zheng Chun
(ii) A Company beneficially-owned by Mr. Wang Zheng Chun
(iii) Spouse of Mr. Wang Zheng Chun

Financial Summary

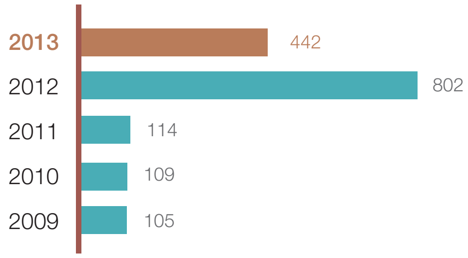
	For the year ended 31 December				
	2009	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	104,963	108,760	114,040	801,574	442,312
Profit(loss) for the year attributable to the owners of the Company	(45,930)	(12,438)	(41,669)	115,988	94,120

	At 31 December				
	2009	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	465,083	1,345,211	1,534,867	1,625,170	1,987,066
Total liabilities	(357,407)	(684,959)	(854,997)	(830,658)	(1,085,883)
	107,676	660,252	679,870	794,511	901,183
Equity attributable to owners of the Company	107,676	480,682	475,150	592,099	695,985
Non-controlling interest	–	179,570	204,720	202,412	205,198
	107,676	660,252	679,870	794,511	901,183

REVENUE

Year ended 31 December

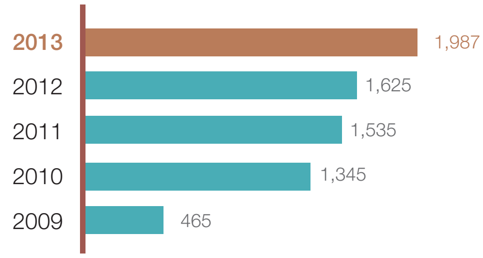
(HK$ Millions)



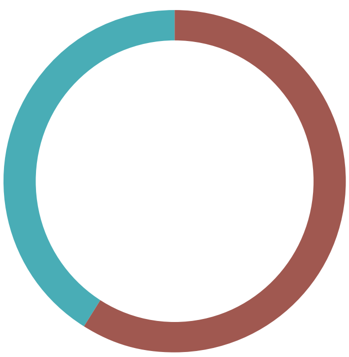
TOTAL ASSETS

As at 31 December

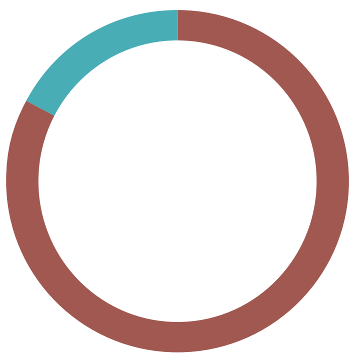
(HK$ Millions)



REVENUE BY OPERATING SEGMENTS



2013



2012

2013

59% Property developemnt and investment

41% Manufacturing and trading of power tools

2012

83% Property developemnt and investment

17% Manufacturing and trading of power tools

Project Overview

SHANGHAI

Project Name	顓峰南苑－瑞麗名邸 – 100% interest 顓峰北苑－中景水岸 – 100% interest
Project Location	Lane 528, Ruili Road, Minhang District, Shanghai (上海市閔行區瑞麗路528弄)
Land Area	57,047 square metres
Gross floor Area	74,647 square metres
Completion Time	Mid-2012
Total number of Units	瑞麗名邸: 260 units 中景水岸: 124 units



PROJECT DESCRIPTION:

This project is located at the hinterland of old Minhang District. It is only about 500 metres away, translating to approximately 10 minutes' walk, from Shanghai Metro Line 5-Jinping Road Station (輕軌5號線金平路站). The community is accessible by several well-developed city streets such as Humin Road (滬閔路) and Jianchuan Road (劍川路). Facilities such as Suning Appliance store, Auchan supermarket, Kinhom Furniture, Qiandai Shopping Mall (千代廣場), the commercial section of Jiangchuan Road and the 5th People's Hospital are all in the neighborhood.

This project has a site area of approximately 60,000 square metres and is to be developed in 2 phases with 5 highrise blocks and 124 duplexes in total. The unit sizes in the high-rise blocks range from 63-94 square metres, with extra wide balconies in certain units. The unit sizes in the duplexes range from 182-215 square metres. The duplexes have 3 above-ground floors and 1 below-ground floor with size around 85 square metres.

This project originated from an idea of a community where duplexes and high-rise residential towers are perfectly blended together, which has no comparables in old Minhang District. Another appealing feature of this project is that the percentage of greening area is as high as 35%.

JIANGSU PROVINCE

Project name	星湖灣 – 70% interest
Project Location	No. 58 Huanghai Avenue, Nantong City, Haian County, Jiangsu Province (江蘇省南通市海安縣黃海大道58號)
Land Area	approximately 249,000 square metres
Gross floor Area	approximately 728,000 square metres
Expected Completion Time	Phase I – by the end of 2014 Phase II – by the end of 2015 Phase III – by the end of 2017
Total number of Units	3,697 units

PROJECT DESCRIPTION:

This project is located in the south to Huanghai Avenue, Haian County. It is embraced by the Seven Star Lake Ecological Park, supported by convenient means of transportation and surrounded by a scenic environment. The project covers a total land area of about 250,000 square metres, with a total gross floor area of more than 720,000 square metres. The project is mainly concentrated on high-rise and sub high-rise residential units.

As a new-generation landmark residential project in Haian County, this project is blessed with unique environmental advantages. To enhance an exquisite sense for the garden landscape of the community, the project gives a vivid picture of a small peninsula that is encircled by three-dimensional waterfronts following the excavation of a man-made canal by the Group at a huge investment cost. Efforts on shaping water features, adding artistic creation of elegant sculptures and over 40% greening ratio have all contributed to a marvelous intra-community landscape, which shines brilliantly with the Seven Star Lake. This project is set to turn a new page for the water island life in Haian County.

Chairman's Statement

I am pleased to present the annual results of Genvon Group Limited (the "Company") together with its subsidiaries (collectively the "Group") for the year ended 31 December 2013 on behalf of the Board of Directors.

The revenue of the Group for the year ended 31 December 2013 was HK$442,312,000 (2012: HK$801,574,000), down approximately 45% when compared to 2012. The decrease in revenue was mainly due to the relative reduction in the delivery of building area as the sales of the Shanghai project had almost come to an end during the year. Property development and investment business contributed revenue of HK$259,007,000 (2012: HK$666,399,000), representing approximately 59% of the Group's total revenue (2012: 83%). Power tools manufacturing and trading business recorded revenue HK$183,305,000 (2012: HK$135,175,000). The Group recorded profit attributable to shareholders of HK$94,120,000 (2012: HK$115,988,000). Basic earnings per share for the year amounted to HK2.22 cents (2012: HK2.75 cents).

PROPERTY DEVELOPMENT BUSINESS

The Group entered into the property development business in the PRC since mid-2008. Thanks to our efforts over several years, our first real estate project in Shanghai was delivered to customers during last year and reaped immense returns for the Group. Property sales revenue of HK$259,007,000, average selling price per square metre of HK$18,612 and property development segment profit of HK$76,116,000 were recognized by the Group.

As the sales of the Shanghai project has come to an end, the Group is currently stepping up the construction of another large-scale residential and commercial real estate project, namely 星湖灣 project, in Nantong City, Jiangsu Province. The project was carried out in three phases. In respect of the first phase of the project, we obtained pre-sale permit last year and launched it for pre-sale on 2 December 2012. With the completion and delivery the project to buyers in 2014, the revenue from the sales of the project will be accounted for by the Group. The project is expected to bring in sustainable and substantial returns to the Group.

In relation to land bank, the Group continued to pursue a prudently conservative policy on new acquisition of land bank. No new land reserves were added by the Group in 2013 because of the sufficiency of the existing land bank to meet its development needs in the next two to three years. As at 31 December 2013, the Group had land reserves of a total GFA of about 104,000 square metres, of which the equity component amounted to approximately 73,000 square metres. The average land cost per square metre amounted to approximately RMB1,790. These land reserves are located in Jiangsu Province.

The Group remained financially sound as at 31 December 2013, with a net gearing ratio of 42% (2012: 33%). To ensure that the cash flow of the Group would be maintained at a healthy level, the Group has drawn a financing loan with a term of 3 years from the RMB358,000,000 borrowing facilities granted by the Construction Bank of China for the year ended 31 December 2013.

POWER TOOLS MANUFACTURING AND TRADING BUSINESS

Sales amount of the Group's power tools business reported growth over the multiple years. For the year ended 31 December 2013, power tools business recorded revenue of HK$183,305,000 (2012: HK$135,175,000), representing an increase of approximately 36% over 2012. Sales growth was mainly attributable to the increase in the orders from major customer to the Group along with the further recovery of European markets. At the same time, the Group optimized management systems and processes, thus bolstering the productivity and efficiency in its manufacturing process and reducing costs. To this end, we reinforced our competitiveness. Operating loss for the year was reduced to HK$5,744,000 (2012: loss of HK$11,015,000).

OUTLOOK

In 2014, in respect of the strategy on property sales, with our time-to-market capabilities, we will adhere to progressive and flexible marketing strategies, in order to fuel sales growth. According to the characteristics of our projects, we will take targeted, precise sales strategy, which will enable us to accelerate the sales of our existing projects and the return of funds. With the gradual return of funds, the Group will continue to identify premium land and add its land bank, so as to meet its future development needs. In the aspect of our power tools business, we envisage a high-speed growth in sales amount. With this anticipation, coupled with strengthened control over costs and production efficiency, we are confident of achieving a turnaround in profitability in our power tools business.

APPRECIATION

I would like to take this opportunity to thank my fellow Directors, the management and all 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. Meanwhile, I would also like to express appreciation to all shareholders, the banking sector, the investment community and business partners for their vote of strong confidence in the Group and long-lasting patronage to the Group.

Management Discussion and Analysis

INDUSTRY REVIEW

Property development business

In 2013, buttressed by the positive turnaround in the marco-economic environment including the exercise of more relaxed policies by the government and the solid rebound in economy, the market in the first and second-tier cities picked up swiftly, buoying up both property prices and transaction volumes. The performance of land and property sales in cities of various tiers and various premium land lots was particularly of note as well, hitting successive new highs. As indicated by the figures released by the National Bureau of Statistics of China, the investment amount in property development throughout the Mainland in 2013 went up by 19.8% nominally over the figure in 2012 to RMB8,601.3 billion. Sales in commodity housing jumped by 26.3% to RMB8,142.8 billion. Meanwhile, in response to the continued surge in property prices month by month, the State Council issued a number of market-cooling initiatives – the “National Five Measures” (國五條) in early 2013 in an effort to curb the further hike in property prices and imposed a 20% personal income tax on the second-hand property market. Affected by multiple factors, there was a fall in the inventory level of first-hand properties on a month by month basis. Home buyers whose properties are for self-owned purposes have become major buyers in the market.

Following the change of government in China, there are significant differences in the economic-related ruling ideas between the new leadership and its predecessor. We envisage a gradual change in the credit and investment-driven growth model in the past. With myriad policies in place, the new government intends to add stimulus to the economic vitality of the private sector and promote increasing urbanization. These series of reforms will help the government achieve sustainable economic development. To this end, the government remained focused on enhancing the quality and efficiency of economic development, rather than fostering rapid economic growth.

Power Tool business

Power tools have become the hardware tools of widespread use across the society, thanks to their portability, user-friendliness, high efficiency and low energy consumption features. Over the years, the domestic power tool industry is mainly export-oriented. However, given the slow pace of economic recovery along with the continued slackness in the U.S. and European markets, the prospect of the foreign trade of power tools is becoming increasingly challenging.

To weather the depressing foreign trade market, certain domestic enterprises have adjusted their strategies by putting more brand building efforts, making greater technology advancement efforts, developing new products, and embarking on the exploration and innovation of power tools market in China. As noted from the trend in recent years, the share of foreign brands in the Mainland market is on a downward trend. Given that higher and higher market share is gained by some professional power tool brands within the country, certain imported brands have been replaced.

BUSINESS REVIEW

Property Development Business

For the year ended 31 December 2013, the Group’s revenue dropped by 45% on a year-on-year basis to HK$442,312,000, among which our property development business recorded a revenue of HK$259,007,000, accounting for 59% of the Group’s total revenue. This business line has now become the Group’s core business. The decrease in revenue was primarily due to the lower delivery of the properties under the Shanghai project during the year.

Recognized revenue

During the year, the Group's sales revenue of properties amounted to HK$259,007,000 (RMB206,765,000) (2012: HK$666,399,000 (RMB542,115,000)), and the total saleable GFA attributed to the accounts was 13,916 square metres (2012: 36,745 square metres), which were all derived from the properties under the Shanghai projects. In 2013, the average selling price of recognized sales was RMB15,700 per square metre. The overall gross margin was accounted as 38% during the year.

The table set out below summarized the recognized sales revenue by projects in 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/ square meter)	The Group's equity
Shanghai	顓峰南苑—瑞麗名邸	Residential	593	9,376	15,807	100%
Shanghai	顓峰北苑—中景水岸	Residential	13,323	197,389	14,816	100%
		Total	13,916	206,765		

Contract sales

During the year, the Group's saleable GFA contracted for but not yet recognized was approximately 31,106 square meters, generating contract sales revenue of RMB256,425,000 (2012: 9,138 square meters and RMB93,551,000). The recognition of these contract sales will depend on 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 fulfilled in 2014.

In 2013, contract sales revenue was as follows:

Project	Purpose	Sales area (Square meters)	contract sales revenue (RMB'000)	Approximate contract average selling price (RMB/ square meter)
上海顓峰南苑	Residential	273	2,708	9,919
上海顓峰北苑	Residential	4,540	58,651	12,919
江蘇星湖灣	Residential	26,293	195,066	7,419
	Total	31,106	256,425	

Land Bank

No new land bank was added in 2013 as the Group's land bank is sufficient to cater for its development needs in the coming two to three years. As at 31 December 2013, the Group had a land bank of total GFA of about 104,000 square meters, of which the equity component amounted to approximately 73,000 square meters.

To ensure the continued rapid growth, the Group will continue to replenish its land bank prudently and carefully via a number of channels, thereby establishing a solid foundation for bolstering the future profitability.

Changes in the fair value of an investment property

During the year, the Group leased out some of the shops in Shanghai 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$26,734,000 and the gain on fair value change on the date of transfer was HK$15,158,000. The fair value change of the investment property from the date of initial recognition to the end of the year is insignificant.

Power Tool Business

In respect of power tools business, except that the economic recovery in the European market is yet undesirable, the economy in the rest of the global markets is recovering slowly. The Company's sales in 2013 rose by approximately 35% when compared to 2012. Yet, affected by the pricing strategy of the Company's major customers, the sales price based on 2012 records an approximately 3% loss in Renminbi exchange rate. It is expected that Renminbi will continue to appreciate at an insignificant rate in 2014. Thus, cost control becomes the Group's key management direction in 2014. In 2013, the Group optimized the management system and procedures, and improved the productivity and efficiency in the manufacturing process, so as to boost its competitive strengths and mitigate the impact of the exchange rate loss. Therefore, there was a slight increase in revenue and sales from the local and export markets. The overall revenue from the power tools business increased to HK$183,305,000 (2012: HK$135,175,000), whereas the gross profit rose to HK$10,393,000 (2012: HK$7,108,000), and the operating results recorded loss of HK$5,744,000 (2012: loss of HK$11,015,000).

For the year ended 31 December 2013, the turnover day for the Group's accounts receivable was 64 days (2012: 70 days), whereas the turnover day for accounts payable was 110 days (2012: 198 days) and the inventory turnover day was 45 days (2012: 65 days).

Bank Financing

The Group attributes its notable success to its prudent cash flow management. To ensure that the Group has a sufficient pool of funds to cope with its rapid development needs, the Group was granted a credit borrowing facility of RMB500,000,000 in 2011, with a term of three years in the PRC. Advances of RMB138,000,000 and RMB220,000,000 had been drawn down from the facility in 2012 and 2013 respectively.

Investor Relations

The Group strives to offer investors access to updated and accurate information on the Group's latest major development. The Group believes that effective communication is built on a two-way basis, and therefore welcomes feedbacks from investors to the Group. To facilitate an easy access to information on the Company's latest major development, a number of measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website at www.genvon.com, under the column of the "Investor Relations".

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2013, the Group's cash on hand was HK$201,772,000 (2012: HK$123,251,000). The Group's long-term and short-term debts were HK$498,217,000 (2012: HK$318,176,000) in aggregate. The total debts recorded a net increase of approximately HK$180,041,000 when compared to 2012.

As at 31 December 2013, the Group was at a net borrowing position of HK$296,445,000 after netting off total bank and other borrowings against cash balance (2012: net borrowing position of HK$194,925,000). Details are set out as follows:

	31 December 2013 HK$'000	31 December 2012 HK$'000
Cash and Bank Balance	**201,772**	123,251
Less: Total bank and other borrowings	**(498,217)**	(318,176)
Net borrowing position	**(296,445)**	(194,925)

The net gearing ratio of the Group as at 31 December 2013 was 42% (2012: 33%), calculated by total borrowings less bank balances and cash divided by owners' equity. The net gearing position was mainly due to the increase of bank loan drawdown as a result of the construction fee paid for the Jiangsu project during the year. Property development expenditures in the year were HK$352,758,000. These payments were mainly financed by internal resources generated from cash received from property sales and external bank borrowings.

As at 31 December 2013, the Group had a total undrawn bank loan facility of HK$180,616,000 (equivalent to approximately RMB142,000,000). Due to an increase in the annual average borrowings, the total finance costs rose by approximately 203% to HK$43,503,000. The finance cost of the Group was 10.7% per annum (total finance cost divided by average borrowings).

Capital Expenditure

The Group's capital expenditure in 2013 was approximately HK$4,626,000 (2012: HK$5,133,000), whereas expenditure for development of moulds amounted to HK$2,563,000 (2012: HK$51,000).

Capital Structure

The Group took full advantage of the financing platform as a listed company by striving for a constant optimization of the capital and financing structure, so as to obtain sufficient funds to finance the future property development projects. As at 31 December 2013, the Group's operations were mainly financed by internal resources and bank facilities.

The Company entered into a conditional warrant subscription agreement dated 21 January 2013 with investors in relation to the subscription of a total of 400,000,000 Warrants by the Subscriber at the Warrant Issue Price of HK$0.001. The Warrants entitle the Subscriber to subscribe for an aggregate of 400,000,000 Warrant Shares at the Subscription Price of HK$0.22 per new Share (subject to 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 initially carries the right to subscribe for one new Share. The total amount of the subscription money under the Warrant Subscription Agreement is HK$88,000,000. On 29 January 2014, the holders of the warrants exercised its subscription rights to subscribe for 400,000,000 Warrant Shares. The Company successfully raised HK$88,000,000.

On 17 January 2014, a total of 800,000,000 new shares were placed by the Company to an independent third party Lucky Creation Limited (the "Subscriber") at a subscription price of HK$0.325 in up to two tranches. The placing shares represented 15.90% of the enlarged share capital of the Company. The estimated net proceeds from the placing of HK$256,000,000 would be used as the general working capital of the Group. Due to the fact that the placing price represented a premium of approximately 28.97% over the average closing price of HK$0.252 per share for the last five consecutive trading days immediately preceding the date of the subscription agreement, and also a premium of 225% over the par value of the share, the Company had granted a six months period to the Subscriber for its subscription of the placing shares. As at the date of this report, no subscription notices have been served by the Subscriber.

Pledge of Assets

As at 31 December 2013, the Group had pledged properties under development held for sales, the carrying amount of which was HK$1,032,101,000, as security for construction loan granted to the Group.

Contingent Liabilities

As at 31 December 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

For the year ended 31 December 2013, the Group had approximately 468 employees, of which, 15 employees were management staff and 45 employees were engineers. The total staff cost (including Directors' emoluments) amounted to approximately HK$22,886,000 (2012: HK$21,404,000).

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 Company's 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 is committed to enhancing the quality of staff through the provision of various kinds of staff training, including the training provided to directors and company secretaries under the requirements of the Listing Rules. During the year under review, the Group organized internal training courses for staff at all levels. Topics of the training courses included directors' responsibilities, corporate internal control, as well as technical and management skill trainings. The Group also organized a series of on-the-job training programs in its production plants in the PRC.

FUTURE OUTLOOK

Property Development Business

The Group believes that the landscape of the real estate market will remain relatively unchanged in 2014. Albeit it is expected that a stringent approach will be embraced for the policies on the real estate market on the whole, China's long-term sustainable economic growth plus the central government's ongoing policy of urbanization have given fresh impetus to the demand from first-time home buyers and the robust demand from the middle-class people with growing desire of improving their living environment, thus fuelling strong demand for residential units.

Over the past two years, the Group invested huge funds in developing the real estate project in Jiangsu, which was offered for pre-sale in 2012. Following the presale of the project, we believe that the return of funds will enable us to finance our business expansion in the coming future and also capture other business opportunities in the real estate sector. Despite the challenging environment, the Group remains optimistic about the long-term development of the property market by closely monitoring its business strategies that are formulated in reaction to the economic and regulatory environment as well as the change in the sentiment of the real estate market in China.

In 2014, the Group will stay ahead of the prevailing market conditions in respect of its sales strategy. We will strive to drive a sales growth through a positive, flexible sales strategy. A targeted, sophisticated sales strategy will be adopted according to the characteristics of our projects, with a view to speeding up the sales of the existing projects and the return of funds.

Power tools

Going forward to 2014, major developed countries are gradually bottoming out from the low growth period over the three years after they have been severely hit by the global financial crisis. They are now turning into a new era of slow pace of recovery and growth. While emerging markets performed relatively steadily during a couple of post-crisis years, there was volatility in these markets over the past six months due to the "quantitative easing measures". Though the economy around the world regains momentum of recovery, the worldwide economy has not yet shown signs of broad-based recovery. And, the momentum of recovery is likely to remain weak in the coming years. Due to an array of factors, for instance, the appreciation of Renminbi exchange rate, the continued rise in labor costs coupled with the inflation in the Mainland, the competitiveness of our power tools in the Mainland was substantially weakened, which in turn put our production costs under continued pressure.

As such, the Group will endeavour to mitigate the impact of the aforesaid factors on its profit margin by boosting productivity and maintaining competitiveness through the introduction of more stringent cost control measures; In the meantime, it will seek to tie up OEM collaborative relationship with customers of more professional brands and exit from disordered competition in the DIY market. We will also work intensively on the professionalized innovation of our products, so as to enhance the added value of our products and beef up the operating condition of the Company.

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 2013.

The manner in which the principles and code provisions in the Corporate Governance Code (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 as follows:

CORPORATE GOVERNANCE PRACTICES

The Group acknowledges the vital importance of good corporate governance to the Group's success and sustainability. We are committed to achieving a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of our business.

The Company has applied most of the principles set out in the CG Code.

The Company has adopted different 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 CG Code.

Throughout the year ended 31 December 2013, the Company has complied with the code provisions as set out in the CG Code, except for code provision A.2.1 and A.4.1, which deviations are explained in the relevant paragraphs of this Report.

The Company will continue to review regularly its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 Model Code throughout the year ended 31 December 2013.

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.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises 8 members, consisting of 5 Executive Directors and 3 Independent Non-executive Directors.

The list of all Directors (by category) is set out under "Corporate Information" on page 2 and all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board of the Company currently comprises the following 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

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

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 is the 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.

Independent Non-executive Directors

During the year ended 31 December 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors are independent.

All Directors, including 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 have been invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Non-executive Directors, Appointment, Re-election and Removal of Directors

The Non-executive Directors of the Company do not have a specific term of appointment. However, all directors of the Company are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall submit himself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Articles of Association.

According to the current corporate governance practices and the Articles of Association of the Company, all directors of the Company shall retire and offer themselves for re-election once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

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 Board composition, evaluating the balance of skills, knowledge and experience of the Board and making recommendations on the appointment of Directors.

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.

Responsibilities, Accountabilities and Contributions of the Board and Management

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 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 expenses, 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.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her 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 developments in 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.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2013, the directors participated the trainings as follows:

Directors	**Topic**
Executive Directors	
Mr. Wang Zheng Chun	A
Mr. Zheng Wei Chong	A
Mr. Xu Wen Cong	A
Mr. Cheung Man	A,B
Mr. Liu Hoi Keung	B,C
Independent Non-executive Directors	
Mr. Ang Siu Lun, Lawrence	C
Mr. Ma Kwai Yuen	B,C
Mr. Ho Hao Veng	B

A: attending seminars arranged by the Company relating to the evolution of PRC land law and establishment of fund.

B: attending seminars offered by external professionals relating to corporate governance, corporate finance, china real estate development, board effectiveness and consideration on merger and acquisition etc.

C: reading newspapers, journals and updates relating to financial and accounting rules, director's duties and responsibilities, legal and regulatory matters and corporate governance etc.

During the year ended 31 December 2013, the Board has reviewed and monitored the training and continuous professional development of directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the Code and the disclosure in the Corporate Governance Report.

In addition, relevant reading materials including directors' manual/legal and regulatory update/seminar handouts have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

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

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Ma Kwai Yuen (Chairman of the Committee), Mr. Ang Siu Lun, Lawrence and Mr. Ho Hao Veng, with Independent Non-executive Directors in majority (including one Independent Non-executive Director with 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 auditor 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 held two meetings up to the date of this report to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management systems and processes, the reappointment of the external auditors and arrangements for employees to raise concerns about possible improprieties.

The Company's annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

Remuneration Committee

The Remuneration Committee comprises four members, namely, Mr. Ho Hao Veng (Chairman of the Committee), Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Zheng Wei Chong, the majority of them 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 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 met once to review and the remuneration policy and structure of the Company, and the remuneration packages of the Directors and senior management and other related matters.

Nomination Committee

The Nomination Committee comprises three members, namely, Mr. Ang Siu Lun, Lawrence (Chairman of the Committee), Mr. Ma Kwai Yuen and Mr. Wang Zheng Chun. The majority of them are Independent Non-executive Directors.

Principal duties of the Nomination Committee include reviewing the Board composition, identifying suitable candidates for appointment as Directors and making recommendations to the Board on the appointment and succession planning of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee met once to review 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. Zheng Wei Chong and Mr. Cheung Man shall retire by rotation and all of the retiring Directors, 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 17 April 2014 contains detailed information of the Directors standing for re-election.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2013 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Mr. Wang Zheng Chun	4/4	0/1	–	–	1/1
Mr. Zheng Wei Chong	4/4	–	1/1	–	0/1
Mr. Xu Wen Cong	4/4	–	–	–	0/1
Mr. Cheung Man	4/4	–	–	–	1/1
Mr. Liu Hoi Keung	4/4	–	–	–	1/1
Mr. Ang Siu Lun, Lawrence	2/4	1/1	1/1	2/2	1/1
Mr. Ma Kwai Yuen	4/4	1/1	1/1	2/2	1/1
Mr. Ho Hao Veng	4/4	–	1/1	2/2	1/1

Apart from regular Board meetings, the Chairman also held meetings with the Independent Non-executive Directors without the presence of Executive Directors during the year.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive information 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 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.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 36 to 37.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2013 amounted to HK$1,565,000 and HK$365,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Messrs Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2013 is set out below:

Service Category	**Fees Paid/ Payable** HK$
Audit Services	1,565,000
Non-audit Services	
– Review of interim report	330,000
– Review of preliminary announcement of results	35,000
	1,930,000

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, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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

The Company has developed its systems of internal control and risk management and will continue to review and assess procedures for their effectiveness.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. The internal audit division reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

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

- A comprehensive financial accounting system to provide indicators for performance measurement 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

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

SHAREHOLDERS' 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.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 64 of the Company's Articles of Association, an extraordinary general meeting shall be called by the Board on the written requisition of any one or more shareholders of the Company, provided that such shareholders held at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be called for the transaction of any business specified in the written requisition to the Board or the Secretary of the Company; and shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 1708-09, 17/F., Wharf T&T Centre, 7 Canton Road, Tsim Sha Tsui, Kowloon (For the attention of the Company Secretary)
Fax:	2681-2789
Email:	enquiry@genvon.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at http://www.genvon.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

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, are available to answer questions at shareholder meetings.

The 2013 Annual General Meeting ("AGM") was held on 24 May 2013. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Directors and Senior Management

EXECUTIVE DIRECTORS

Wang Zheng Chun

Mr. Wang Zheng Chun, aged 49, 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 The Association of Industry and Commerce in Minhang District, Shanghai (上海市閔行區工商業聯合會).

Zheng Wei Chong

Mr. Zheng Wei Chong, aged 46, 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 45, 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 45, 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 cash flow 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. Mr. Zhang has resigned as an Executive Director of the Company since 7 February 2013.

Cheung Man

Mr. Cheung Man, aged 45, 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 experience in investment banking and is well connected with fund managers in Shanghai and Hong Kong.

Liu Hoi Keung

Mr. Liu Hoi Keung, aged 49, joined the Group as Chief Financial Officer since January 2008 and was appointed as Executive Director in May 2011. Mr. Liu is responsible for the Group's accounting and finance matter. 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. Mr. Liu is currently an Independent Non-Executive Director of Century Sunshine Group Holdings Limited, a Main Board listed company in Hong Kong. Prior to joining the Company, he had served various positions as the Chief Executive Office, Executive Director and Company Secretary in a Main Board listed company in Hong Kong for more than ten years. Mr. Liu also has around nine years experience working in international accounting firms.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ang Siu Lun, Lawrence

Mr. Ang Siu Lun, Lawrence, aged 53, 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 and 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.

Ho Hao Veng

Mr. Ho Hao Veng, aged 66, was appointed as an Independent Non-executive Director in April 2002, was re-designated as a Non-executive Director in September 2005 and was re-designated as an Independent Non-executive Director in May 2012. 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.

Ma Kwai Yuen

Dr. Ma Kwai Yuen, aged 61, was appointed as an Independent Non-executive Director in September 2008. Dr. 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. Dr. Ma holds a Doctor of Philosophy degree in Business Administration from Bulacan State University and LLM degree from University of Wolverhampton. Dr. Ma 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, a member of Governance Institute of Australia, a fellow member of the Hong Kong Institute of Directors and a fellow member of the CPA Australia. Dr. Ma is currently an independent non-executive director of PacMOS Technologies Holdings Limited and China Fiber Optic Network System Group Ltd, which are listed public companies in Hong Kong.

SENIOR MANAGEMENT

Wan Ji Ming

Mr. Wan Ji Ming, aged 45, is the Director of Technique Global Operation Centre of the Group and the General Manager of Jiangsu Golden Harbour Enterprises Limited. Mr. Wan graduated from the Jiangsu Industry College with a Bachelor's degree of mechanical engineering. Mr. Wan has over twenty years of experience in the power tool industry. Mr. Wan joined the Group in December 2001.

Lam Ka Tak

Mr. Lam Ka Tak, aged 32, is the Financial Controller and Company Secretary of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam received his Master of Business Administration degree from the University of Hong Kong and Bachelor of Arts with Honours degree in Accountancy 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 of the Company for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 44 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

MAJOR SUPPLIERS AND CUSTOMERS

The largest and the top five suppliers of the Group accounted for approximately 33% and 49% respectively of the Group's total purchase for the year.

In 2013, our largest customer accounted for 17% of the Group's total revenue (2012: 7%). The five largest customers' combined contribution to total revenue has increased from 20% to 38% in the current 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 suppliers or customers.

FIXED ASSETS

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 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 2013, the Company's reserves available for distribution amounted to HK$90,273,000 which consisted of share premium of HK$382,642,000 net of accumulated losses of HK$292,369,000.

SHARE CAPITAL AND WARRANTS

Details of the share capital and outstanding warrants of the Company are set out in notes 32 and 34 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. Zheng Wei Chong
Mr. Cheung Man
Mr. Liu Hoi Keung
Mr. Zhang Xiu He (resigned on 7 February 2013)

Independent non-executive directors:
Mr. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen
Mr. Ho Hao Veng

In accordance with the Article 108 of the Company's Articles of Association, Mr. Wang Zhen Chun, Mr. Zheng Wei Chong and Mr. Cheung Man will retire by rotation and, being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

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, its holding 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 2013, 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 Issuers ("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	53.61%
	Held by controlled corporation	795,718,000 (Note 3)	–	795,718,000	18.81%
		3,134,269,000	–	3,134,269,000	74.08%
	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. 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	–	1,093,975 (Note 5)	1,093,975	0.03%

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 and 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 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 10,937,500 shares at an exercise price of HK$0.21 per share exercisable during the period from 6 November 2010 to 5 November 2019.

5. 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 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 entitled 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 3,281,250 shares are derived from share options granted by the Company to Mr. Liu on 6 November 2009 which entitled 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.

Other than 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.

(ii) Share options

Particulars of the Company's share option scheme are set out in note 37 to the consolidated financial statements.

The following table discloses the number of share options granted to directors of the Company outstanding at beginning and end of the year:

	At 1 January 2013	Exercised	At 31 December 2013
Mr. Wang Zheng Chun	10,937,500	–	10,937,500
Mr. Zheng Wei Chong	3,281,250	–	3,281,250
Mr. Xu Wen Cong	3,281,250	–	3,281,250
Mr. Zhang Xiu He (note)	3,281,250	(3,281,250)	–
Mr. Cheung Man	3,281,250	–	3,281,250
Mr. Ho Hao Veng	1,093,750	–	1,093,750
Mr. Ang Siu Lun, Lawrence	1,093,750	–	1,093,750
Mr. Ma Kwai Yuen	1,093,750	–	1,093,750
Mr. Liu Hoi Keung	27,120,874	–	27,120,874
	54,464,624	(3,281,250)	51,183,374

Note: An executive director of the Company resigned on 7 February 2013.

There was no share option granted during the year.

Save as disclosed above, at no time during the year was the Company, its holding 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 2013, 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	53.61%
	Interest held by controlled corporation (Note 3)	795,718,000	18.81%
	Beneficial Owner (Note 4)	10,937,500	0.26%
		3,145,206,500	74.34%

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 and 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 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 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.

Other than as disclosed above and in the section headed "Directors' interests in shares and underlying shares", as at 31 December 2013, 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 of Hong Kong Limited. 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 is set out in note 37 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 Cayman Islands, which 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 2013.

AUDITOR

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

On behalf of the Board

Wang Zheng Chun
Chairman

31 March 2014

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF GENVON GROUP LIMITED
正峰集團有限公司
(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 38 to 102, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, 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 information.

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 for 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 about 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 a 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.

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 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000
Revenue	8	**442,312**	801,574
Cost of sales		**(334,088)**	(530,345)
Gross profit		**108,224**	271,229
Other income	10	**8,656**	4,907
Other gains and losses	11	**83,777**	4,964
Selling and distribution expenses		**(12,288)**	(9,219)
Administrative expenses		**(37,702)**	(36,055)
Finance costs	14	**(3,221)**	(4,943)
Profit before taxation		**147,446**	230,883
Income tax expense	15	**(56,820)**	(117,170)
Profit for the year	16	**90,626**	113,713
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation		**12,478**	291
Release of translation reserve upon disposal of assets classified as held for sale		**1,891**	–
Total comprehensive income for the year		**104,995**	114,004
Profit (loss) for the year attributable to:			
Owners of the Company		**94,120**	115,988
Non-controlling interest		**(3,494)**	(2,275)
		90,626	113,713
Total comprehensive income (expense) attributable to:			
Owners of the Company		**107,781**	116,312
Non-controlling interest		**(2,786)**	(2,308)
		104,995	114,004
Earnings per share	17		
– Basic (HK cent)		**2.22**	2.75
– Diluted (HK cent)		**2.21**	2.75

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	18	**31,360**	89,205
Prepaid lease payments	20	**–**	23,844
Intangible assets	21	**2,595**	4,441
Investment properties	19	**26,734**	–
Deferred tax asset	22	**24,532**	15,488
		85,221	132,978
Current assets			
Inventories	23	**22,720**	24,125
Stock of properties	24	**1,459,374**	999,295
Trade and other receivables	25	**217,979**	111,621
Deposit paid for acquisition of land use rights	26	**–**	230,291
Prepaid lease payments	20	**–**	632
Bank balances and cash	27	**201,772**	123,251
		1,901,845	1,489,215
Assets classified as held for sale	28	**–**	2,977
		1,901,845	1,492,192
Current liabilities			
Trade and other payables	29	**108,320**	244,011
Deposits and accrued expenses		**9,023**	6,264
Deposits received from pre-sale of properties	24	**313,958**	65,464
Bank and other borrowings – due within one year	30	**6,691**	149,967
Tax payable		**122,346**	109,189
Loans from related companies	31	**4,578**	63,023
		564,916	637,918
Net current assets		**1,336,929**	854,274
Total assets less current liabilities		**1,422,150**	987,252

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Capital and reserves			
Share capital	32	**423,134**	422,477
Reserves		**272,851**	169,622
		695,985	592,099
Non-controlling interest		**205,198**	202,412
Total equity		**901,183**	794,511
Non-current liabilities			
Deferred tax liability	22	**4,190**	–
Bank and other borrowings – due after one year	30	**491,526**	168,209
Deferred income	33	**25,251**	24,532
		520,967	192,741
		1,422,150	987,252

The consolidated financial statements on pages 38 to 102 were approved and authorised for issue by the Board of Directors on 31 March 2014 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 2013

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium account HK$'000	Share options reserve HK$'000	Merger reserve HK$'000	Warrant 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 2012	422,477	301,030	12,102	800	–	53,080	710	(315,049)	475,150	204,720	679,870
Exchange differences arising on translation	–	–	–	–	–	324	–	–	324	(33)	291
Profit (loss) for the year	–	–	–	–	–	–	–	115,988	115,988	(2,275)	113,713
Total comprehensive income (expenses) for the year	–	–	–	–	–	324	–	115,988	116,312	(2,308)	114,004
Recognition of equity-settled share-based payments	–	–	637	–	–	–	–	–	637	–	637
Release upon lapse of vested share options	–	–	(280)	–	–	–	–	280	–	–	–
At 31 December 2012	422,477	301,030	12,459	800	–	53,404	710	(198,781)	592,099	202,412	794,511
Exchange differences arising on translation	-	-	-	-	-	6,198	-	-	6,198	6,280	12,478
Disposal of assets classified as held for sale	-	-	-	-	-	1,891	-	-	1,891	-	1,891
Profit (loss) for the year	-	-	-	-	-	-	-	94,120	94,120	(3,494)	90,626
Total comprehensive income for the year	-	-	-	-	-	8,089	-	94,120	102,209	2,786	104,995
Issue of warrants (note 34)	-	-	-	-	290	-	-	-	290	-	290
Recognition of equity-settled share-based payments	-	-	9	-	-	-	-	-	9	-	9
Release upon lapse of vested share options	-	-	(267)	-	-	-	-	267	-	-	-
Release on disposal of assets classified as held for sale	-	-	-	-	-	-	(710)	710	-	-	-
Issue of share upon exercise of options	657	1,614	(893)	-	-	-	-	-	1,378	-	1,378
At 31 December 2013	423,134	302,644	11,308	800	290	61,493	-	(103,684)	695,985	205,198	901,183

For the year ended 31 December 2013

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 enterprise expansion fund and the statutory 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 statutory reserve fund and enterprise expansion fund according to the Articles of Association of the enterprises or the decision of the Board of Directors.

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

The enterprise 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 2013

	Notes	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**147,446**	230,883
Adjustments for:			
Share-based payment expenses		**9**	637
Amortisation of intangible assets		**2,812**	3,066
Depreciation of property, plant and equipment		**5,040**	7,396
Release of prepaid lease payments		**642**	769
Loss (gain) on disposal of property, plant and equipment		**30**	(5)
Interest income from banks		**(1,676)**	(386)
Finance costs		**3,221**	4,943
Write-back of trade and other payables		**–**	(4,059)
Gain on fair value changes of investment properties		**(15,158)**	–
Gain on disposal of assets classified as held for sale	28	**(4,067)**	–
Gain on disposal of a subsidiary	39	**–**	(982)
Gain on resumption of land and relocation of production facilities	11	**(63,498)**	–
Operating cash flows before movements in working capital		**74,801**	242,262
Decrease (increase) in inventories		**1,405**	(9,910)
(Increase) decrease in trade and other receivables		**(91,086)**	33,758
Increase in stock of properties		**(171,483)**	(52,073)
(Decrease) increase in trade and other payables		**(135,691)**	202,120
Increase (decrease) in deposits and accrued expenses		**2,759**	(528)
Increase (decrease) in deposit received from pre-sale of properties		**242,710**	(373,178)
Cash (used in) generated from operation		**(76,585)**	42,451
Income tax paid		**(57,252)**	(10,696)
CASH (USED IN) FROM OPERATING ACTIVITIES		**(133,837)**	31,755
INVESTING ACTIVITIES			
Compensation received from government for the resumption of land and relocation of production facilities		**135,056**	–
Proceeds from disposal of assets classified as held for sale	28	**8,973**	–
Interest received from banks		**1,676**	386
Purchase of property, plant and equipment		**(3,794)**	(3,069)
Other relocation costs		**(1,308)**	–
Purchase of intangible assets and development costs paid		**(832)**	(2,064)
Net proceeds from disposal of a subsidiary (net of direct expenses)	39	**–**	882
Proceeds from disposal of property, plant and equipment		**–**	37
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**139,771**	(3,828)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
New bank and other borrowings raised	**394,589**	239,705
Issue of share upon exercise of options	**1,378**	–
Issue of warrants	**290**	–
Repayments of bank and other borrowings	**(223,154)**	(239,705)
Repayments of loans from related companies	**(59,501)**	(29,266)
Interest paid	**(46,234)**	(10,276)
Loans from related companies	**–**	70,068
Transaction costs on new bank borrowings raised	**–**	(2,649)
NET CASH FROM FINANCING ACTIVITIES	**67,368**	27,877
NET INCREASE IN CASH AND CASH EQUIVALENTS	**73,302**	55,804
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**123,251**	67,899
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**5,219**	(452)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**201,772**	123,251

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL

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"). Its parent and ultimate holding company is Grand Vision Group Limited, which is controlled by Mr. Wang Zheng Chun ("Mr. Wang"), an executive director and the ultimate controlling shareholder 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 44. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" set out in the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. The directors of the Company selected HK$ as the presentation currency because the shares of the Company are listed on the Stock Exchange.

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

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 19 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

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

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of other comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income 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 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. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs (note)	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs (note)	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, with early application is permitted.

[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

[5] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

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

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Annual Improvements to HKFRSs 2010 – 2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010 – 2012 Cycle will have a material effect on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments which measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

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 when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods is recognised when the goods are delivered and title have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale (Continued)

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate 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 their intended use.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

Stock of properties are stated at the lower of cost and net realisable value. Net realisable value is determined by management based on prevailing market conditions.

Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses.

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

The Group transfers a property from stock of properties to investment properties when there is a change of intention to hold the properties 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 properties at the date of transfer and its previous carrying amount is recognised in profit or loss.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basic is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basic is more representative of the time pattern in which economic benefits from the leased assets are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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 released 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.

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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items 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 under the heading of translation reserve (attributable to non-controlling interests as appropriate).

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), 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 not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants, that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs, are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and other schemes managed by the PRC government which are defined contribution plans are recognised 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 before tax as reported in the consolidated statement of profit or loss and other 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 by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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 each 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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred taxation liabilities and deferred taxation assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Internally-generated intangible assets – research and development expenditure

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

An internally-generated intangible asset arising from development activities (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 assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and costs necessary to make the sale.

Stock of properties

Stock of properties are stated at the lower of cost and net realisable value. Net realisable value is determined by management based on prevailing market conditions.

Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses.

Financial instruments

Financial assets and financial liabilities are recognised 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) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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 debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points 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 debt instrument, 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 measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

For loans and receivables, objective evidence of impairment could include:

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

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 credit period of 60–120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

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.

For financial assets measured at amortised cost, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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 and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and 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 original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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.

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 with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit as a whole and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

No impairment loss on property, plant and equipment and intangible assets was recognised in both years. As at 31 December 2013, the carrying amount of property, plant and equipment and intangibles assets are HK$31,360,000 and HK$2,595,000 (2012: HK$89,205,000 and HK$4,441,000) respectively.

Write-down of stock of properties

Included in the consolidated statement of financial position at 31 December 2013 is stock of properties with an aggregate carrying amount of approximately HK$1,459,374,000 (2012: 999,295,000) as disclosed in note 24. Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying stock of properties are less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material write down on stock of properties may result.

Land Appreciation Tax ("LAT")

PRC LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including the borrowing costs and all property development expenditure. The subsidiaries engaging in property development business in the PRC are subject to LAT, which have been included in the income tax expenses. However, the Group has not finalised its LAT returns with local tax authority. Accordingly, significant judgement required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax expense and provisions for LAT in the period in which such determination is made.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Deferred taxation

As at 31 December 2013, deferred tax asset of HK$24,532,000 (2012: HK$15,488,000) has been recognised in the consolidated statement of financial position in relation to the LAT provision. The Group has not recognised any deferred tax assets 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 or less than expected, a material deferred tax asset may be recognised or reversed, which would be credited to profit or loss in the consolidated statement of profit or loss and other comprehensive income for that year. Details of unused tax losses not recognised amounted to approximately HK$19,376,000 (2012: HK$61,025,000) and other deductible temporary difference amounted to approximately HK$25,251,000 (2012: 24,532,000) are disclosed in note 22.

Fair value measurements and valuation processes

The Group's investment properties are measured at fair value for financial reporting purposes.

In estimating the fair value of the investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management establish the appropriate valuation technique and inputs to the model.

The Group uses valuation technique that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 19 provide detailed information about the valuation technique, input and key assumptions used in the determination of the fair value of the investment properties.

Estimated receivables of government compensation for resumption of land and relocation of production facilities

As detailed in note 11, Jiangsu Golden Harbour Enterprise Limited ("Golden Harbour"), a wholly owned subsidiary of the Company, recognised in the current financial year an amount of HK$63,498,000 being part of the gain on resumption of land and relocation of production facilities by the Committee of Haian Economic and Technological Development Area (the "Committee").

The directors of the Company consider that the timing of receipt of the remaining compensation payment of HK$99,969,000 (the "Remaining Compensation") from the Committee is uncertain, as the timing of putting the remaining part of land on public auction by the Committee is yet to be determined due to the uncertain market conditions in Haian County. The local government may delay or suspend the urban development planning of Haian County. Accordingly, the Remaining Compensation has not been recognised in the calculation of the gain on resumption of land and relocation of production facilities.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment on refundable deposit paid for acquisition of land use rights

The Group estimates impairment loss for the refundable deposits paid to Bureau of Land Resources, Haian County, as prerequisite in connection to the acquisition of certain land use rights. The Group bases the estimates on the aging of the refundable deposits balance and the progress of the urban development planning by the local government of Haian County.

When there is objective evidence of impairment loss, the Group takes into consideration of future cash flow. The amount of the impairment loss is measured as the difference between the refundable deposit's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the refundable deposit's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of the refundable deposits is HK$63,597,000 (2012: HK$61,667,000) as set out in note 25 and the directors of the Company has determined that no impairment loss needs to be recognised on such deposits with reference to the credit-worthiness of the counter party.

6. 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 from prior year.

The capital structure of the Group consists of debts (that includes bank and other borrowings and loans from related companies) 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.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**273,272**	167,595
Financial liabilities		
Amortised cost	**611,115**	625,210

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

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 and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate 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.

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 monetary assets and monetary liabilities (including intercompany balances) denominated in foreign currencies other than functional currencies of the relevant group entities at the end of the reporting periods are as follows:

	2013 **HK$'000**	2012 HK$'000
Assets		
RMB	**35**	15,574
USD	**284**	52
Euro ("EUR")	**23**	22
HK$	**369**	422
Liabilities		
USD	**2**	4,306
EUR	**–**	750

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

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

The following table details the sensitivity of the Group to a 10% (2012: 10%) increase and decrease in HK$ against RMB and EUR. 10% (2012: 10%) is the sensitivity rate 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% (2012: 10%) change in foreign currency rates.

A positive number below indicates an increase in post-tax profit (2012: an increase in post-tax profit) while there is strengthening of functional currency against the foreign currency, and vice versa. For a 10% (2012: 10%) strengthening of functional currency against relevant currencies, profit or loss for the year would be as follows:

	Assets		**Liabilities**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit or loss	**(4)**	(1,170)	**–**	56

(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 and it is mainly concentrated on the fluctuation of the Peoples' Bank of China base interest rate arising from the Group's RMB denominated bank borrowings. Details of the Group's bank balances and bank and other borrowings are disclosed in notes 27 and 30 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 2013 (see note 30 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.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (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 10 basis points (2012: 10 basis points) increase or decrease for bank balances and 50 basis point (2012: 50 basis point) increase or decrease for variable-rate bank and other borrowings are used and represents management's assessment of the reasonably possible change in interest rates.

A 10 basis points (2012: 10 basis points) change in interest rate for bank deposits with other variables held constant would not have significant effect on the Group's results for both years.

If interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would decrease/increase by HK$2,277,000 (by HK$910,000). This is attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

As at 31 December 2013, 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 high credit ratings assigned by international credit rating agencies.

The Group has a customer whose outstanding trade receivable represents approximately 42% (2012: 44%) of the total trade receivables of the Group as at 31 December 2013 which expose the Group to the concentration of credit risk. The customer has good credit rating and repayment history and is a well-known distributor of power tools in the world. With respect to the Group's refundable deposit of HK$63,597,000 (2012: HK$61,667,000) paid to the Bureau of Land Resources, Haian Country, the PRC, management considers that the credit risk is limited as the counterparty is a government authority in the PRC which responsible for planning, administration and utilisation of land. 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.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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 at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average contractual interest rate	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2013							
Non-derivate financial liabilities							
Trade and other payables	**–**	**108,320**	**–**	**–**	**–**	**108,320**	**108,320**
Bank borrowings							
– variable rate	**6.15%**	**2,334**	**7,001**	**18,670**	**479,392**	**507,397**	**455,355**
Other borrowings							
– interest free	**–**	**6,691**	**–**	**–**	**–**	**6,691**	**6,691**
– fixed rate	**15%**	**–**	**–**	**–**	**46,108**	**46,108**	**36,171**
Loans from related companies	**–**	**4,578**	**–**	**–**	**–**	**4,578**	**4,578**
		121,923	**7,001**	**18,670**	**525,500**	**673,094**	**611,115**
2012							
Non-derivate financial liabilities							
Trade and other payables	–	244,011	–	–	–	244,011	244,011
Bank borrowings							
– fixed rate	6.65%	307	921	57,010	–	58,238	55,500
– variable rate	6.15%	872	2,616	6,976	184,162	194,626	168,210
Other borrowings							
– interest free	–	55,822	–	–	–	55,822	55,822
– fixed rate	15%	16,965	–	–	–	16,965	16,965
– variable rate	6%	69	21,748	–	–	21,817	21,679
Loans from related companies	–	63,023	–	–	–	63,023	63,023
		381,069	25,285	63,986	184,162	654,502	625,210

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.

7. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

8. REVENUE

Revenue represents proceeds from sales of power tools and properties. An analysis of the Group's revenue for the year is as follows:

	2013 **HK$'000**	2012 HK$'000
– sales of properties	**259,007**	666,399
– sales of power tools	**183,305**	135,175
	442,312	801,574

9. 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.

9. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2013

	Property Development HK$'000	Manufacturing and Trading HK$'000	Total HK$'000
Segment revenue – external	**259,007**	**183,305**	**442,312**
RESULTS			
Segment profit (loss)	**76,116**	**(5,744)**	**70,372**
Unallocated corporate income, gains and losses			**13,777**
Unallocated corporate expenses			**(12,138)**
Finance costs			**(3,221)**
Gain on resumption of land and relocation of facilities			**63,498**
Gain on fair value changes of investment properties			**15,158**
Profit before taxation			**147,446**

For the year ended 31 December 2012

	Property Development HK$'000	Manufacturing and Trading HK$'000	Total HK$'000
Segment revenue – external	666,399	135,175	801,574
RESULTS			
Segment profit (loss)	247,395	(11,015)	236,380
Unallocated corporate income, gains and losses			9,871
Unallocated corporate expenses			(10,425)
Finance costs			(4,943)
Profit before taxation			230,883

9. SEGMENT INFORMATION (Continued)

The accounting policies for the operating segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of central administration costs, finance costs, other income and other gains and losses. This is the measure reported to the Group's Executive Directors for the purposes of the resources allocation and performance assessment.

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

Other segment information

For the year ended 31 December 2013

	Property Development HK$'000	Manufacturing and Trading HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the segment profit (loss):				
Depreciation of property, plant and equipment	**395**	**4,347**	**298**	**5,040**
Amortisation of intangible assets	**–**	**2,812**	**–**	**2,812**
Release of prepaid lease payments	**–**	**642**	**–**	**642**

For the year ended 31 December 2012

	Property Development HK$'000	Manufacturing and Trading HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the segment profit (loss):				
Depreciation of property, plant and equipment	186	7,175	35	7,396
Amortisation of intangible assets	–	3,066	–	3,066
Release of prepaid lease payments	–	769	–	769

9. SEGMENT INFORMATION (Continued)

Revenue from major products

An analysis of the Group's revenue for the year from its major products is set out in note 8.

Geographical information

The Group's Property Development and Manufacturing and Trading operations are carried out in Hong Kong and other regions in the PRC. The Group's non-current assets are substantially located in the PRC.

The following tables provides an analysis of the Group's revenue by geographical market based on locations of the customers, irrespective of the origin of the goods:

	2013 **HK$'000**	2012 HK$'000
Europe	**29,499**	23,707
The United States of America	**106,697**	77,910
The PRC	**288,441**	698,676
Other countries	**17,675**	1,281
	442,312	801,574

Information about major customers

For the year ended 31 December 2013, revenue from the largest customer in respect of Manufacturing and Trading segment amounted to approximately HK$77,062,000 which contributed to approximately 17% of the Group's total revenue. None of the other customers of the Group individually contribute more than 10% of the Group's revenue.

For the year ended 31 December 2012, none of the customers of the Group individually contribute more than 10% of the Group's total revenue.

10. OTHER INCOME

	2013 **HK$'000**	2012 HK$'000
Interest income from banks	**1,676**	386
Sundry income	**6,980**	4,521
	8,656	4,907

11. OTHER GAINS AND LOSSES

	2013 **HK$'000**	2012 HK$'000
Gain on resumption of land and relocation of production facilities (note i)	**63,498**	–
Net exchange gain (loss)	**1,084**	(82)
(Loss) gain on disposal of property, plant and equipment	**(30)**	5
Gain on disposal of asset classified as held for sale/a subsidiary	**4,067**	982
Write-back of trade and other payables (note ii)	**–**	4,059
Gain on fair value changes of investment properties	**15,158**	–
	83,777	4,964

Notes:

(i) On 19 September 2012, Golden Harbour entered into a resumption and relocation agreement with the Committee under which Golden Harbour agreed to surrender a piece of land in Haian County, Jiangsu, together with the buildings thereon (collectively refer to "the Production Premises") to the Committee and to relocate its production facilities to other locations (the "Relocation"). The Committee agreed to compensate Golden Harbour for the resumption and relocation at the amount of RMB180,739,000 (equivalent to approximately HK$226,405,000) (the "Compensation"). Up to 31 December 2012, no part of Compensation was received.

On 2 April 2013, Golden Harbour further entered into a supplementary agreement with the Committee, pursuant that the Committee agreed to provide additional compensation of RMB16,882,000 (equivalent to approximately HK$21,147,000) ("Additional Compensation"). The total compensation is amounted to HK$247,552,000, which shall be payable by the Committee to Golden Harbour as follows:

1. First installment of Additional Compensation of HK$12,527,000, which was payable before 30 April 2013;

2. Second installment of Additional Compensation of HK$8,620,000, together with the first installment of Compensation of HK$135,842,000, was payable within 10 days once the land was sold and consideration received by the Committee.

3. The last installment of Compensation of HK$90,563,000, payable upon the completion of Relocation and delivery of vacant possession of the Production Premises to the Committee by Golden Harbour within 10 months from the receipt of payments described in (1) and (2).

As at 31 December 2013, Golden Harbour has fulfilled the conditions as attached in the resumption and relocation agreement, which are the completion of the Relocation, delivery of vacant possession of the Production Premises to the Committee and the surrender of land use right to the relevant PRC government authority. Part of the land was sold by the Committee and an aggregate amount of HK$135,056,000 was received from the Committee in 2013. A further amount of HK$12,527,000 was received from the Committee in January 2014.

11. OTHER GAINS AND LOSSES (Continued)

Notes: (Continued)

(i) (Continued)

In current year, Golden Harbour has recognised compensation income to the profit or loss of HK$147,583,000 to match against the related costs for Relocation. The directors of the Company consider that the timing of receipt of the Remaining Compensation of HK$99,969,000 from the Committee is uncertain, as the timing of putting the remaining part of land on public auction by the Committee is yet to be determined due to the uncertain market conditions in Haian County. The local government may delay or suspend the urban development planning of Haian County. Accordingly, the compensation income is recognised only up to the amount received and amounts the settlement of which is determined probable.

The gain on resumption of land and relocation of production facilities is recognised as below:

	HK$'000
Compensation received or receivable	147,583
Less:	
Carrying amount of prepaid lease payments	24,218
Write-off of property, plant and equipment	58,559
Other relocation costs	1,308
	63,498

(ii) 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 2012.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2012: ten) directors were as follows:

Year ended 31 December 2013

	Executive Directors						Independent non-executive Directors			
	Mr. Wang Zheng Chun HK$'000 Note (i)	Mr. Xu Wen Cong HK$'000	Mr. Zhang Xiu He HK$'000 Note (ii)	Mr. Zheng Wei Chong HK$'000	Mr. Cheung Man HK$'000	Mr. Liu Hoi Keung HK$'000	Mr. Ho Hao Veng HK$'000	Mr. Ang Siu Lun, Lawrence HK$'000	Mr. Ma Kwai Yuen HK$'000	Total HK$'000
Fees	-	-	-	-	-	-	173	173	173	519
Other emoluments:										
Salaries	1,443	646	50	390	540	1,125	-	-	-	4,194
Contributions to retirement benefits scheme	59	70	5	-	15	-	-	-	-	149
Total emoluments	1,502	716	55	390	555	1,125	173	173	173	4,862

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Year ended 31 December 2012

	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$'000	Mr. Liu Hoi Keung HK$'000	Mr. Ho Hao Veng HK$'000 Note (iii)	Mr. Ang Siu Lun, Lawrence HK$'000	Mr. Ma Kwai Yuen HK$'000	Mr. Law Wing Tak, Jack HK$'000 (Note (iv))	Total HK$'000
Fees	–	–	–	–	–	–	138	143	150	63	494
Other emoluments:											
Salaries	1,560	590	590	390	540	1,125	–	–	–	–	4,795
Contributions to retirement benefits scheme	57	57	35	–	14	–	–	–	–	–	163
Share-based payment expenses	148	45	45	45	45	45	15	15	15	15	433
Total emoluments	1,765	692	670	435	599	1,170	153	158	165	78	5,885

Notes:

(i) Mr. Wang Zheng Chun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) An executive director of the Company resigned on 7 February 2013.

(iii) A non-executive director re-designated to an independent non-executive director on 1 May 2012.

(iv) An independent non-executive director of the Company retired on 18 May 2012.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: four) were Directors of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining one (2012: one) individual was as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**726**	676
Contributions to retirement benefits scheme	**15**	14
Total emoluments	**741**	690

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals (including Directors and employee) 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 2013 and 2012.

14. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**43,503**	14,346
Less: Interest capitalised in properties under development held for sale	**(40,282)**	(9,403)
	3,221	4,943

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

15. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**27,405**	70,860
LAT	**33,718**	61,746
	61,123	132,606
Deferred taxation (note 22)	**(4,303)**	(15,436)
	56,820	117,170

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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.

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.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Profit before taxation	**147,446**	230,883
Tax at the PRC EIT rate of 25% (2012: 25%)	**36,862**	57,721
Tax effect of expenses not deductible for tax purpose	**7,104**	15,479
Tax effect of income not taxable for tax purpose	**(3,446)**	(760)
Tax effect of tax losses and deductible temporary difference not recognised	**2,935**	3,352
Utilisation of tax losses previously not recognised	**(11,924)**	(4,932)
LAT	**33,718**	61,746
Tax effect of LAT	**(8,429)**	(15,436)
Income tax expense for the year	**56,820**	117,170

16. PROFIT FOR THE YEAR

	2013 **HK$'000**	2012 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	**4,862**	5,885
Other staff costs:		
Salaries and other benefits	**16,634**	14,024
Retirement benefits scheme contribution	**1,381**	1,292
Share-based payment expenses for staffs	**9**	204
Total staff costs	**22,886**	21,405
Less: Amount capitalised to properties under development	**(1,450)**	(2,429)
	21,436	18,976
Amortisation of intangible assets	**2,812**	3,066
Auditors' remuneration	**2,041**	1,500
Cost of inventories recognised as expense	**172,912**	128,067
Cost of stock of properties recognised as expense	**161,176**	402,278
Depreciation of property, plant and equipment	**5,040**	7,396
Release of prepaid lease payments	**642**	769
Rental income from investment properties, with negligible outgoings	**(374)**	–

17. EARNINGS PER SHARE

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

	2013 **HK$'000**	2012 HK$'000
Profit for the year attributable to the owners of the Company, for the purpose of basic and diluted earnings per share	**94,120**	115,988

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,230,708,219**	4,224,775,000
Effect of dilutive potential ordinary shares in respect of:		
Share options	**5,232,329**	–
Warrants	**29,419,032**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,265,359,580**	4,224,775,000

The computation of the diluted earnings per share for the year ended 31 December 2012 does not assume the exercise of the Company's options since the average market price of the Company's share is lower than the exercise price of those options.

18. 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 2012	77,124	17	91,662	40,571	13,643	3,437	2,062	228,516
Exchange adjustments	(27)	–	(10)	(9)	(11)	(1)	(1)	(59)
Additions	–	–	1,491	51	1,024	82	421	3,069
Reclassified as held for sale	(5,139)	–	(1,033)	(2,166)	(2,901)	–	–	(11,239)
Disposals	–	–	–	(22,062)	(3,012)	(1,415)	(754)	(27,243)
At 31 December 2012	71,958	17	92,110	16,385	8,743	2,103	1,728	193,044
Exchange adjustments	1,150	–	2,707	552	128	58	72	4,667
Additions	–	–	2	2,563	62	20	1,147	3,794
Disposals	–	(17)	(34)	–	–	–	–	(51)
Disposal upon relocation of production facilities	(71,538)	–	(11,363)	–	(4,882)	(550)	–	(88,333)
At 31 December 2013	1,570	–	83,422	19,500	4,051	1,631	2,947	113,121
DEPRECIATION AND IMPAIRMENT								
At 1 January 2012	12,991	–	65,562	36,896	12,957	2,512	1,565	132,483
Exchange adjustments	(6)	–	(3)	(2)	(11)	(1)	(1)	(24)
Charge for the year	1,506	–	3,149	2,040	434	66	201	7,396
Reclassified as held for sale	(2,782)	–	(1,033)	(2,166)	(2,824)	–	–	(8,805)
Elimination on disposal	–	–	–	(22,062)	(3,012)	(1,415)	(722)	(27,211)
At 31 December 2012	11,709	–	67,675	14,706	7,544	1,162	1,043	103,839
Exchange adjustments	185	–	1,820	485	117	32	38	2,677
Charge for the year	1,288	–	1,164	1,616	410	214	348	5,040
Elimination on disposal	–	–	(21)	–	–	–	–	(21)
Elimination on disposal upon relocation of production facilities	(13,053)	–	(11,363)	–	(4,882)	(476)	–	(29,774)
At 31 December 2013	129	–	59,275	16,807	3,189	932	1,429	81,761
CARRYING VALUES								
At 31 December 2013	1,441	–	24,147	2,693	862	699	1,518	31,360
At 31 December 2012	60,249	17	24,435	1,679	1,199	941	685	89,205

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 detailed in note 11(i), Golden Harbour entered into a resumption and relocation agreement with the Committee under which Golden Harbour agreed to surrender the Production Premises to the Committee and to relocate its production facilities to other locations. Certain of the property, plant and equipment amounting to HK$58,559,000 (2012: nil) are written off upon the relocation of the production facilities.

As at the end of the reporting period, in view of the operating loss incurred in the operating segment in manufacturing and trading of power tools in this and prior years, the Directors conducted an annual review of the Group's assets including certain buildings and plant and machinery, moulds and intangible assets in an aggregate amount of HK$30,876,000 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. No impairment loss has been recognised in profit or loss for both years.

19. INVESTMENT PROPERTIES

	HK$'000
AT FAIR VALUE	
At 1 January 2013	–
Transfer from completed properties held for sale	26,328
Exchange adjustments	406
At 31 December 2013	26,734

In the opinion of the directors, the fair value changes of the above investment properties from the dates of initial recognition to the end of the reporting period is insignificant.

Income approach

The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar residential properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties was the discount rates used, which is 5%. An increase in the discount rate used would result in a decrease in fair value measurement of the investment properties, and vice versa.

19. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 3 **HK$'000**
Retail property units located in the PRC	26,734

There were no transfers into or out of Level 3 during the year.

20. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise property interests in medium-term leasehold lands in the PRC and are released over the term of relevant leases with a range from 20 to 50 years. As detailed in note 11(i), the land is surrender to the Committee and the carrying amount of prepaid lease payment is derecognised during the year.

	2013 **HK$'000**	2012 HK$'000
Analysed for reporting purposes as:		
Current assets	–	632
Non-current assets	–	23,844
	–	24,476

For the year ended 31 December 2013

21. INTANGIBLE ASSETS

	Development costs HK$'000	Patents and licences HK$'000	Total HK$'000
COST			
At 1 January 2012	20,132	20,688	40,820
Exchange adjustments	6	(4)	2
Additions	1,876	188	2,064
At 31 December 2012	22,014	20,872	42,886
Exchange adjustments	540	216	756
Additions	712	120	832
Write off	(10,358)	(9,429)	(19,787)
At 31 December 2013	12,908	11,779	24,687
AMORTISATION AND IMPAIRMENT			
At 1 January 2012	15,553	19,820	35,373
Exchange adjustments	5	1	6
Amortisation for the year	2,436	630	3,066
At 31 December 2012	17,994	20,451	38,445
Exchange adjustments	441	181	622
Amortisation for the year	2,424	388	2,812
Elimination on write off	(10,358)	(9,429)	(19,787)
At 31 December 2013	10,501	11,591	22,092
CARRYING VALUES			
At 31 December 2013	2,407	188	2,595
At 31 December 2012	4,020	421	4,441

21. INTANGIBLE ASSETS (Continued)

Development costs are internally generated. All of the Group's patents and licences were acquired from third parties.

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

Development costs	5 years
Patents and licences	5 to 15 years

22. DEFERRED TAXATION

The following is the deferred tax asset (liability) recognised and movement thereon during the year:

	Fair value of investment properties HK$'000	**LAT provision** HK$'000	**Total** HK$'000
At 1 January 2012	–	–	–
Exchange adjustments	–	52	52
Credit to profit or loss	–	15,436	15,436
At 31 December 2012	–	15,488	15,488
Exchange adjustments	(64)	615	551
(Charge) credit to profit or loss	(4,126)	8,429	4,303
At 31 December 2013	(4,190)	24,532	20,342

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013 **HK$'000**	2012 HK$'000
Deferred tax asset	**24,532**	15,488
Deferred tax liability	**(4,190)**	–
	20,342	15,488

22. DEFERRED TAXATION (Continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB192,789,000 (equivalents to HK$245,216,000) (2012: RMB151,309,000 (equivalents to HK$185,998,000)) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has estimated unused tax losses and other deductible temporary difference of HK$19,376,000 (2012: HK$61,025,000) and HK$25,251,000 (2012: HK$24,532,000) 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 2018.

23. INVENTORIES

	2013 **HK$'000**	2012 HK$'000
Raw materials	**7,415**	7,664
Work in progress	**8,885**	9,328
Finished goods	**6,420**	7,133
	22,720	24,125

24. STOCK OF PROPERTIES

	2013 **HK$'000**	2012 HK$'000
Properties under development (note i)	**1,276,941**	660,314
Completed properties for sale (note ii)	**182,433**	338,981
Total stock of properties	**1,459,374**	999,295

24. STOCK OF PROPERTIES (Continued)

Notes:

(i) 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 to be realised within twelve months from the end of the reporting period.

During the year, 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 26.

(ii) During the year, certain completed properties for sales with an aggregate carry's amount of HK$11,170,000 are leased out under operating lease to earn rental income and transferred to as investment properties. The aggregate fair value of these investment properties at the dates of transfer were approximately HK$26,328,000 and the aggregate gain on fair value changes on the dates of transfer of HK$15,158,000 has been recognised in other gains and losses.

As at 31 December 2013, the Group received an aggregate amount of deposits of HK$313,958,000 (2012: HK$65,464,000) from the pre-sales of properties and recognised as current liabilities in the consolidated statement of financial position. All of the deposits are expected to be realised within twelve months from the end of the reporting period. In 2012, an amount of HK$25,820,000 represents deposits expected not to be realised within twelve months from the end of the reporting period.

25. TRADE AND OTHER RECEIVABLES

The Group's entire trade customers are receivables for the sales of power tools. The Group has a policy of allowing 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:

	2013 **HK$'000**	2012 HK$'000
Within 30 days	**19,033**	12,209
Between 31 to 60 days	**10,126**	10,692
Between 61 to 90 days	**2,950**	2,534
Between 91 to 120 days	**202**	648
Over 120 days	**6**	2
Trade receivables	**32,317**	26,085
Other receivables	**23,129**	7,091
Deposits and prepayments (note)	**162,533**	78,445
	217,979	111,621

25. TRADE AND OTHER RECEIVABLES (Continued)

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$6,000 (2012: HK$2,000) which are past due at the end of the reporting period for which the Group has not recognised impairment loss. The Group does not hold any collateral over these balances.

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

	2013 **HK$'000**	2012 HK$'000
Over 120 days	**6**	2

The Directors considered trade and other receivables which are past due but not impaired are of good credit quality based on good repayment history. The amounts were fully settled subsequent to the end of the reporting period.

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	HK$
As at 31 December 2013 (HK$'000)	**35**	**218**
As at 31 December 2012 (HK$'000)	24	323

Note: Included in deposits and prepayments are deposits paid to subcontractors for the construction of properties under development held for sale of approximately HK$61,562,000 (2012: HK$3,444,000), deposits paid to local government authorities before the commencement of construction of properties under development held for sale in Haian County, the PRC, of approximately HK$9,158,000 (2012: HK$8,880,000), prepayment for related taxes for the deposits received from pre-sale of properties of HK$17,788,000 (2012: nil) and a refundable deposit of HK$63,597,000 (2012: HK$61,667,000) paid to the Bureau of Land Resources, Haian County, the PRC, as prerequisite in connection to the acquisition of certain land use rights. The amounts will be refundable within the next twelve months from the end of the reporting period and the amount are therefore classified as current assets.

26. 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. As at 31 December 2013, the land use right certificate of the New Jiangsu Land has been obtained and the corresponding amount of deposit was transferred to properties under development during the year.

27. BANK BALANCES AND CASH

The bank balances carried interest at variable market rates which range from 0.001% to 0.05% (2012: 0.001% to 0.05%) per annum.

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

	US$	EUR	HK$
As at 31 December 2013 (HK$'000)	**284**	**23**	**151**
As at 31 December 2012 (HK$'000)	52	22	3,028

28. DISPOSAL GROUP HELD FOR SALE

On 19 December 2012, the directors entered into a conditional sale agreement to dispose of two wholly-owned subsidiaries (the "Disposal Group") to an independent third party at a consideration of RMB7,200,000 (equivalent to HK$8,973,000) (the "Disposal Transaction"). The Disposal Group are inactive and its major assets including property, plant and equipment and prepaid lease payments. The Disposal Transaction had not been completed up to 31 December 2012 and therefore the assets attributable to the Disposal Group had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2012 (see below). The Disposal Group was included in the Group's manufacturing and trading of power tools activities for segment reporting purposes (see note 9).

The major classes of assets of the Disposal Group classified as held for sale as at 31 December 2012 are as follows:

	HK$'000
Property, plant and equipment	2,441
Prepaid lease payments	536
Total assets classified as held for sale	2,977

28. DISPOSAL GROUP HELD FOR SALE (Continued)

During the current year, the Disposal Transaction was completed. The gain on disposal on assets classified as held for sale on the date of disposal is calculated as follows:

	HK$'000
Cash consideration received	8,973
Total assets classified as held for sale	(3,015)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	(1,891)
Gain on disposal	4,067

29. 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:

	2013 HK$'000	2012 HK$'000
Within 30 days	**18,402**	183,748
Between 31 to 60 days	**35,443**	17,451
Between 61 to 90 days	**7,800**	7,137
Between 91 to 120 days	**7,039**	10,432
Over 120 days	**32,630**	20,007
Trade payables (note)	**101,314**	238,775
Other payables	**7,006**	5,236
	108,320	244,011

Note: Included in trade payables are payable to subcontractors for the construction of properties under development held for sale of approximately HK$49,141,000 (2012: HK$169,274,000).

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

The entire amount of trade and other payables are denominated in the relevant group entities' functional currencies.

30. BANK AND OTHER BORROWINGS

	2013 HK$'000	2012 HK$'000
Bank loans	**455,355**	223,710
Other loans	**42,862**	94,466
Carrying amount at 31 December 2013	**498,217**	318,176
Secured	**455,355**	223,710
Unsecured	**42,862**	94,466
	498,217	318,176
Carrying amount repayable*:		
Within one year	**6,691**	149,967
More than two years but not more than five years	**491,526**	168,209
	498,217	318,176
Less: Amounts due within one year shown under current liabilities	**(6,691)**	(149,967)
Amounts shown under non-current liabilities	**491,526**	168,209
Interest-free borrowings (note)	**6,691**	55,822
Fixed-rate borrowings	**36,171**	72,465
Floating-rate borrowings	**455,355**	189,889
	498,217	318,176

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

Note: The amounts are unsecured and repayable on demand.

During the year ended 31 December 2013, the Group obtained new bank loans amounting to RMB220,000,000 (equivalent to HK$275,586,000) which carry interests at the People's Bank of China base interest rate per annum (effective interest rate of 6.15%). The bank loans are secured and will be repayable in 2016.

30. BANK AND OTHER BORROWINGS (Continued)

During the year ended 31 December 2013, the Group obtained a new other loans from an independent third party of principal amount of RMB25,000,000 (equivalent to HK$31,317,000) which carries interest rate of 15% per annum. This other loan is unsecured and repayable in 2016. The Group obtained a new loan from a building contractor of the Group in principal amount of RMB70,000,000 (equivalent to HK$87,686,000) with fixed rate of 4.78% per annum. This new loan and all of the remaining other loans are unsecured and either repayable within one year or on demand.

During the year ended 31 December 2012, the Group obtained new bank loans amounting to RMB183,000,000 (equivalent to HK$224,954,000) including new loans of RMB45,000,000 (equivalent to HK$55,317,000) which carry interests at fixed rate ranging from 6.44% per annum to 6.9% per annum and RMB138,000,000 (equivalent to HK$169,637,000) carried interest at the People's Bank of China base interest rate per annum (effective interest rate of 6.15%). The transaction cost of which is RMB2,155,000 (equivalent to HK$2,649,000) and is amortised over the repayment term. All these new bank loans are secured and will be repayable within one to three years.

During the year ended 31 December 2012, the Group obtained a new other loan from an independent third party of principal amount of RMB12,000,000 (equivalent to HK$14,751,000) which carries interest rate of 15% per annum. This new loan and all of the other loans are unsecured and repayable on demand.

During the year ended 31 December 2013, the Group repaid bank loans amounting to RMB45,000,000 (equivalent to HK$56,370,000) (2012: RMB175,000,000 (equivalent to HK$215,120,000)) and other loans borrowed from independent third parties of principal amount of RMB133,143,000 (equivalent to HK$166,784,000) (2012: RMB20,000,000 (equivalent to HK$24,585,000)).

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

	2013	2012
Effective interest rates:		
Variable-rate borrowings	**6.15%**	6% – 6.4%
Fixed-rate borrowings	**15%**	6.44% – 15%

31. LOANS FROM RELATED COMPANIES

	2013 **HK$'000**	2012 HK$'000
Interest-free loans	**4,578**	63,023

The related companies are controlled by Mr. Wang, the ultimate controlling shareholder of the Company.

All loans from related companies as at 31 December 2013 and 2012 are unsecured, interest free and repayable on demand.

32. SHARE CAPITAL

	Number of shares	Value HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2012 and 31 December 2012	4,224,775,000	422,477
Exercise of share options	6,562,500	657
At 31 December 2013	4,231,337,500	423,134

33. DEFERRED INCOME

The amount represents the government grant of RMB20,000,000 (equivalent to HK$25,251,000) received in prior years from the local government in the PRC in relation to costs to be incurred for the acquisition of high-tech machines and relevant costs to incur in the production. The amount has been recognised as deferred income and is to be released to profit or loss over the useful lives of the relevant assets, which is yet to be acquired.

34. 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 year ended 31 December 2013.

On 31 July 2013, the Subscriber transferred the Warrants to two independent third parties of 200,000,000 warrants each for an aggregate consideration of HK$600,000.

On 29 January 2014, the holders of the warrants exercised the Warrants for 400,000,000 new shares at the subscription price of HK$0.22 per share.

35. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments of 1,898,000 (2012: HK$2,141,000) paid under operating leases in respect of office and production 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:

	2013	2012
	HK$'000	HK$'000
Within one year	**1,369**	1,830
In the second to fifth year inclusive	**587**	1,418
	1,956	3,248

Operating lease payments represent rental payable by the Group for certain of its office and production properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

The Group as lessor

Property rental income earning during the year was HK$374,000 (2012: nil). The properties are expected to generate rental yield of 5% on an ongoing basis. All of the properties held have committed tenants for one year. At the end of the reporting period, the Group had contracted with tenants for the future minimum lease payments amounting to HK$228,000 (2012: nil).

36. CAPITAL COMMITMENTS

	2013	2012
	HK$'000	HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	**517**	26

37. SHARE-BASED PAYMENT TRANSACTIONS

Share options granted

Effective from 26 April 2002, the Company operates a share option scheme (the “2002 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 2002 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 2002 Scheme and any other share option scheme of the Company 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.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share options granted (Continued)

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

The 2002 Scheme expired in April 2012. The provisions of the 2002 Scheme shall remain in full force and holders of all options granted under it prior to such termination shall be entitled to exercise the outstanding options pursuant to the terms of it until expiry of the said options.

On 24 May 2013, the Company has adopted a new share option scheme (the "2013 Scheme") to replace the 2002 Scheme. Upon termination of the 2002 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.

The eligible participants and the terms of the 2013 Scheme is the same as 2002 Scheme. No share options was granted during the year under 2013 Scheme.

The following tables disclose the movements of the Company's share options granted under the 2002 Scheme. There is no share option granted prior to 18 August 2006.

Options granted on 18 August 2006

Category	Adjusted exercise price per share HK$	Estimated fair value per share option at the date of grant HK$	Exercisable period HK$	Number of share options outstanding at 1 January 2012	Lapsed during the year	Number of share options outstanding at 31 December 2012 and 2013
Directors	0.114	0.0319	note (i)	1,164,314	(1,164,314)	–
Employees	0.114	0.0330	note (ii)	4,057,457	(4,057,457)	–
				5,221,771	(5,221,771)	–
Exercisable at the end of the year				5,221,771		–

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.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share options granted (Continued)

Options granted on 10 January 2008

Category	Adjusted exercise price per share HK$	Estimated fair value per share option at the date of grant HK$	Exercisable period HK$	Number of share options outstanding at 1 January 2012, 31 December 2012 and 31 December 2013
Employee	0.477	0.4648	note	17,676,343
Exercisable at the end of the year				17,676,343

Note:

The first 5,000,000 share options will be vested in one year from 10 January 2008. The remaining 5,000,000 share options will be vested annually in the next two years from 10 January 2008. Upon the lapse of vesting period, the share options are exercisable until 9 January 2018.

Options granted on 7 March 2008

Category	Adjusted exercise price per share HK$	Estimated fair value per share option at the date of grant HK$	Exercisable period HK$	Number of share options outstanding at 1 January 2012	Lapsed during the year	Number of share options outstanding at 31 December 2012	Lapsed during the year	Number of share options outstanding at 31 December 2013
Employees	0.261	0.285	note	6,884,864	(353,070)	6,531,794	(1,235,745)	5,296,049
Exercisable at the end of the year						5,225,435		5,296,049

Note:

One-fifth of the share options granted to the employees will be vested annually in the next five years from 7 March 2008. Upon the lapse of vesting period, the share options are exercisable until 6 March 2018.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share options granted (Continued)

Options granted on 5 May 2008

Category	Adjusted 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 2012, 31 December 2012 and 31 December 2013
	HK$	HK$	HK$	
Employees	0.183	0.1769	note	6,163,281
Exercisable at the end of the year				6,163,281

Note:

The share options are exercisable immediately after 5 May 2008 and up to 4 May 2018.

Options granted on 6 November 2009

Category	Adjusted 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 2012	Lapsed during the year	Reclassification upon resignation	Number of share options outstanding at 31 December 2012	Lapsed during the year	Exercised during the year	Number of share options outstanding at 31 December 2013
	HK$	HK$	HK$							
Directors	0.210	0.1487	note	31,718,750	–	(1,093,750)	30,625,000	–	(3,281,250)	27,343,750
Employees	0.210	0.1487	note	12,031,250	(1,093,750)	1,093,750	12,031,250	(1,093,750)	(3,281,250)	7,656,250
				43,750,000	(1,093,750)	–	42,656,250	(1,093,750)	(6,562,500)	35,000,000
Exercisable at the end of the year							42,656,250			35,000,000

Note:

One-third of the share options granted to the directors and employees will be vested annually in the next three years from 6 November 2009. Upon the lapse of vesting period, the share options are exercisable until 5 November 2019.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share options granted (Continued)

The Group recognised the total expense of HK$9,000 (2012: HK$637,000) for the year ended 31 December 2013 in relation to share options granted by the Company.

During the year ended 31 December 2013, 2,329,495 (2012: 6,668,591) share options were lapsed and 6,562,500 (2012: nil) share options were exercised during the year.

38. RETIREMENT BENEFITS SCHEMES

The Group operates retirement schemes covering their employees in Hong Kong. The Group has joined the MPF Scheme for qualifying employees of the Group in Hong Kong.

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 of HK$1,250 (HK$1,000 before 1st June 2012).

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 profit or loss and other comprehensive income for the year ended 31 December 2013 amounted to HK$1,448,000 (2012: HK$1,455,000).

39. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 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 licence of offshore company and is engaged in trading of power tools. Its business is 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
Total consideration (net of direct expenses paid or payable related to disposal of HK$431,000)	1,056
Satisfied by:	
Cash	956
Deferred cash consideration	100
	1,056
Net cash inflow (outflow) arising on disposal:	
Total cash consideration received	956
Cash and cash equivalents disposal of	(74)
	882

40. RELATED PARTY DISCLOSURE

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

(a) The remuneration of key management personnel of the Group is set out in notes 12 and 13.

(b) Balances with related companies are set out in note 31.

(c) In 2013, 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, the ultimate controlling shareholder of the Company has controlling interest. The total rental expense paid by the Group under this agreement is approximately RMB743,000 (equivalent to HK$930,000) (2012: RMB810,000 (equivalent to HK$999,000)).

41. 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:

	2013	2012
	HK$'000	HK$'000
Prepaid lease payments	**–**	24,476
Property, plant and equipment	**–**	49,988
Properties under development held for sale	**1,032,101**	660,314
	1,032,101	734,778

42. MAJOR NON-CASH TRANSACTION

During the year, Golden Harbour has recognised compensation income to the profit or loss of HK$147,583,000 to match against the related costs for Relocation. Part of the compensation income in the amount of HK$12,527,000 has not been received as at the end of the reporting period and this amount is included in other receivables. Further details of the compensation income are set out in note 11(i).

43. EVENTS AFTER THE REPORTING PERIOD

(i) As detailed in note 34, the holders of the warrants have exercised the Warrants for 400,000,000 new shares at an aggregate subscription price of HK$88,000,000 on 29 January 2014.

(ii) On 17 January 2014, the Company entered into a conditional placing agreement (the "Placing Agreement") with an independent third party (the "Placing Subscriber") pursuant to which the Placing Subscriber was conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, up to 800,000,000 shares (the "Placing Shares") at the subscription price of HK$0.325 per Placing Share in up to two tranches for a period of 6 months commencing on the date of the Placing Agreement. No Placing Shares were issued up to the date of authorisation of issue of these consolidated financial statements.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2013 and 2012 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 2013	2012	Principal activities
Anhui Jinwang Development Investment Company Limited	Corporation	PRC	Registered capital RMB50,000,000	100%	100%	Investment holding
Delos International Trading Company	Corporation	PRC	Registered capital RMB3,000,000	100%	100%	Trading of power tools
Genvon Marketing Co. Ltd.	Corporation	Hong Kong	Ordinary share HK$1	100%	100%	Trading of power tools
Jiangsu Golden Harbour Enterprises Ltd.	Wholly foreign-owned enterprise ("WFOE")	PRC	Registered capital US$33,000,000	100%	100%	Manufacture and distribution of power tools
Jiangsu Newairy Technology Ltd.	WFOE	PRC	Registered capital RMB2,600,000	100%	100%	Inactive
江蘇顯峰置業有限公司 (Jiangsu Zhuanfeng Properties Company Limited*)	Corporation	PRC	Registered capital RMB56,000,000	70%	70%	Development of real estate properties
上海顯峰房地產發展有限公司 (Shanghai Zhuanfeng Land and Building Development Company Limited*)	Corporation	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

Note: Except for United Win International Corporation, all of the subsidiaries are indirectly owned subsidiaries of the Company.

* For identification purpose only

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.