

GENVON GROUP LIMITED

正峰集團有限公司

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

← INTERIM REPORT →

2014





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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	3	198,627	279,769
Cost of sales		<u>(147,780)</u>	<u>(199,510)</u>
Gross profit		50,847	80,259
Other income, gains and losses		62,044	4,273
Selling and distribution expenses		(4,437)	(5,334)
Administrative expenses		(18,372)	(18,018)
Finance costs	4	–	(2,166)
Profit before taxation		90,082	59,014
Income tax expense	5	<u>(32,012)</u>	<u>(33,302)</u>
Profit for the period	6	58,070	25,712
Other comprehensive (expense) income			
Item that may be reclassified			
subsequently to profit or loss:			
– Exchange differences arising on			
translation of foreign operations		(7,989)	4,974
Total comprehensive income for		<u>50,081</u>	<u>30,686</u>
the period			
Profit (loss) for the period attributable to:			
Owners of the Company		59,344	27,200
Non-controlling interests		<u>(1,274)</u>	<u>(1,488)</u>
		<u>58,070</u>	<u>25,712</u>
Total comprehensive income (expense)			
for the period attributable to:			
Owners of the Company		53,315	28,578
Non-controlling interests		<u>(3,234)</u>	<u>2,108</u>
		<u>50,081</u>	<u>30,686</u>
		HK cents	HK cents
Earnings per share	8		
– basic		1.29	0.64
– diluted		<u>1.28</u>	<u>0.64</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	28,181	31,360
Investment properties	10	64,303	26,734
Intangible assets		1,758	2,595
Deferred tax asset		27,229	24,532
		121,471	85,221
Current assets			
Stock of properties	11	1,510,190	1,459,374
Inventories		16,605	22,720
Trade and other receivables	12	276,566	217,979
Bank balances and cash		247,517	201,772
		2,050,878	1,901,845
Current liabilities			
Trade and other payables	13	106,205	108,320
Deposits and accrued expenses		7,435	9,023
Deposits received from pre-sale of properties	11	329,514	313,958
Loan from related company	19(a)	121	4,578
Bank and other borrowings			
– due within one year	14	208,189	6,691
Tax payable		132,844	122,346
		784,308	564,916
Net current assets		1,266,570	1,336,929
Total assets less current liabilities		1,388,041	1,422,150

	NOTES	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Capital and reserves			
Share capital	15	467,234	423,134
Reserves		378,780	272,851
Equity attributable to owners of the Company		846,014	695,985
Non-controlling interests		201,964	205,198
Total equity		1,047,978	901,183
Non-current liabilities			
Bank and other borrowings – due after one year	14	310,610	491,526
Deferred income		25,010	25,251
Deferred tax liability		4,443	4,190
		340,063	520,967
		1,388,041	1,422,150

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company									Non-controlling interests	Total
	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 reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2013 (audited)	422,477	301,030	12,459	800	-	53,404	710	(198,781)	592,099	202,412	794,511
Profit (loss) for the period	-	-	-	-	-	-	-	27,200	27,200	(1,488)	25,712
Other comprehensive income for the period	-	-	-	-	-	1,378	-	-	1,378	3,596	4,974
Total comprehensive income for the period	-	-	-	-	-	1,378	-	27,200	28,578	2,108	30,686
Issue of warrants (note 16)	-	-	-	-	290	-	-	-	290	-	290
Recognition of equity-settled share-based payments	-	-	9	-	-	-	-	-	9	-	9
Issue of shares upon exercise of options	657	1,614	(893)	-	-	-	-	-	1,378	-	1,378
At 30 June 2013 (unaudited)	423,134	302,644	11,575	800	290	54,782	710	(171,581)	622,354	204,520	826,874
At 1 January 2014 (audited)	423,134	302,644	11,308	800	290	61,493	-	(103,684)	695,985	205,198	901,183
Profit (loss) for the period	-	-	-	-	-	-	-	59,344	59,344	(1,274)	58,070
Other comprehensive expense for the period	-	-	-	-	-	(6,029)	-	-	(6,029)	(1,960)	(7,989)
Total comprehensive (expense) income for the period	-	-	-	-	-	(6,029)	-	59,344	53,315	(3,234)	50,081
Issue of shares upon exercise of warrants	40,000	48,290	-	-	(290)	-	-	-	88,000	-	88,000
Issue of shares upon exercise of options	4,100	10,463	(5,849)	-	-	-	-	-	8,714	-	8,714
At 30 June 2014 (unaudited)	467,234	361,397	5,459	800	-	55,464	-	(44,340)	846,014	201,964	1,047,978

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(90,073)	94,673
NET CASH (USED IN) FROM INVESTING ACTIVITIES		
Compensation received from government for resumption of land and relocation of production facilities	37,805	12,447
Interest received	738	489
Proceeds on disposal of property, plant and equipment	475	–
Purchase of property, plant and equipment	(1,746)	(1,358)
Purchase of intangible assets	(80)	(811)
Placement of pledged bank deposits	–	(87,130)
Receipt in advance for disposal of assets classified as held for sale	–	4,979
Net proceeds on disposal of a subsidiary (net of direct expenses)	–	100
	387,192	(71,284)
NET CASH FROM FINANCING ACTIVITIES		
Issue of shares upon exercise of warrants	88,000	–
New bank and other borrowings raised	75,834	195,419
Issue of shares upon exercise of options	8,714	1,378
Repayment of bank and other borrowings	(48,028)	(107,736)
Interest paid	(19,586)	(19,865)
Repayment of loans from related companies	(4,427)	(59,124)
Issue of warrants	–	290
	100,507	10,362
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,626	33,751
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	201,772	123,251
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,881)	2,271
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	247,517	159,273

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for the current interim period:

- Amendment to HKFRS 10, HKFRS 12 and HKAS 27 “Investment Entities”;
- Amendment to HKAS 32 “Offsetting Financial Assets and Financial Liabilities”;
- Amendment to HKAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”;
- Amendment to HKAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”; and
- HK(IFRIC) – Int 21 “Levies”.

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

For the purposes of resources allocation and performance assessment, the Group's chief operating decision maker (i.e. Executive Directors) regularly reviews internal reports derived from two operating segments (also the reportable segments), namely (a) Property Development, and (b) Manufacturing and trading of power tools ("Manufacturing and Trading").

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

Six months ended 30 June 2014

	Property Development HK\$'000	Manufacturing and Trading HK\$'000	Total HK\$'000
Segment revenue			
– external	113,255	85,372	198,627
RESULTS			
Segment profit (loss)	40,219	(8,700)	31,519
Unallocated corporate income, gains and losses			3,372
Unallocated corporate expenses			(3,481)
Gain on resumption of land and relocation of production facilities			62,056
Loss on fair value changes of investment properties			(3,384)
Profit before taxation			90,082

3. REVENUE AND SEGMENT INFORMATION – continued

Six months ended 30 June 2013

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

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of central administration costs, finance costs, other income, gains and losses, gain on resumption of land and relocation of production facilities, fair value changes of investment properties and income tax expense.

4. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	17,216	22,144
Less: interest capitalised in properties under development	(17,216)	(19,978)
	<u>–</u>	<u>2,166</u>

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

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current tax:		
Enterprise Income Tax (“EIT”) in the People’s Republic of China (the “PRC”)	22,893	20,344
Land Appreciation Tax (“LAT”)	11,767	17,278
	<u>34,660</u>	<u>37,622</u>
Deferred taxation	(2,648)	(4,320)
	<u>32,012</u>	<u>33,302</u>

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	3,641	3,147
Release of prepaid lease payments	–	319
Amortisation of intangible assets (included in cost of sales)	891	973
Cost of stock of properties recognised as expense	63,698	106,963
Cost of other inventories recognised as expense	84,082	92,547
Loss (gain) on fair value changes of investment properties	3,384	(2,540)
(Gain) loss on disposal of property, plant and equipment	(475)	30
Net exchange gain	(379)	(19)
Gain on resumption of land and relocation of production facilities (note)	<u>(62,056)</u>	–

Note:

On 19 September 2012, Jiangsu Golden Harbour Enterprise Limited (“Golden Harbour”), a wholly owned subsidiary of the Company, entered into a resumption and relocation agreement with the Committee of Haian Economic and Technological Development Area (the “Committee”) under which Golden Harbour agreed to surrender a piece of land in Haian County, Jiangsu, together with the buildings thereon (collectively referred to as the “Production Premises”) to the Committee and to relocate its production facilities to other locations (the “Relocation”). The Committee agreed to compensate Golden Harbour at the amount of RMB180,739,000 (equivalent to approximately HK\$226,405,000) (the “Compensation”). Up to 31 December 2012, none of the Compensation was received.

6. PROFIT FOR THE PERIOD – continued

Note: – continued

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

1. First installment of the Additional Compensation of HK\$12,527,000, would be payable before 30 April 2013;
2. Second installment of the Additional Compensation of HK\$8,620,000, together with the first installment of the Compensation of HK\$135,842,000, would be payable within 10 days once the land was sold and consideration has been received by the Committee;
3. The last installment of the Compensation of HK\$90,563,000 would be payable upon the completion of the Relocation and delivery of vacant possession of the Production Premises to the Committee by Golden Harbour within 10 months from the receipt of payments as described in (1) and (2).

As at 31 December 2013, Golden Harbour had 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\$147,583,000 was recognised as compensation income to profit or loss to match against the Relocation up to the year ended 31 December 2013.

6. PROFIT FOR THE PERIOD – continued

Note: – continued

During the current interim period, Golden Harbour further received from the Committee an amount of HK\$25,278,000 in April 2014. An amount of HK\$37,917,000 was received subsequently in August 2014. Accordingly, an aggregate amount of HK\$63,195,000 was recognised as compensation income to match against the related costs for the related costs for the Relocation as follows:

	HK\$'000
The gain on resumption of land and relocation of production facilities is recognised as below:	
Compensation received or receivable	63,195
Less: other relocation costs	(1,139)
	<hr/>
	62,056
	<hr/> <hr/>

The directors of the Company consider that the timing of receipt of the Remaining Compensation of HK\$36,774,000 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 amounts received or the settlement of which is determined probable.

7. DIVIDEND

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

8. 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:

Earnings

	For the six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Earning for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	59,344	27,200

Number of Shares

	For the six months ended 30 June	
	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,591,895	4,230,082
Effect of dilutive potential ordinary shares:		
Share options	9,987	4,061
Warrants	20,439	21,250
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,622,321	4,255,393

For the six months ended 30 June 2014 and 2013, the computation of the diluted earnings per share does not assume the exercise of certain batches of the Company's options since the average market price of the Company's shares is lower than the exercise price of those options.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of HK\$607,000 (six months ended 30 June 2013: HK\$1,358,000).

10. INVESTMENT PROPERTY

The Group's investment properties at the end of the current interim period were fair value computed by Jones Lang Lasalle Corporate Appraisal and Advisory Limited 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.

During the current interim period, an investment property was transferred from completed properties for sale as detailed in note 11. The fair value of the investment property at the date of transfer was HK\$39,252,000 and a loss on fair value change of HK\$2,082,000 as compared to its then carrying value has been recognised in profit or loss upon transfer. The subsequent fair value change of this investment property was insignificant.

For the remaining investment properties, a loss on fair value changes of HK\$1,302,000 has been recognised directly in profit or loss for the six months ended 30 June 2014.

11. STOCK OF PROPERTIES/DEPOSITS RECEIVED FROM PRE-SALE OF PROPERTIES

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Properties under development (note)	1,433,146	1,276,941
Completed properties for sale	77,044	182,433
	<hr/>	<hr/>
Total stock of properties	1,510,190	1,459,374
	<hr/>	<hr/>

Note: The amounts of properties under development for sale represent land and the construction costs for the project in Haiian County, Jiangsu Province, the PRC and are expected to be realised within twelve months from the end of the reporting period.

During the current interim period, a completed property for sale with a carrying value of HK\$41,334,000 was leased out under an operation lease to earn rental income and transferred to as investment properties.

As at 30 June 2014, the Group received an aggregate amount of deposits of HK\$329,514,000 (31 December 2013: HK\$313,958,000) from the pre-sales of properties and recognised under current liabilities in the condensed consolidated statement of financial position. The deposits are expected to be realised within twelve months from the end of the reporting period.

12. TRADE AND OTHER RECEIVABLES

The Group's entire trade debts are receivables for the sales of power tools. The Group allows an average credit period of 60 to 120 days to its trade customers. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted.

12. TRADE AND OTHER RECEIVABLES – continued

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Trade receivables		
Within 30 days	13,768	19,033
Between 31 to 60 days	21,985	10,126
Between 61 to 90 days	5,777	2,950
Between 91 to 120 days	690	202
Over 120 days	3	6
	42,223	32,317
Other receivables (note a)	49,319	23,129
Deposits and prepayments (note b)	185,024	162,533
	276,566	217,979

Notes:

- (a) Included in other receivables is government compensation receivable of HK\$37,917,000 (31 December 2013: HK\$12,527,000) as detailed in note 6.
- (b) Included in deposits and prepayments are (i) deposits paid to building contractors for the construction of properties under development for sale of HK\$79,305,000 (31 December 2013: HK\$61,562,000), (ii) deposits paid to local government authorities upon the commencement of construction of properties under development for sale in Haian County, the PRC, of HK\$10,129,000 (2013: HK\$9,158,000), (iii) the prepayment for related taxes for the deposits received from pre-sale of properties of HK\$25,881,000 (31 December 2013: HK\$17,788,000); and (iv) a refundable deposit of HK\$62,988,000 (31 December 2013: HK\$63,597,000) paid to the Bureau of Land Resources, Haian County, the PRC, as pre-requisite in connection to the acquisition of certain land use rights. The amounts will be refundable upon completion of certain stages of construction or within the next twelve months from the end of the reporting period and are therefore classified as current assets.

13. TRADE AND OTHER PAYABLES

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

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Trade payables		
Within 30 days	32,109	18,402
Between 31 to 60 days	11,466	35,443
Between 61 to 90 days	8,050	7,800
Between 91 to 120 days	2,162	7,039
Over 120 days	47,258	32,630
	101,045	101,314
Other payables	5,160	7,006
	106,205	108,320

14. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB60,000,000 (equivalent to HK\$75,834,000) (six months ended 30 June 2013: RMB62,000,000 (equivalent to HK\$77,172,000)) which carry interest at the People's Bank of China base interest rate per annum (effective interest rate of 6.15% per annum). The bank loans are secured by the properties under development for sale as set out in note 18 and will be repayable in full in 2016. The Group also repaid bank loans of RMB38,000,000 (equivalent to HK\$48,028,000) (six months ended 30 June 2013: RMB15,000,000 (equivalent to HK\$18,671,000)) during the current interim period.

During the six months ended 30 June 2013, the Group obtained new other loans from certain independent third parties (including a building contractor of the Group) amounting to RMB95,000,000 (equivalent to HK\$118,247,000) (six months ended 30 June 2014: Nil) and made repayments of RMB71,555,000 (equivalent to HK\$89,065,000) (six months ended 30 June 2014: Nil). The other loans are unsecured and repayable within one to three years and carry interest at fixed rates, ranging from 4.78% to 15% per annum.

15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2013, 30 June 2013, 31 December 2013 and 30 June 2014	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2013	4,224,775	422,477
Exercise of share options	6,563	657
At 30 June 2013 and at 1 January 2014	4,231,338	423,134
Exercise of share options	41,003	4,100
Exercise of warrants	400,000	40,000
At 30 June 2014	4,672,341	467,234

During the current interim period, a total of 41,003,000 (six months ended 30 June 2013: 6,563,000) share options of the Company were exercised at the aggregate consideration of HK\$8,714,000 (six months ended 30 June 2013: HK\$1,378,000). These shares rank pari passu in all respects with other shares in issue.

16. 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 "Warrant Subscriber") in relation to the subscription of a total of 400,000,000 warrants (the "Warrants") by the Warrant Subscriber at the issue price of HK\$0.001 per unit of Warrants (the "Warrant Subscriptions"). The Warrants entitle the Warrant 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.

16. WARRANT RESERVE – continued

The conditions set out in the Warrant Subscription Agreement were fulfilled and the Warrant Subscriptions took place on 29 January 2013. The net proceeds from the Warrant Subscriptions were approximately HK\$290,000. Subsequently on 31 July 2013, the Warrant Subscriber transferred the Warrants to two independent third parties of 200,000,000 warrants each.

On 29 January 2014, the two independent third parties exercised the Warrants to subscribe for 400,000,000 new shares at the price of HK\$0.22 per share and an aggregate consideration of HK\$88,000,000 was received during the current interim period.

17. OPERATING LEASES

The Group as lessor

As the end of the current interim period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Within one year	2,183	228
In the second to fifth year inclusive	11,502	–
After five years	13,673	–
	<hr/> 27,358 <hr/>	228

18. PLEDGE OF ASSETS

The Group has pledged its properties under development for sale with carrying values of HK\$1,190,651,000 (31 December 2013: HK\$1,032,101,000) to secure general banking facilities granted to the Group.

19. RELATED PARTY DISCLOSURES

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

- (a) Loans from related companies as at 30 June 2014 and 31 December 2013 are unsecured, interest-free and repayable on demand. Those companies are companies controlled by Mr. Wang Zheng Chun (“Mr. Wang”), the Chairman and ultimate controlling shareholder of the Company.

19. RELATED PARTY DISCLOSURES – continued

- (b) In January 2014, the Group entered into a rental agreement for an office premise with a related party, 上海曹峰置業有限公司, in which Mr. Wang has controlling interest. The total rental expense paid by the Group during the six months ended 30 June 2014 under this agreement is RMB350,000 (equivalent to HK\$442,000) (six months ended 2013: RMB405,000 (equivalent to HK\$504,000)).

20. PLACEMENT OF SHARES

- (a) On 17 January 2014, the Company entered into a subscription agreement (the “Subscription Agreement”) with a placing subscriber (the “Subscriber”), an independent third party of the Group. Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue up to 800,000,000 new ordinary shares at the subscription price of HK\$0.325 per share (the “Subscription”) for a period commencing on 17 January 2014 and ending on the date falling 6 months after the date of the Subscription Agreement.

Subsequently to the end of the reporting period, the conditions set out in the Subscription Agreement were fulfilled and part of the Subscription of 400,000,000 shares took place. The net proceeds from this partial Subscription was approximately HK\$128,000,000, which was fully settled on 30 July 2014. Further details of the Subscription are set out in the announcements of the Company dated 31 July 2014 and 20 August 2014.

- (b) On 1 June 2014, the Company entered into a conditional placing agreement (the “Placing Agreement”) for the placing of an aggregate of 3,984,000,000 new ordinary shares (the “Placing Shares”) to not less than six placees, independent third parties of the Group, at the placing price of HK\$0.25 per Placing Share (the “Placing”). The net proceeds to be received from the Placing will be approximately HK\$978,000,000. As at 30 June 2014, the Placing is still in progress and the directors of the Company expects that the Placing will be completed by the end of 30 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Property Development Business

In 2014, China's real estate market has entered a period of adjustment. Due to low turnover and tight bank credit, the availability of funds for real estate dropped dramatically. The slump of the real estate market in China is attributable to the massive excess in real estate supply, along with the shortage of funds for developers. During the period under review, for the major real estate companies, the rate of achieving the sales targets was mostly behind their targets by about one third. Hence, the real estate developers across the country commenced price promotions to speed up their return of funds.

Currently, the major risk that the real estate market faced is the problem of capital chain. In the first half of the year, developers were no longer able to entirely rely on their own funds without getting financing aid from financial institutions or capital markets. A considerable number of developers had already obtained financial aid from financial markets as precaution.

Despite all these, the Chinese government is still willing as well as able to mitigate the impact of the slumping real estate market. Policies such as increasing investment in infrastructure and relaxing real estate policies were implemented for sustaining the development of the Chinese real estate market.

Power Tool Business

During the period under review, China's export volume of power tools accounted for 85% of the sales of power tools in the world, while China's export amount only accounted for 40% of the total sales amount of the world, which is mainly attributable to the fact that most of the domestic manufacturers are focused on OEM processing to make meager profits through economies of scale. Due to vicious competition and weakened market pricing power resulting from the severe overcapacity in power tool industry, the power tool business adopting OEM processing remained at the level of low-price competition, and the competitive edge of the companies is gradually lost.

As a result, large mainstream companies started to switch their business direction to establishing their own brands. For certain companies that achieved great success in creating their own brands, the quality of their products is comparable with or even outpaced some international brands. It has come to the attention of the market that there is a growing trend of the enterprises engaging in high-end market, which brings remarkable economic benefits.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

BUSINESS REVIEW

Property Development Business

The Group's property development business continued to be focused on two cities including Shanghai and Jiangsu, and the sales of the Shanghai project has nearly come to an end. In the first half of 2014, the Group focused on its development of 星湖灣 project in Jiangsu Province. Located in Nantong City, Jiangsu Province, China, 星湖灣 project is a residential and commercial property development project. The site area of the Jiangsu project is approximately 248,764 square metres while the gross floor area of the project is approximately 736,914 square metres. The project was carried out in three phases. As at 30 June 2014, about 90% and 60% of the construction of the first phase and the second phase has been completed respectively, and both phases have commenced pre-sale. However, the construction of the third phase has not commenced yet.

Recognized Revenue

During the period under review, the Group's sales revenue of properties amounted to HK\$113,255,000 (RMB89,607,000) (2013: HK\$181,595,000 (RMB145,893,000)), and the total saleable GFA attributed to the accounts was 5,952.31 square metres (2013: 10,047 square metres). The average selling price of recognized sales was RMB15,054 per square metre (2013: RMB14,521). During the period, the overall gross profit margin was 44% (2013: 41%), which were all derived from the properties under the Shanghai projects.

The table set out below summarized the recognized sales revenue by projects for the first six months ended 30 June 2014:

Location	Project	Purpose	Gross floor area (Square metres)	Sales revenue after deducted business tax (RMB'000)	Average selling price after deducted business tax (RMB)	The Group's equity
Shanghai	韻峰南苑-瑞麗名邸	Parking space	586.80	1,691	2,881.73	100%
Shanghai	韻峰北苑-中景水岸	Duplexes	5,365.51	87,916	16,385.39	100%
		Total	5,952.31	89,607		

MANAGEMENT DISCUSSION AND ANALYSIS – continued

BUSINESS REVIEW – continued

Contract Sales

For the first six months ended 30 June 2014, the Group's saleable GFA contracted for but not yet recognized was about 9,697 square metres, generating contract sales revenue of RMB76,692,000 (2013: 22,082 square metres and RMB168,300,000). The combined average selling price was RMB7,909 per square metre (2013: RMB7,622). The recognition of these contract sales will depend on the timeframe for the completion of the construction, the issue of the occupation permits and the delivery to buyers, and all of these procedures are expected to be realized at the year end of 2014 and in 2015.

The contract sales revenue by projects for the first six months ended 30 June 2014 was as follows:

Project	Purpose	Sales area (Square metres)	Contract sales revenue (RMB'000)	Approximate contract average selling price (RMB)
上海巔峰北苑	Duplexes	576	10,048	17,444
江蘇星湖灣	Residential	7,305	43,453	5,948
江蘇星湖灣	Shops	1,816	17,901	9,857
江蘇星湖灣	Parking space	N/A	5,290	N/A
	Total	9,697	76,692	

Land Bank

As at 30 June 2014, the Group had a land bank of total GFA of about 104,000 square metres, of which the equity component amounted to approximately 73,000 square metres. No new land bank was added during the period.

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

MANAGEMENT DISCUSSION AND ANALYSIS – continued

BUSINESS REVIEW – continued

Power Tool Business

The Group's factories are mainly engaged in the production and sale of products including AC and DC power tools and air tools. Our scope of business includes the worldwide export and the domestic sales of parts and components. During the period under review, the sales of ODM products in the traditional European market failed to return to its level before 2007 while the sales in the North American market grew 10%. The sales in the South American market recorded a negative growth of 10% due to fluctuations in exchange rate, while the sales in the Asia-Pacific market remained stable. As a whole, the total sales had a negative growth of 10%. The Group solely adopted the manufacturing model of OEM/ODM, thus gave rise to its suffering from dual pressure from customer selling prices and raw materials suppliers, coupled with the increase of labor costs and equipment maintenance costs, the gross profit margin available to the company decreased year by year. The development of the company remained stagnant.

FINANCIAL REVIEW

Revenue and Profit Analysis

For the six months ended 30 June 2014, the Group recorded revenue of approximately HK\$198,627,000, representing a decrease of 29% when compared to 2013. Profit attributable to shareholders in 2014 amounted to approximately HK\$59,344,000 (2013: HK\$27,200,000). The decrease in revenue was mainly attributable to the slow recovery of the economic environment in the US and Europe leading to the decrease in the number of orders for power tools business and the decrease of the delivery of residential units of the Shanghai projects during the period.

Gross Profit and Profit Margin Analysis

For the six months ended 30 June 2014, gross profit for the Group's property business and power tool business was HK\$49,557,000 and HK\$1,290,000 respectively, representing a decrease of HK\$25,076,000 and HK\$4,336,000 over the same period last year respectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS – continued

FINANCIAL REVIEW – continued

Liquidity and Gearing Ratio

As at 30 June 2014, the Group's cash on hand was HK\$247,517,000 (2013: HK\$201,772,000). The Group's long-term and short-term debts were HK\$518,799,000 (2013: HK\$498,217,000) in aggregate.

As at 30 June 2014, the Group was at a net borrowing position of HK\$271,282,000 after netting off total bank and other borrowings against cash on hand (2013: net borrowing of HK\$296,445,000). Details are set out as follows:

	As at	
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
Cash and bank balances	247,517	201,772
Less: Bank and other borrowings in aggregate	(518,799)	(498,217)
Net borrowing position	(271,282)	(296,445)

The net gearing ratio of the Group as at 30 June 2014 was 32% (2013: 42%), calculated by total borrowings less bank balances and cash divided by owners' total equity.

As at 30 June 2014, the Group had a total undrawn bank loan facility of HK\$151,172,000 (approximately RMB120,000,000), including the construction loan facility for a period of three years from the date of advance obtained by the Group in 2011. The finance cost of the Group during the period was 6.86% (total finance cost divided by average borrowings).

Capital Expenditure

The Group's capital expenditure in 2014 was approximately HK\$687,000 (2013: HK\$4,626,000), whereas expenditure for development of moulds amounted to HK\$17,000 (2013: HK\$2,563,000).

MANAGEMENT DISCUSSION AND ANALYSIS – continued

FINANCIAL REVIEW – continued

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 30 June 2014, the Group's operations were mainly financed by internal resources and bank facilities.

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 30 June 2014. On 31 July 2014 (the "Completion Date"), the Company had only received subscription moneys of HK\$130,000,000 for 400,000,000 Subscription Shares and had not received the subscription moneys for the remaining 400,000,000 Subscription Shares (the "Remaining Subscription Shares") from the Placing Subscriber. As such, only 400,000,000 Subscription Shares were allotted and issued on the Completion Date.

The Directors are of the view that the failure for the Placing Subscriber to subscribe for the Remaining Subscription Shares does not have any material adverse impact on the existing business operation of the Group.

Pledge of Assets

As at 30 June 2014, the Group had pledged properties under development held for sales, the carrying amount of which was HK\$1,190,651,000 (2013: HK\$1,032,101,000), as security for construction loan granted to the Group.

Contingent Liabilities

As at 30 June 2014, the Group had no material contingent liabilities (2013: 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 and other 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.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

FINANCIAL REVIEW – continued

Employee Benefits and Training

As at 30 June 2014, the Group had approximately 423 employees, of which, 16 employees were management staff and 43 employees were engineers. Total staff cost (including Directors' emoluments) for the six months ended 30 June 2014 amounted to approximately HK\$15,943,000 (2013: HK\$10,971,000). The Group makes great efforts to enhance the quality of staff. During the period under review, the Group organized internal training courses for staff at all levels. Topics of the training courses included moral, ethic, languages, technical and management skill trainings.

FUTURE OUTLOOK

Property Development Business

The real estate companies in China will face with dilemmas of declining overall profitability, increasing gearing ratio and slow turnover rate. The Group's Jiangsu project also encountered a number of difficulties. The sales pace of the Group slowed down gradually. It is expected that the Group's business will become arduous and difficult in the next one to two years. The Group believes that, after the economy and market conditions of China return to normal, the Group's projects can gradually resume to smooth operation.

To meet the growing needs of the Group, the Group convened an extraordinary general meeting on 30 July 2014 for the placing of 3,984,000,000 shares so as to raise funds of HK\$996,000,000. The proceeds raised will be used towards looking for the Group's future investment in the first and second tier real estate projects.

Power Tool Business

In the future, for the sake of improving product quality, reducing products returns rate as well as achieving deep cooperation with customers (including the Bosch Group), the Group plans to update its factories' major equipment in order to improve the stability of quality and efficiency, keep on enhancing its equipment management process and perfecting its product performance testing system.

In the coming year, despite the fact that China's economy will maintain a growth rate of around 7%, the company will not be able to sustain its business by adopting a business model of solely relying on OEM. The Group must build up its own brand and switch towards the professional power tools market for the infrastructure industry. Currently, the factories have completed the respective plan of developing high-quality products. The Group hoped to enter the domestic professional market with its own brand as soon as possible so as to balance the proportion of sales between OEM and OBM for the company to develop in a more favorable direction.

ADDITIONAL INFORMATION

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

At 30 June 2014, the interests and short positions of the directors and chief executives of the Company and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Long Positions in the Shares 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	Beneficial owner	10,937,500	-	10,937,500	0.23%
	Interest held by spouse	70,148,000 (Note 1)	-	70,148,000	1.50%
	Interest held by controlled corporation	2,268,403,000 (Note 2)	-	2,268,403,000	48.55%
	Interest held by controlled corporation	795,718,000 (Note 3)	-	795,718,000	17.03%
		3,145,206,500	-	3,145,206,500	67.31%
Mr. Zheng Wei Chong	Beneficial owner	1,000,000	2,281,250 (Note 4)	3,281,250	0.07%
Mr. Xu Wen Cong	Beneficial owner	1,709,250	-	1,709,250	0.04%

ADDITIONAL INFORMATION – continued

1. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES – continued Long Positions in the Shares of the Company – continued

Name of director	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approx. percentage of the issued share capital of the Company
Mr. Cheung Man	Beneficial owner	1,200,000	2,081,250 (Note 4)	3,281,250	0.07%
Mr. Liu Hoi Keung	Beneficial owner	–	17,676,343 (Note 5)	17,676,343	0.38%

Notes:

1. Mr. Wang Zheng Chun (“Mr. Wang”) is deemed to be interested in 70,148,000 shares, being the interests beneficially held by his spouse, Madam Shen Ling Zhao.
2. The 2,268,403,000 shares are held by Grand Vision Group Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang.
3. The 795,718,000 shares are held by Hillfame Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang.
4. The interests are derived from share options granted by the Company on 6 November 2009 which entitle the holders thereof to subscribe for shares at an exercise price of HK\$0.21 per share exercisable during the period from 6 November 2010 to 5 November 2019.
5. The interests are derived from share options granted by the Company on 10 January 2008 which entitle the holder thereof to subscribe for shares at an exercise price of HK\$0.477 per share exercisable during the period from 10 January 2009 to 9 January 2018.

ADDITIONAL INFORMATION – continued

1. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES – continued Long Positions in the Shares of the Company – continued

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

2. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Other than as disclosed above in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares", at 30 June 2014, the shareholders (other than the directors or chief executive of the Company) who had interests or short positions in the shares and 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 or had otherwise been notified to the Company were as follows:

Long Positions in the Shares of the Company

Name of shareholder	Capacity	Number of shares beneficially held	Number of underlying shares held	Percentage of holding
Grand Vision Group Limited	Beneficial owner (Note 1)	2,268,403,000	–	48.55%
Hillfame Holdings Limited	Beneficial owner (Note 2)	795,718,000	–	17.03%
Madam Shen Ling Zhao	Beneficial owner Interest held by spouse (Note 3)	70,148,000 3,075,058,500	– –	1.50% 65.81%
		3,145,206,500	–	67.31%

ADDITIONAL INFORMATION – continued

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

Name of shareholder	Capacity	Number of shares beneficially held	Number of underlying shares held	Percentage of holding
Cosmic Stand International Limited	Beneficial owner (Note 4)	1,890,000,000	–	40.45%
BPHL Real Estate (Holdings) Limited	Interest held by controlled corporation (Note 5)	1,890,000,000	–	40.45%
Beijing Properties (Holdings) Limited	Interest held by controlled corporation (Note 5)	1,890,000,000	–	40.45%
Brilliant Bright Holdings Limited	Interest held by controlled corporation (Note 5)	1,890,000,000	–	40.45%
Beijing Enterprises Real Estate (HK) Limited	Interest held by controlled corporation (Note 5)	1,890,000,000	–	40.45%
北京北控置業 有限責任公司	Interest held by controlled corporation (Note 5)	1,890,000,000	–	40.45%
Illumination Holdings Limited	Interest held by controlled corporation (Note 5)	1,890,000,000	–	40.45%
Beijing Holdings Limited	Interest held by controlled corporation (Note 5)	1,890,000,000	–	40.45%
Beijing Enterprises Group Company Limited	Interest held by controlled corporation (Note 5)	1,890,000,000	–	40.45%
Lucky Creation Limited	Beneficial owner (Note 6)	–	565,000,000	12.09%
Chan Wing Kwai	Interest held by controlled corporation (Note 7)	–	565,000,000	12.09%
Chan Wing Yau George	Beneficial owner	–	235,000,000	5.03%

Notes:

1. The 2,268,403,000 shares are held by Grand Vision Group Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang, the chairman and chief executive officer of the Company.
2. The 795,718,000 shares are held by Hillfame Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang.

ADDITIONAL INFORMATION – continued

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

Long Positions in the Shares of the Company – continued

Notes: – continued

3. Madam Shen Ling Zhao, being the spouse of Mr. Wang, is deemed to be interested in 10,937,500 shares beneficially owned by Mr. Wang and the shares beneficially owned by the corporations controlled by Mr. Wang as stated in notes 1 and 2 above.
4. The interests are derived from the conditional sale and purchase agreement dated 1 June 2014 entered between Grand Vision Group Limited, Mr. Wang, Cosmic Stand International Limited and Beijing Properties (Holdings) Limited, pursuant to which Grand Vision Group Limited agreed to sell and Cosmic Stand International Limited agreed to acquire 1,890,000,000 shares of the Company, subject to the completion of the placing of 3,984,000,000 new shares by the Company, details of which are set out in the announcement and the circular issued by the Company on 1 June 2014 and 14 July 2014 respectively. As at 30 June 2014, the aforesaid placing and sale and purchase agreement had not yet been completed.
5. Cosmic Stand International Limited is wholly owned by BPHL Real Estate (Holdings) Limited which is in turn wholly owned by Beijing Properties (Holdings) Limited. Beijing Properties (Holdings) Limited is owned as to 35.81% by Beijing Enterprises Real Estate (HK) Limited, 23.08% by Brilliant Bright Holdings Limited, 7.22% by Beijing Holdings Limited and 1.3% by Illumination Holdings Limited (a wholly-owned subsidiary of Beijing Holdings Limited). Beijing Enterprises Real Estate (HK) Limited is wholly owned by 北京北控置業有限責任公司 which is in turn wholly owned by Beijing Enterprises Group Company Limited. Accordingly, these companies are deemed to be interested in the 1,890,000,000 shares to be acquired by Cosmic Stand International Limited pursuant to the conditional sale and purchase agreement as described in note 4 above under the SFO.
6. These shares represents the interest in subscription shares entitling Lucky Creation Limited to subscribe for up to 800,000,000 shares of the Company at the subscription price of HK\$0.325 per share pursuant to the subscription agreement entered into between the Company and Lucky Creation Limited on 17 January 2014. On 31 July 2014, only 400,000,000 new shares were issued by the Company to Lucky Creation Limited upon receipt of subscription moneys for 400,000,000 subscription shares. The Company has yet to agree with Lucky Creation Limited on the subscription of the remaining 400,000,000 subscription shares.
7. Lucky Creation Limited is wholly owned by Mr. Chan Wing Kwai. Accordingly, Mr. Chan Wing Kwai is deemed to be interested in all the shares of the Company beneficially owned by Lucky Creation Limited under the SFO.

ADDITIONAL INFORMATION – continued

2. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES – continued Short Positions in the Shares of the Company

Name of shareholder	Capacity	Number of shares beneficially held	Number of underlying shares held	Percentage of holding
Lucky Creation Limited	Beneficial owner (Note 1)	–	235,000,000	5.03%
Chan Wing Kwai	Interest held by controlled corporation (Note 1)	–	235,000,000	5.03%

Note:

1. Lucky Creation Limited is wholly owned by Mr. Chan Wing Kwai. Accordingly, Mr. Chan Wing Kwai is deemed to be interested in the short position that Lucky Creation Limited came to have in 235,000,000 shares of the Company.

Save as disclosed above and in the section headed “Directors’ and chief executive’s interests and short positions in shares and underlying shares”, at 30 June 2014, the Company had not been notified by any persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

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

ADDITIONAL INFORMATION – continued

3. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-Settled Share Option Scheme – continued

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

Options granted on 10 January 2008

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2014 and 30/6/2014
Director Mr. Liu Hoi Keung	0.477	0.4648	note (i)	<u>17,676,343</u>

Note:

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

Options granted on 7 March 2008

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2014	Number of share options exercised during the period	Number of share options at 30/6/2014
Employees	0.261	0.285	note (i)	<u>5,296,049</u>	<u>(5,296,049)</u>	–

Note:

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

ADDITIONAL INFORMATION – continued

3. SHARE-BASED PAYMENT TRANSACTIONS – continued

Equity-Settled Share Option Scheme – continued

Options granted on 5 May 2008

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2014	Number of share options exercised during the period	Number of share options at 30/6/2014
Director Mr. Liu Hoi Keung	0.183	0.1769	note (i)	6,163,281	(6,163,281)	–

Note:

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

Options granted on 6 November 2009

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2014	Number of share options exercised during the period	Number of share options at 30/6/2014
Directors						
Mr. Wang Zheng Chun	0.210	0.1487	note (i)	10,937,500	(10,937,500)	–
Mr. Zheng Wei Chong	0.210	0.1487	note (i)	3,281,250	(1,000,000)	2,281,250
Mr. Xu Wen Cong	0.210	0.1487	note (i)	3,281,250	(3,281,250)	–
Mr. Cheung Man	0.210	0.1487	note (i)	3,281,250	(1,200,000)	2,081,250
Mr. Liu Hoi Keung	0.210	0.1487	note (i)	3,281,250	(3,281,250)	–
Mr. Ho Hao Veng	0.210	0.1487	note (i)	1,093,750	(1,093,750)	–
Mr. Ang Siu Lun, Lawrence	0.210	0.1487	note (i)	1,093,750	(1,093,750)	–
Mr. Ma Kwai Yuen	0.210	0.1487	note (i)	1,093,750	(1,093,750)	–
				27,343,750	(22,981,250)	4,362,500
Employees	0.210	0.1487	note (i)	7,656,250	(6,562,500)	1,093,750
				35,000,000	(29,543,750)	5,456,250

ADDITIONAL INFORMATION – continued

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

Note:

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

During the period ended 30 June 2014, the Group recognised the total expense of HK\$Nil (six months ended 30 June 2013: HK\$9,000) in relation to share options granted by the Company.

During the period ended 30 June 2014 and 2013, no share options lapsed and certain share options were exercised to subscribe for a total of 41,003,083 shares (six months ended 30 June 2013: 6,562,500).

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

There was no purchase, sales or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2014.

5. COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company confirms that, after specific enquiry with each director, all directors have confirmed compliance with the Model Code during the six months ended 30 June 2014.

ADDITIONAL INFORMATION – continued

6. CORPORATE GOVERNANCE CODE

The Corporate Governance Report of the Board has been set out in our 2013 annual report. The Company has complied with the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2014, except for the deviations from code provisions A.2.1, A.4.1 and A.5.1.

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

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

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

Although the independent non-executive directors of the Company have not entered into any appointment letter with the Company for a specific term, they are subject to retirement by rotation once every three years and offer themselves for re-election in accordance with the Articles of Association of the Company. Moreover, the Company in general meeting shall have power by ordinary resolution to remove any director before the expiration of his period of office.

Code Provision A.5.1 of the Code stipulates that the nomination committee must be chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

Subsequent to the resignation of Mr. Ang Siu Lun, Lawrence on 23 May 2014, the position of chairman of the nomination committee of the Company was vacant and the nomination committee comprised one independent non-executive director and one executive director only.

The Company appointed Mr. Xie Ming on 18 August 2014 as an independent non-executive director to fill the casual vacancy created by the resignation of Mr. Ang Siu Lun, Lawrence with effect from the same date. Mr. Xie Ming has also been appointed as the chairman of the nomination committee of the Company, and accordingly the Company has complied with Code Provision A.5.1.

ADDITIONAL INFORMATION – continued

7. INDEPENDENT NON-EXECUTIVE DIRECTORS

On 23 May 2014, Mr. Ang Siu Lun, Lawrence resigned as an independent non-executive director of the Company, and ceased to be a member of the audit committee, a member of the remuneration committee and the chairman of the nomination committee of the Company. Following his resignation, the number of independent non-executive directors of the Company fell below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules and the composition of the audit committee and nomination committee of the Company did not meet with the requirements under Rule 3.21 of the Listing Rules and Code Provision A.5.1 of the Code as contained in Appendix 14 to the Listing Rules. The Company has appointed Mr. Xie Ming as an independent non-executive director to fill the casual vacancy with effect from 18 August 2014 and has since then re-complied with the aforesaid requirements of the Listing Rules.

8. AUDIT COMMITTEE

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

According to Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members. Following the resignation of an independent non-executive director of the Company, Mr. Ang Siu Lun on 23 May 2014, the number of members of the audit committee of the Company fell below the minimum number required under Rule 3.21 of the Listing Rules. The Company appointed Mr. Xie Ming as a member of audit committee on 18 August 2014 in compliance with Rule 3.21 of the Listing Rules.

The members of the Audit Committee currently include three independent non-executive directors, Mr. Ma Kwai Yuen (chairman), Mr. Ho Hao Veng and Mr. Xie Ming.

The Company's interim results announcement and interim report for the six months ended 30 June 2014 have been reviewed by the external auditor, Deloitte Touche Tohmatsu and the Audit Committee of the Company.

ADDITIONAL INFORMATION – continued

9. REMUNERATION COMMITTEE

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

The members of the Remuneration Committee currently include three independent non-executive directors, Mr. Ho Hao Veng (chairman), Mr. Ma Kwai Yuen and Mr. Xie Ming and one executive director, Mr. Zheng Wei Chong.

10. NOMINATION COMMITTEE

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

Subsequent to the above-mentioned resignation of Mr. Ang Siu Lun, Lawrence on 23 May 2014, the position of chairman of the nomination committee of the Company was vacant and the nomination committee comprised one independent non-executive director and one executive director only.

On 18 August 2014, Mr. Xie Ming was appointed as an independent non-executive director and the chairman of the nomination committee of the Company.

The members of the Nomination Committee currently include two independent non-executive directors, Mr. Xie Ming (chairman) and Mr. Ma Kwai Yuen and one executive director, Mr. Wang Zheng Chun.

ADDITIONAL INFORMATION – continued

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

In accordance with Rule 13.51B(1) of the Listing Rules, the change in the information of the directors of the Company since the date of 2013 Annual Report of the Company is set out below:

- With effect from 28 April 2014, Mr. Liu Hoi Keung resigned as an independent non-executive director of Century Sunshine Group Holdings Limited, a company whose shares are listed on the Stock Exchange.
- With effect from 28 July 2014, Mr. Liu Hoi Keung has been appointed as an independent non-executive director of PanAsialum Holdings Company Limited, a company whose shares are listed on the Stock Exchange.
- With effect from 1 July 2014, the emoluments of each of Mr. Ma Kwai Yuen and Mr. Ho Hao Veng have been increased to HK\$240,000 per annum to reflect the effort they devote in the Company.

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. Ma Kwai Yuen
Mr. Ho Hao Veng
Mr. Xie Ming
– appointed on 18 August 2014
Mr. Ang Siu Lun, Lawrence
– resigned on 23 May 2014

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. Xie Ming
– appointed on 18 August 2014
Mr. Ang Siu Lun, Lawrence
– resigned on 23 May 2014

REMUNERATION COMMITTEE

Mr. Ho Hao Veng (Chairman)
Mr. Ma Kwai Yuen
Mr. Zheng Wei Chong
Mr. Xie Ming
– appointed on 18 August 2014
Mr. Ang Siu Lun, Lawrence
– resigned on 23 May 2014

NOMINATION COMMITTEE

Mr. Xie Ming (Chairman)
– appointed on 18 August 2014
Mr. Ma Kwai Yuen
Mr. Wang Zheng Chun
Mr. Ang Siu Lun, Lawrence (Chairman)
– resigned on 23 May 2014

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
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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