GENVON GROUP LIMITED
正峰集團有限公司

GENVON GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2389)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of Genvon Group Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2013, together with the comparative figures for the year 2012, as follows:

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	*5*	**442,312**	801,574
Cost of sales		**(334,088)**	(530,345)
Gross profit		**108,224**	271,229
Other income	*7*	**8,656**	4,907
Other gains and losses	*8*	**83,777**	4,964
Selling and distribution expenses		**(12,288)**	(9,219)
Administrative expenses		**(37,702)**	(36,055)
Finance costs	*9*	**(3,221)**	(4,943)
Profit before taxation		**147,446**	230,883
Income tax expense	*10*	**(56,820)**	(117,170)
Profit for the year	*11*	**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):			
Owners of the Company		**107,781**	116,312
Non-controlling interest		**(2,786)**	(2,308)
		104,995	114,004
Earnings per share	*13*		
– 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		**31,360**	89,205
Prepaid lease payments		**–**	23,844
Intangible assets		**2,595**	4,441
Investment properties		**26,734**	–
Deferred tax asset		**24,532**	15,488
		85,221	132,978
Current assets			
Inventories		**22,720**	24,125
Stock of properties		**1,459,374**	999,295
Trade and other receivables	*14*	**217,979**	111,621
Deposit paid for acquisition of land use rights		**–**	230,291
Prepaid lease payments		**–**	632
Bank balances and cash		**201,772**	123,251
		1,901,845	1,489,215
Assets classified as held for sale	*16*	**–**	2,977
		1,901,845	1,492,192
Current liabilities			
Trade and other payables	*15*	**108,320**	244,011
Deposits and accrued expenses		**9,023**	6,264
Deposits received from pre-sale of properties		**313,958**	65,464
Bank and other borrowings – due within one year		**6,691**	149,967
Tax payable		**122,346**	109,189
Loans from related companies		**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
Capital and reserves			
Share capital		**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		**4,190**	–
Bank and other borrowings – due after one year		**491,526**	168,209
Deferred income		**25,251**	24,532
		520,967	192,741
		1,422,150	987,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Grand Vision Group Limited, which is controlled by Mr. Wang Zheng Chun, an executive director and the ultimate controlling shareholder of the Company.

During the year, the Group was principally involved in property development and manufacturing and trading of power tools.

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 Interest 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 for certain disclosures in respect of amendments to HKAS 1 and HKFRS 13, the application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure notes set out in this result announcement.

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	Annual improvements to 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual improvements to 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral account[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 Benefits Plans: Employees 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 early application permitted.

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

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact 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 value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

5. REVENUE

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

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

6. 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.

For the year ended 31 December 2013

	Property Development	**Manufacturing and Trading**	**Total**
	HK$'000	***HK$'000***	***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	Manufacturing and Trading	Total
	HK$'000	*HK$'000*	*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

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 purpose of the resource 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	**Manufacturing and Trading**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'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 payment	**–**	**642**	**–**	**642**

For the year ended 31 December 2012

	Property Development	Manufacturing and Trading	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 payment	–	769	–	769

Revenue from major products

An analysis of the Group's revenue for the year from its major products is set out in note 5.

Information about geographical areas

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 sales by geographical market based on locations of the customers, irrespective of origin of the goods:

	2013	2012
	HK$'000	*HK$'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 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 during the year.

7. OTHER INCOME

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

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'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 for sale.

10. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**27,405**	70,860
Land Appreciation Tax ("LAT")	**33,718**	61,746
	61,123	132,606
Deferred taxation	**(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.

11. PROFIT FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**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)**	–

12. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2013 (2012: Nil).

13. 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	2012
	HK$'000	*HK$'000*
Profit for the year attributable to 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.

14. 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 60-120 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	2012
	HK$'000	*HK$'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	**162,533**	78,445
	217,979	111,621

15. 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	2012
	HK$'000	*HK$'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	**101,314**	238,775
Other payables	**7,006**	5,236
	108,320	244,011

16. 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. The Disposal Group was included in the Group's manufacturing and trading of power tools activities for segment reporting purposes.

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

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

17. WARRANT RESERVE

On 21 January 2013, the Company entered into a conditional warrant subscription agreement (the "Warrant Subscription Agreement") with an independent third party of the Group (the "Subscriber") in relation to the subscription of a total of 400,000,000 warrants (the "Warrants") by the Subscriber at the issue price HK$0.001 per unit of Warrants (the "Warrant Subscriptions"). The Warrants entitle the Subscriber to subscribe for in aggregate 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 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 is 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 individual third parties of 200,000,000 warrants each for an aggregate consideration of HK$600,000.

18. EVENTS AFTER THE REPORTING PERIOD

(i) As detailed in note 17, 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 this announcement.

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 RMB 93,551,000). 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 realized in 2013 and 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 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

On front 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	31 December 2012
	HK$'000	*HK$'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: 52%), 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 Subscriber 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 announcement, 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 2013. 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE CODE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Corporate governance requirements keep changing, therefore the Board periodically reviews the corporate governance practices of the Company to meet the rising expectations of the shareholders and comply with the increasingly stringent regulatory requirements. Throughout the year under review, the Company has complied with provisions as set out in the Corporate Government Code (the "CG Code") contained in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviations as listed below:

Code Provision A.2.1

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

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

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

Code Provision A.4.1

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.

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 of the Listing Rules as its own code of conduct regarding directors' securities transactions. All the directors have confirmed, following specific enquiry by the Company on each of them, that they had fully complied with the Model Code throughout the year ended 31 December 2013.

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

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2013.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2013 will be despatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By Order of the Board
Genvon Group Limited
Wang Zheng Chun
Chairman

Hong Kong, 31 March 2014

As at the date of this announcement, the Board comprises five Executive Directors namely Mr. Wang Zheng Chun, Mr. Zheng Wei Chong, Mr. Xu Wen Cong, Mr. Cheung Man and Mr. Liu Hoi Keung and three Independent Non-executive Directors namely Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Ho Hao Veng.