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 2010

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 the Hong Kong Financial Reporting Standards for the year ended 31 December 2010, together with the comparative figures for the year 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
Revenue		**108,760**	104,963
Cost of sales		**(98,258)**	(96,619)
Gross profit		**10,502**	8,344
Other gains and losses	5	**10,402**	6,621
Selling and distribution expenses		**(5,472)**	(6,814)
Administrative expenses		**(43,630)**	(40,335)
Fair value gain on conversion option embedded in convertible note	13	**18,302**	14,486
Finance costs	6	**(2,776)**	(28,232)
Loss for the year	8	**(12,672)**	(45,930)
Other comprehensive income (expense)			
Exchange differences arising on translation		**4,725**	(36)
Total comprehensive expense for the year		**(7,947)**	(45,966)
Loss for the year attributable to:			
Owners of the Company		**(12,438)**	(45,930)
Non-controlling interest		**(234)**	–
		(12,672)	(45,930)
Total comprehensive expense attributable to:			
Owners of the Company		**(7,713)**	(45,966)
Non-controlling interest		**(234)**	–
		(7,947)	(45,966)
Loss per share	10		
– basic (HK cents)		**(0.4)**	(3.9)
– diluted (HK cents)		**(1.0)**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**94,504**	95,263
Prepaid lease payments		**24,569**	24,453
Intangible assets		**5,400**	4,260
		124,473	123,976
Current assets			
Inventories		**15,030**	12,994
Properties under development held for sale		**366,763**	236,111
Trade and other receivables	11	**106,401**	56,093
Deposit paid for acquisition of land use rights		**523,540**	–
Prepaid lease payments		**735**	711
Bank balances and cash		**208,269**	35,198
		1,220,738	341,107
Current liabilities			
Trade and other payables	12	**47,477**	34,525
Deposits and accrued expenses		**5,600**	6,251
Deposits received from pre-sale of properties		**175,254**	–
Bank and other borrowings – due within one year		**210,657**	43,157
Loans from related companies		**46,311**	43,684
Conversion option embedded in convertible note	13	**–**	18,302
Liability component of convertible note	13	**–**	188,774
		485,299	334,693
Net current assets		**735,439**	6,414
Total assets less current liabilities		**859,912**	130,390
Capital and reserves			
Share capital		**422,477**	168,991
Reserves		**58,205**	(61,315)
		480,682	107,676
Non-controlling interest		**179,570**	–
Total equity		**660,252**	107,676
Non-current liabilities			
Bank and other borrowings – due after one year		**176,284**	–
Deferred income		**23,376**	22,714
		199,660	22,714
		859,912	130,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL INFORMATION

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

During the year, the Group was principally involved in the manufacturing and trading of power tool, hand tools and other products; and property development and trading.

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

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

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

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

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

New and revised Standards and Interpretations issued but not yet effective

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

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

4. SEGMENT INFORMATION

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

– Europe
– the United States of America (the "USA")
– Other countries

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

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

For the year ended 31 December 2010

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

For the year ended 31 December 2009

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

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, finance costs, other gains and losses, selling and distribution expenses and impairment loss recognised in respect of property, plant and equipment. Cost of sales for each geographical location of Manufacturing and Trading segment is allocated on the basis of the revenue earned by each segment.

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

Other segment information

For the year ended 31 December 2010

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

For the year ended 31 December 2009

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

Revenue from major products

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

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

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

Information about major customers

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

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

5. OTHER GAINS AND LOSSES

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

6. FINANCE COSTS

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

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

7. TAXATION

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

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

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

8. LOSS FOR THE YEAR

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

9. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2010 (2009: Nil).

10. LOSS PER SHARE

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

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

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

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

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

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

The computation of the diluted loss per share for the year ended 31 December 2009 did not assume the exercise of the Company's options because the exercise prices of those options were higher than the average market price of the Company's shares for 2009.

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

12. TRADE AND OTHER PAYABLES

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

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

13. CONVERTIBLE NOTE

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

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

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

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

The fair value of conversion option embedded in the convertible note for the year ended 31 December 2009 was determined based on the Black-Scholes pricing model using a rate based on the stock price as at 31 December 2009, exercise price of HK$0.29 regarding the adjustment to the conversion price of the convertible note, expected volatility of the shares of the Company of 85.09%, market risk-free rate of 0.17%, remaining option life of 7 months and dividend yield of 0%.

14. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Property Development Business

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

Power Tool Business

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

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

Business Review

Property development business

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

Contract Sales

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

In 2010, contract sales revenue was as follows:

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

Land Bank

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

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

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

Power Tool Business

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

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

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

Unwavering Dedication to Quality

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

Financial Review

Revenue and Profit Analysis

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

Revenue Breakdown by Products and Geographical Locations

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

Gross Profit and Margin Analysis

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

Liquidity and Gearing Ratio

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

Capital Expenditure

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

Working Capital Analysis

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

Capital Structure

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

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

Pledge of Assets

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

Contingent Liabilities

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

Exposure to Foreign Exchange Risks

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

Employee Benefits and Training

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

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

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

FUTURE OUTLOOK

Property development business

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

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

Power Tools

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

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

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

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

SCOPE OF AUDITOR'S WORK

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Company'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 this preliminary announcement.

CODE ON CORPORATE GOVERNANCE 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 Code on Corporate Governance Practices (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 2010.

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 2010.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2010 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
Wang Zheng Chun
Chairman

Hong Kong, 23 March 2011

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. Zhang Xiu He, one non-executive Director, namely Mr. Ho Hao Veng and three independent non-executive Directors namely Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Law Wing Tak, Jack.