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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 INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2011

The Board of Directors (the “Board”) of Genvon Group Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011, which have not been audited but have been reviewed by the Audit Committee of the Company, together with the comparative figures in 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	47,819	48,416
Cost of sales		(45,816)	(43,818)
Gross profit		2,003	4,598
Other gains and losses		2,569	284
Selling and distribution expenses		(1,665)	(2,038)
Administrative expenses		(21,947)	(19,653)
Fair value gain on conversion option embedded in convertible note		–	18,302
Finance costs	4	(1,751)	(14,786)
Loss for the period	5	(20,791)	(13,293)
Other comprehensive income			
Exchange differences arising on translation		23,965	1,594
Total comprehensive income (expense) for the period		3,174	(11,699)
Loss for the period attributable to:			
Owners of the Company		(20,426)	(13,265)
Non-controlling interest		(365)	(28)
		(20,791)	(13,293)
Total comprehensive income (expense) attributable to:			
Owners of the Company		(625)	(11,671)
Non-controlling interest		3,799	(28)
		3,174	(11,699)
Loss per share	7		
– basic and diluted (HK cents)		(0.48)	(0.78)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	94,786	94,504
Prepaid lease payments		24,763	24,569
Intangible assets		5,493	5,400
		125,042	124,473
Current assets			
Inventories		24,860	15,030
Properties under development held for sale	9	506,575	366,763
Trade and other receivables	10	134,206	106,401
Deposit paid for acquisition of land use rights	11	535,690	523,540
Prepaid lease payments		752	735
Bank balances and cash		182,855	208,269
		1,384,938	1,220,738
Current liabilities			
Trade and other payables	12	41,443	47,477
Deposits and accrued expenses		5,090	5,600
Deposits received from pre-sale of properties	9	378,034	175,254
Bank and other borrowings			
– due within one year	13	205,619	210,657
Loans from related companies		10,950	46,311
		641,136	485,299
Net current assets		743,802	735,439
		868,844	859,912
Capital and reserves			
Share capital	14	422,477	422,477
Reserves		58,705	58,205
Equity attributable to owners of the Company		481,182	480,682
Non-controlling interest		183,369	179,570
Total equity		664,551	660,252
Non-current liabilities			
Bank and other borrowing			
– due after one year	13	180,375	176,284
Deferred income		23,918	23,376
		204,293	199,660
		868,844	859,912

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of annual consolidated financial statements of Genvon Group Limited for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (“new or revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

- *Improvements to HKFRSs* issued in 2010
- HKAS 24 (as revised in 2009) *Related Party Disclosures*
- Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*
- HK(IFRIC) – Int 19 *Extinguishing Financial Liabilities with Equity Instruments*

The application of the above new or revised 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.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date of the consolidated financial statements for the year ended 31 December 2010 were authorized for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ²
HKAS 19 (Revised 2011)	Employee Benefits ¹
HKAS 27 (Revised 2011)	Separate Financial Statements ¹
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 July 2012

These five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective of annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group’s consolidated financial statements for financial year ended 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's reportable and operating segments, identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance, are summarised as follows:

- (a) Manufacturing and trading of power tools, air tools, hand tools and other products ("Manufacturing and Trading"); and
- (b) Property Development and Trading.

The following is an analysis of the Group's revenue and results by reportable and operating segments for the periods under review:

Six months ended 30 June 2011

	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	<u>11,107</u>	<u>30,753</u>	<u>5,959</u>	<u>–</u>	<u>47,819</u>
RESULTS					
Segment profit (loss)	<u>517</u>	<u>1,431</u>	<u>55</u>	<u>(7,045)</u>	<u>(5,042)</u>
Unallocated corporate income					2,569
Unallocated corporate expenses					(16,567)
Finance costs					<u>(1,751)</u>
Loss for the period					<u><u>(20,791)</u></u>

Six months ended 30 June 2010

	Manufacturing and Trading			Property Development and Trading	Total
	Europe <i>HK\$'000</i>	USA <i>HK\$'000</i>	Other countries <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue					
– external	<u>13,460</u>	<u>32,529</u>	<u>2,427</u>	<u>–</u>	<u>48,416</u>
RESULTS					
Segment profit (loss)	<u>1,455</u>	<u>4,049</u>	<u>292</u>	<u>(2,776)</u>	3,020
Unallocated corporate income					20,726
Unallocated corporate expenses					(22,253)
Finance costs					<u>(14,786)</u>
Loss for the period					<u>(13,293)</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	<u>12,337</u>	5,093
Imputed interest expense on convertible note	<u>–</u>	<u>13,489</u>
	12,337	18,582
Less: interest capitalised in properties under development held for sale	<u>(10,586)</u>	<u>(3,796)</u>
	1,751	14,786

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

5. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	3,733	3,633
Release of prepaid lease payments	373	359
Amortisation of intangible assets	1,449	1,482
Cost of inventories recognised as an expense	44,740	42,620
Loss (gain) on disposal of property, plant and equipment	102	(431)
Net exchange (gain) loss	(1,937)	713

6. DIVIDEND

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

7. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2011 is based on the loss for the period attributable to owners of the Company of HK\$20,426,000 (six months ended 30 June 2010: HK\$13,265,000) and the number of 4,224,775,000 (six months ended 30 June 2010: approximately 1,689,910,000) ordinary shares in issue.

The weighted average number of ordinary shares for the purpose of basic loss per share for the six months ended 30 June 2010 had been adjusted for the rights issue completed on 10 August 2010.

The computation of diluted loss per share for the six months ended 30 June 2010 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 that period.

The computation of the diluted loss per share for six months ended 30 June 2011 and 2010 does not assume the exercise of the Company's options as the exercise would result in a decrease in loss per share for both periods.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of approximately HK\$1,959,000 (for the six months ended 30 June 2010: HK\$859,000).

9. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE/DEPOSITS RECEIVED FROM PRE-SALE OF PROPERTIES

The amount represents a parcel of land and properties being developed into residential properties for sale in the ordinary course of business upon completion. It is situated in the Mainland China (the “PRC”) and held under a long lease. The constructions work is expected to be completed by mid of 2012.

The Group commenced the pre-sales of properties in December 2010 and an aggregate amount of deposits of HK\$378,034,000 were received from the buyers of the properties as at 30 June 2011 (31 December 2010: HK\$175,254,000) and recognised in current liabilities in the condensed consolidated statement of financial position.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average 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:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Within 30 days	7,033	11,392
Between 31 to 60 days	11,703	9,726
Between 61 to 90 days	224	1,613
Between 91 to 120 days	163	2
Over 120 days	6	466
Trade receivables	19,129	23,199
Other receivables	3,286	4,084
Deposits and prepayments (<i>Note</i>)	111,791	79,118
	134,206	106,401

Note: Included in deposits and prepayments are deposits paid to subcontractors for the construction of properties under development held for sale of approximately HK\$17,902,000 (31 December 2010: HK\$17,496,000), prepayment for related taxes for the deposits received from pre-sale of properties of approximately HK\$30,525,000 (2010: Nil), and a refundable deposit of approximately HK\$60,125,000 (equivalent to RMB50,000,000) (31 December 2010: HK\$58,761,000 (equivalent to RMB50,000,000)) paid to the Bureau of Land Resources, Hai'an County, the PRC, as pre-requisite in connection to the acquisition of certain land use rights. The amount will be refundable within the next twelve months from the end of the reporting period and the amount is therefore classified as current assets.

11. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS

The amount represents the cash consideration of RMB445,480,000 (equivalent to approximately HK\$535,690,000) (2010: HK\$523,540,000) paid for the land use right of a parcel of land (the “Jiangsu Land”) located in Hai’an County, the PRC. The parcel of land will be used for development of residential properties for sale in the ordinary course of business.

As at 30 June 2011, the transfer of the Jiangsu Land has not been completed as the Bureau of Land Resources, Haian County needs further time to put the Jiangsu Land to a vacant possession for the purpose of the land transfer. It is expected that the Jiangsu Land will be transferred to the Group by the third quarter of 2011 and the land use right certificate of the Jiangsu Land will be obtained before the end of the third quarter of the year 2011. As a result, the amount paid for the Jiangsu Land is accounted for as deposit paid for the acquisition of land use rights and classified as current assets.

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:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Within 30 days	18,889	12,040
Between 31 to 60 days	8,248	4,615
Between 61 to 90 days	4,869	2,140
Between 91 to 120 days	669	1,031
Over 120 days	6,024	5,820
Trade payables	38,699	25,646
Other payables	2,744	8,879
	41,443	34,525

13. BANK AND OTHER BORROWINGS

The Group obtained new other loans from an independent third party of principal amount of RMB35,000,000 (equivalent to HK\$41,721,000) which is unsecured, interest-free and repayable within one year (2010: HK\$172,275,000 including HK\$80,395,000 which carry interest at the prevailing market rate of commercial banks in the PRC and HK\$91,880,000 with fixed interest rate at 15% per annum. All of the other loans are unsecured and repayable with one year).

The Group repaid other loans borrowed from independent third parties of principal amount of RMB47,928,000 (equivalent to HK\$57,131,000) during the period ended 30 June 2011 (2010: HK\$67,459,000).

14. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2010 and 30 June 2010	5,000,000	500,000
Increase during the period	5,000,000	500,000
At 31 December 2010 and 30 June 2011	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2010 and 30 June 2010	1,689,910	168,991
Rights issue	2,534,865	253,486
At 31 December 2010 and 30 June 2011	4,224,775	422,477

15. CAPITAL COMMITMENTS

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of property, plant and equipment		
	–	25

16. PLEDGE OF ASSETS

The Group has pledged its property, plant and equipment, prepaid lease payments and properties under development held for sale with carrying values of approximately HK\$60,305,000 (31 December 2010: HK\$59,504,000), HK\$24,788,000 (31 December 2010: HK\$24,526,000) and HK\$327,112,000 (31 December 2010: HK\$366,763,000) respectively to secure general banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Property Development Business

With the introduction of the “Eight Measures”, the PRC government initiated its objective to control housing prices. Those measures included the restriction policy on the purchase of commodity housing, the constant enhancement of down payment ratio for purchase of second housing, the request relating to the introduction of price control policies by the local governments, as well as the supervision over the implementation of the policies of the various regions. During the first half of 2011 under review, housing price control initiatives were put into place in more than 600 cities as requested. According to statistical data of the National Bureau of Statistics, in relation to the sales of commodity housing, the overall level of transaction volume of both new housing and second-hand housing decreased over the last year. Given that strict regulation and control were exercised in the first tier cities including Beijing and Shanghai, the PRC’s real estate market is revealing a phenomenon where there is shrinking transaction volume, essentially stable prices and oversupply.

According to the data released by the National Bureau of Statistics, the investment in real estate development in the first half of the year on a nationwide basis amounted to RMB2,625 billion, representing a 32.9% like-for-like increase. In particular, the investment in residential housing amounted to RMB1,864.1 billion, representing a growth of 36.1%. The real estate investment sustained vigorous growth momentum despite immense regulation and control pressures. This momentum was attributable to a number of factors such as the stepped up efforts on the construction of affordable housing, and the accelerated development and roll out of new properties by the developers that remain optimistic of the business outlook.

Power Tools Business

During the period under review, there was a rising trend in the corporate costs for the industry. Enterprises were faced with challenges arising from the rise in the overall costs, including:

- (1) the substantial rise in raw material prices. For example, the rise in prices for copper and glass fiber cloth had driven a continued surge in printed circuit prices, and had fueled an increase in prices for most of the parts of electronic information products. The rise in steel prices had also contributed to higher production costs of electronic products.
- (2) the rise in labour costs and electricity price. In 2010, the minimum wages in 30 provinces in the PRC were raised. In 2011, wages in additional 13 provinces were raised. Meanwhile, the tension of power supply and the rise in electricity prices had also contributed to greater cost pressures. Due to the above reasons, coupled with factors such as the appreciation of RMB, the price edges of the PRC products were weakened. The transfer of orders to the surrounding areas had aroused increasing concerns.

Corporate profits were declining during the period under review. This has posed a challenge to the long-term competitive strengths of the PRC enterprises. Faced with rising cost pressures, most corporates have raised prices to reduce losses, however, the profit from the increase in product prices cannot completely compensate for the resultant losses. The reduction in corporate profits was detrimental to both the long-term restructuring and R&D innovation. From the second half of 2010 to the first half of 2011, RMB has been in a unilateral appreciation in the prevailing market conditions, with an appreciation rate of more than 5%. As it generally takes a longer period for power tools to complete the process from design to production and sale, the appreciation of RMB had resulted in greater exchange losses that were incurred in the implementation of the projects. Meanwhile, the appreciation of RMB had also led to higher quotation prices offered for newly negotiated overseas projects when compared to the previous levels. As a result, the price gap with competitors in Europe and the United States had been narrowed.

BUSINESS REVIEW

Property Development Business

The Group's property development business continued to be focused on two cities including Shanghai and Jiangsu, with both of them demonstrating robust economic growth. Although PRC has adopted a series of severe austerity measures ever known, the impact on the Group's major land bank in Jiangsu Province was negligible. This was mainly due to the high affordability in Jiangsu, where the average housing price was merely approximately RMB5,000 per square metre of Gross Floor Area ("GFA"). Also, thanks to other favourable factors such as strong demand for housing, swift economic development and accelerated pace of urbanization, housing prices remained firm.

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

Contracted Sales

For the first six months ended 30 June 2011, the Group's saleable GFA signed but not yet recognized was about 6,239 square metres, generating contracted sales revenue of RMB101,083,000 (2010: Nil square metres and RMB Nil). The average selling price was RMB16,200 per square metre, and remained flat when compared with the opening average selling price of RMB16,100 in the second half of 2010, indicating that it has not been much affected by the macro-control policy. Such income will be recognised and accounted for depending on the timeframe for the completion of the construction of the relevant projects, the issue of occupation permits, and the delivery of completed units to buyers.

Land Bank

As the Group's land bank is sufficient to meet its development needs in the next two to three years, there was no new addition of land bank in the first half of 2011. For the first six months ended 30 June 2011, 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 period, the Group held a number of discussions with Hai'an County Government in respect of the land piece in Hai'an County in Jiangsu Province that was successfully tendered by the Group in the previous year, in order to assure the Group of the delivery status of the relevant land piece. According to the instruction given by Hai'an County Land Resources Bureau, the demolition for about 144,500 square metres of the land piece has been completed, and the state-owned land use right certificates can be applied for such area in relation thereto. The demolition for the rest of the land is intensively under way and is expected to be completed by the third quarter of 2011. The Group considers that the application for the state-owned land use right certificates in batches can help avoid policy risks brought by idle land pieces.

Power Tools Business

The Group is principally engaged in the production and sales of products including AC and DC power tools as well as air tools. During the period under review, the continued rise in commodity prices and raw material prices in the PRC had caused an increase in the overall product costs of the manufacturing industry.

During the period under review, a number of new series of power tools developed and produced by the Group have gradually proceeded to the middle stage of demonstration and the last stage of mass production, and are expected to bring profit contribution for the Group in the first half of 2012. Currently, the Group's customers base are expanding, its key clients include: BOSCH, TTI, Kingfisher, SPARKY, which are the world's leading chain stores, and the major distributors of power and air tools in Europe and the United States.

FINANCIAL REVIEW

Revenue and Profit Analysis

For the six months ended 30 June 2011, the Group recorded a revenue of approximately HK\$47,879,000, which was a decrease of 1% when compared to 2010. Loss attributable to shareholders was approximately HK\$20,426,000 in 2011 (2010: HK\$13,265,000). The reduction in revenue was mainly due to the continued sluggishness of the economic environment in Europe and the USA, leading to slight decrease in the number of orders for power tool business. And the increase in loss for the period was largely due to the fact that there was no net profit arising from fair value change of embedded conversion rights of convertible notes and the related financing costs during the period (2010: HK\$4,813,000).

Revenue Breakdown by Products and Geographical Locations

In terms of products, power tools was the only source of income for the Group during the period (2010: the sales of power tools, air tools, as well as hand tools and other products accounted for 99.94%, 0.05% and 0.01% of the Group's revenue respectively). Geographically, the USA was the largest major market of the Group.

Gross Profit and Margin Analysis

For the six months ended 30 June 2011, the Group's gross profit was HK\$2,003,000, representing a decrease of HK\$2,595,000 when compared to the same period last year.

The lower level of gross profit was mainly due to the continuous rise in raw material prices during the period, which was not immediately transferred by the Group to its major customers.

Liquidity and Gearing Ratio

As at 30 June 2011, the Group's cash on hand was HK\$182,855,000 (2010: HK\$208,269,000). The long term and short term debts of the Group were HK\$398,026,000 (2010: HK\$433,252,000) in aggregate. As at 30 June 2011, the gearing ratio (total borrowing/equity) was 60% (2010: 66%).

Capital Expenditure

The Group's capital expenditure in 2011 was approximately HK\$2,976,000 (2010: HK\$7,300,000), whereas expenditure for development of mould amounted to HK\$1,715,000 (2010: HK\$1,801,000).

Working Capital Analysis

For the six months ended 30 June 2011, the Group's trade receivables turnover days were 73 days (2010: 78 days), the trade payables turnover days were 155 days (2010: 162 days), and the inventory turnover days were 99 days (2010: 56 days).

Pledge of Assets

The Group has pledged its property, plant and equipment with net book values of approximately HK\$60,305,000 (2010: HK\$59,504,000), prepaid lease payments amounted to approximately HK\$24,788,000 (2010: HK\$24,526,000) and properties under development held for sales amounted to approximately HK\$327,112,000 (2010: HK\$366,763,000) to secure general banking facilities granted to the Group.

Contingent Liabilities

At 30 June 2011, the Group did not have any material contingent liabilities (2010: 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

As at 30 June 2011, the Group had approximately 438 employees, of which, 22 employees were management staff and 47 employees were engineers. The total staff cost for the six months ended 30 June 2011 (including directors' emoluments) amounted to approximately HK\$6,645,000 (2010: HK\$4,465,000). The Group focuses on the enhancement of the quality of staff. During the period under review, the Group organized internal training courses for staff at different levels. Topics of the training courses included moral, ethic, languages, technical and management skill trainings.

FUTURE OUTLOOK

Property Development Business

The introduction of the New "Five Measures" re-signified the country's adherence to its long-term policy. The focus will be put on the reinforcement and strengthening of the implementation of the policy in the second half of the year. The possibility of the continued extension of the scope of the policy and the introduction of new administrative policies will not be ruled out.

The PRC's GDP posted an average annual growth of 10% in the past, with greater reliance on investment and exports. Many investors have worried about the bubble effects in the PRC real estate. However, the PRC government has actually launched a series of measures to restrain the real estate market from bubble effects. Moreover, invigorated by the strong support from the market demand and the country's sustainable economic growth, the real estate market is set to maintain speedy development in the medium-to-long term.

The Group's projects are located in prime locations in various regions. Its project design has been well received. Its construction quality has also obtained widespread recognition from users. Accordingly, the Group's products can be sold at a premium over those competitors in the same district. The sales volume is expected to blossom into a rapid boom cycle in the next few years. The Group is confident of the long-term development outlook of the PRC's property market, and is of the opinion that the transaction volume will be resumed to normal levels which are consistent with the economic growth.

Power Tools Business

In 2011, the Group's factories will make focused efforts to broaden the product lines, promote the diversification of market development and speed up the exploration of new markets. The Group expects that the overall business performance will be improved in the second half of 2011. The Group will further accelerate the expansion into new markets, especially the United States. The Group will also continue to step up the development speed for enhancing the quality of the new products. The new opportunities and challenges are anticipated to usher in a new scene for the development of the Group.

CODE ON CORPORATE GOVERNANCE

The Corporate Governance Report of the Board has been set out in our 2010 annual report. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2011, except for the deviations from code provisions A.2.1 and A.4.1.

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

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

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

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Board has adopted the provisions of the Code of Conduct 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 2011.

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 2011.

AUDIT COMMITTEE

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

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

The Company's interim result announcement and interim report for the six months ended 30 June 2011 have been reviewed by the external auditor Deloitte Touche Tohmatsu and the Audit Committee of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The electronic version of this interim results announcement is published on the websites of the Company (<http://www.genvon.com>) and the Stock Exchange (www.hkexnews.hk).

The interim report of the Company for the six months ended 30 June 2011 will be despatched to the Shareholders of the Company and published on the said websites in due course.

On behalf of the board of
Genvon Group Limited
Wang Zheng Chun
Chairman

Hong Kong, 29 August 2011

As at the date of this announcement, the Board comprises six executive Directors namely Mr. Wang Zheng Chun, Mr. Zheng Wei Chong, Mr. Xu Wen Cong, Mr. Cheung Man, Mr. Zhang Xiu He and Mr. Liu Hoi Keung, 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.