

GENVON GROUP LIMITED
正峰集團有限公司

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

INTERIM REPORT 2012

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	NOTES	Six months ended 30 June	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue	3	60,303	47,819
Cost of sales		(57,622)	(45,816)
Gross profit		2,681	2,003
Other gains and losses		6,186	2,569
Selling and distribution expenses		(4,173)	(1,665)
Administrative expenses		(17,374)	(21,947)
Finance costs	4	(2,265)	(1,751)
Loss for the period	5	(14,945)	(20,791)
Other comprehensive (expense) income			
Exchange differences arising on translation		(4,231)	23,965
Total comprehensive (expense) income for the period		(19,176)	3,174
Loss for the period attributable to:			
Owners of the Company		(13,916)	(20,426)
Non-controlling interests		(1,029)	(365)
		(14,945)	(20,791)
Total comprehensive (expense) income attributable to:			
Owners of the Company		(17,020)	(625)
Non-controlling interests		(2,156)	3,799
		(19,176)	3,174
Loss per share	7		
– basic and diluted (HK cents)		(0.33)	(0.48)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	NOTES	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	92,743	96,033
Prepaid lease payments		24,493	25,015
Intangible assets		4,421	5,447
		121,657	126,495
Current assets			
Inventories		19,822	14,215
Properties under development for sale	9	998,363	937,088
Trade and other receivables	10	167,268	158,078
Deposit paid for acquisition of land use rights	11	229,048	230,320
Prepaid lease payments		768	772
Bank balances and cash		71,767	67,899
		1,487,036	1,408,372
Current liabilities			
Trade and other payables	12	53,428	45,519
Deposits and accrued expenses		3,130	6,792
Deposits received from pre-sale of properties	9	522,883	439,939
Loans from related companies	18(a)	6,138	22,088
Bank and other borrowings – due within one year	13	263,900	155,769
		849,479	670,107
Net current assets		637,557	738,265
Total assets less current liabilities		759,214	864,760

	NOTES	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Capital and reserves			
Share capital	14	422,477	422,477
Reserves		36,026	52,673
		<hr/>	
Equity attributable to owners of the Company		458,503	475,150
Non-controlling interests		202,564	204,720
		<hr/>	
Total equity		661,067	679,870
		<hr/>	
Non-current liabilities			
Bank and other borrowings			
– due after one year	13	71,148	160,355
Deferred income		24,545	24,535
Amount due to non-controlling interests	18(b)	2,454	–
		<hr/>	
		98,147	184,890
		<hr/>	
		759,214	864,760
		<hr/> <hr/>	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium account	Share options reserve	Merger reserve	Translation reserve	Other reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (audited)	422,477	301,030	11,210	800	18,734	710	(274,279)	480,682	179,570	660,252
Loss for the period	-	-	-	-	-	-	(20,426)	(20,426)	(365)	(20,791)
Other comprehensive income for the period	-	-	-	-	19,801	-	-	19,801	4,164	23,965
Total comprehensive income (expense) for the period	-	-	-	-	19,801	-	(20,426)	(625)	3,799	3,174
Recognition of equity-settled share-based payments	-	-	1,125	-	-	-	-	1,125	-	1,125
At 30 June 2011 (unaudited)	422,477	301,030	12,335	800	38,535	710	(294,705)	481,182	183,369	664,551
At 1 January 2012 (audited)	422,477	301,030	12,102	800	53,080	710	(315,049)	475,150	204,720	679,870
Loss for the period	-	-	-	-	-	-	(13,916)	(13,916)	(1,029)	(14,945)
Other comprehensive expense for the period	-	-	-	-	(3,104)	-	-	(3,104)	(1,127)	(4,231)
Total comprehensive expense for the period	-	-	-	-	(3,104)	-	(13,916)	(17,020)	(2,156)	(19,176)
Recognition of equity-settled share-based payments	-	-	373	-	-	-	-	373	-	373
Release upon lapse of vested share options	-	-	(281)	-	-	-	281	-	-	-
At 30 June 2012 (unaudited)	422,477	301,030	12,194	800	49,976	710	(328,684)	458,503	202,564	661,067

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	7,658	31,388
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of intangible assets	(1,053)	(1,017)
Purchase of property, plant and equipment	(867)	(1,959)
Net proceeds on disposal of a subsidiary (net of direct expenses) (Note 17)	377	–
Interest received	185	458
Proceeds on disposal of property, plant and equipment	37	–
	(1,321)	(2,518)
NET CASH USED IN FINANCING ACTIVITIES		
Repayment of bank and other borrowings	(67,684)	(57,131)
Repayment of loans from related companies	(24,992)	(46,174)
Interest paid	(6,645)	(6,768)
New bank and other borrowings raised	86,143	41,721
Loans from related companies	8,614	9,570
Advance from non-controlling interests of a subsidiary	2,461	–
	(2,103)	(58,782)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,234	(29,912)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	67,899	208,269
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(366)	4,498
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	71,767	182,855

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

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

The Group has not early applied the new and revised standards and interpretation that have been issued but not yet effective.

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 ("CODM") in order to allocate resources to the segments and to assess their performance, are summarised as follows:

- (a) Manufacturing and trading of power tools ("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 2012

	Manufacturing and Trading			Property Development and Trading	Total HK\$'000
	Europe HK\$'000	USA HK\$'000	Other countries HK\$'000	Trading HK\$'000	
Segment revenue					
– external	9,760	34,587	15,956	–	60,303
RESULTS					
Segment profit (loss)	545	1,929	207	(5,168)	(2,487)
Unallocated other gains and losses					6,186
Unallocated corporate expenses					(16,379)
Finance costs					(2,265)
Loss for the period					(14,945)

3. SEGMENT INFORMATION – continued*Six months ended 30 June 2011*

	Manufacturing and Trading		Other countries HK\$'000	Property Development and Trading HK\$'000	Total HK\$'000
	Europe HK\$'000	USA HK\$'000			
Segment revenue					
– external	11,107	30,753	5,959	–	47,819
RESULTS					
Segment profit (loss)	517	1,431	55	(7,045)	(5,042)
Unallocated other gains and losses					2,569
Unallocated corporate expenses					(16,567)
Finance costs					(1,751)
Loss for the period					(20,791)

Segment profit (loss) represents the profit or loss earned or suffered by each segment after allocation of selling and administrative staff cost with reference to revenue and without allocation of other gains and losses, central administrative costs and finance costs. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	9,930	12,337
Less: Interest capitalised in properties under development for sale	(7,665)	(10,586)
	2,265	1,751

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

5. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	3,606	3,733
Release of prepaid lease payments	385	373
Impairment loss on intangible assets (included in cost of sales) (Note)	1,012	–
Amortisation of intangible assets	1,034	1,449
Cost of inventories recognised as expense	55,576	44,367
(Gain) loss on disposal of property, plant and equipment	(5)	102
Net exchange gain (included in other gains and losses)	(162)	(1,937)
Gain on disposal of a subsidiary (note 17) (included in other gains and losses)	(982)	–
Gain on deregistration of subsidiaries (included in other gains and losses)	(4,059)	–
	<u> </u>	<u> </u>

Note: During the six months ended 30 June 2012, the Group recognised an impairment loss of HK\$1,012,000 (six months ended 30 June 2011: Nil) in relation to the intangible assets. This was a result of suspension of production of certain model of power tools which was driven by lower profits than were expected for the period.

6. DIVIDEND

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

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2012 is based on the loss for the period attributable to owners of the Company of HK\$13,916,000 (six months ended 30 June 2011: HK\$20,426,000) and the number of 4,224,750,000 (six months ended 30 June 2011: approximately 4,224,775,000) ordinary shares in issue.

The computation of the diluted loss per share for six months ended 30 June 2012 and 2011 does not assume the exercise of the Company's options as the assumed 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 2012, the Group acquired property, plant and equipment of HK\$867,000 (six months ended 30 June 2011: HK\$1,959,000).

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

The properties under development for sale represent two parcels of lands and properties being developed into residential properties for sale in the ordinary course of business upon completion. These parcels of lands are situated in Shanghai and Haian County, Jiangsu Province, the People's Republic of China ("PRC"), and held under long leases.

The Group commenced the pre-sale of the properties in Shanghai in December 2010 and an aggregate amount of deposits of HK\$522,883,000 were received from the buyers of the properties as at 30 June 2012 (31 December 2011: HK\$439,939,000) and recognised as current liabilities in the condensed consolidated statement of financial position.

The pre-sale of the properties in Haian County is expected to be commenced by the end of 2012 or early 2013.

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.

10. TRADE AND OTHER RECEIVABLES – continued

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 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Within 30 days	8,102	15,263
Between 31 to 60 days	12,567	10,953
Between 61 to 90 days	2,096	955
Over 120 days	76	121
Trade receivables	22,841	27,292
Other receivables	5,600	3,578
Advance to supplier	6,133	–
Deposits and prepayments (Note)	132,694	127,208
	167,268	158,078

Note: Included in deposits and prepayments are deposits paid to subcontractors for the construction of properties under development for sale of HK\$9,413,000 (31 December 2011: HK\$6,414,000), deposits paid to local government authorities before the commencement of construction of properties under development for sale in Haian County, the PRC, of HK\$20,666,000 (31 December 2011: HK\$20,353,000 (equivalent to RMB16,500,000)), the prepayment for related taxes for the deposits received from pre-sale of properties of HK\$40,580,000 (31 December 2011: HK\$34,799,000) and a refundable deposit of HK\$61,335,000 (equivalent to RMB50,000,000 (31 December 2011: HK\$61,675,000 (equivalent to RMB50,000,000)) paid to the Bureau of Land Resources, Haian County, the PRC, as pre-requisite in connection to the acquisition of certain land use rights. These amounts will be refundable within the next twelve months from the end of the reporting period or be utilised as partial consideration in future land acquisition and these amounts are therefore classified as current assets.

11. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS

The amount represents the cash consideration of RMB186,720,000 (equivalent to HK\$229,048,000) (31 December 2011: RMB186,720,000 (equivalent to HK\$230,320,000)) paid for the land use right of a parcel of land (the "Jiangsu Land") located in Haian County, Jiangsu Province, the PRC. The parcel of land will be used for development of residential properties for sale in the ordinary course of business. At the end of the reporting period, 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. The amount is accounted for as deposit paid for the acquisition of land use rights and classified as current assets.

12. TRADE AND OTHER PAYABLES

The average credit period on purchases of goods is 90 days.

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

	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Within 30 days	23,080	27,078
Between 31 to 60 days	8,456	4,455
Between 61 to 90 days	11,493	1,965
Between 91 to 120 days	1,894	6,044
Over 120 days	5,424	3,599
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Trade payables	50,347	43,141
Other payables	3,081	2,378
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	53,428	45,519
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13. BANK AND OTHER BORROWINGS

During the period ended 30 June 2012, the Group obtained new bank loans amounting to RMB58,000,000 (equivalent to HK\$71,148,000) which carry interests at variable rate at 130% of the People's Bank of China base interest rate per annum (effective interest rate of 8.675% per annum). These new banks loans are secured and will be repayable in 2015.

During the six months ended 30 June 2012, the Group obtained new other loans from independent third parties of principal amount of RMB12,000,000 (equivalent to HK\$14,767,000) with fixed interest rate at 15% per annum. These new loans and all of the other loans are unsecured and repayable within one year.

During the six months ended 30 June 2012, the Group repaid bank loans amounting to RMB50,000,000 (equivalent to HK\$61,531,000) and other loans borrowed from an independent third party of principal amount of RMB5,000,000 (equivalent to HK\$6,153,000).

14. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012	4,224,775	422,477

15. CAPITAL COMMITMENTS

	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of property, plant and equipment	26	26

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 HK\$60,337,000 (31 December 2011: HK\$50,983,000), HK\$24,658,000 (31 December 2011: HK\$25,111,000) and HK\$611,736,000 (31 December 2011: HK\$335,046,000) respectively to secure general banking facilities granted to the Group.

17. DISPOSAL OF A SUBSIDIARY

During the current interim period, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in a subsidiary which holds a licence of offshore company and is engaged in trading of power tools. Its business is taken up by another subsidiary of the Group upon the disposal. The disposal was completed on 30 April 2012, on which day the Group lost control of the subsidiary. The gain on disposal of a subsidiary is calculated as follows:

	HK\$'000
Net assets disposal of:	
Cash and cash equivalents	74
Gain on disposal	982
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Total consideration (net of direct expenses paid or payable related to disposal of HK\$431,000)	1,056
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Satisfied by:	
Cash	600
Other receivables	456
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	1,056
	<hr/> <hr/>
Net cash inflow (outflow) arising on disposal:	
Total cash consideration received	600
Cash and cash equivalents disposal of	(74)
Direct expenses related to disposal	(149)
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	377
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18. RELATED PARTY DISCLOSURES

Balances with related parties during the period are as follows:

- (a) All loans from related companies as at 30 June 2012 and 31 December 2011 are unsecured, non-interest bearing and repayable on demand. All of these loans are due to companies controlled by Mr. Wang Zheng Chun, a controlling shareholder of the Company.
- (b) The amount due to non-controlling interests is unsecured, non-interest bearing and expected to be repayable more than twelve months from the end of the reporting period. Accordingly, the amount is classified as a non-current liability.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Property Development Business

During the first half of 2012, the central government continued to control the real estate market and adhered to its long-term policy aiming to dampen speculations in real estate. Currently, it is a crucial time to exercise control over real estate in the Mainland. Adhering to the implementation of control, the central government continued to curb speculative demand and prevented disguised loosening of speculative housing policies and media hype of inaccurate information that would cause misleading in its control. The government also strived to facilitate a reasonable decline in housing prices and prevent property prices from readily rebounding by adopting various measures including strictly implementing the Differential Housing Loan, tax policies and Home Purchase Restriction and studying the launch of a taxation system reform for real estate.

However, the sudden announcement of rate cut by the People's Bank of China was considered favorable to domestic real estate enterprises. Property prices in key cities in China recorded a slight quarter-on-quarter increase from a low level during the second quarter of the year, which was coupled with a month-on-month increase in prices of new residential units in first-tier cities in June. As there are certain changes in the market expectation on the housing price movements, the public has a general fear of a rebound in property prices, especially in first- and second-tier cities.

Power Tool Business

Characterized by their light structure, portability, high production and low energy consumption, power tools have extended their usage from industry-wide to families, becoming an indispensable and major tool to substitute manpower. China is currently a major exporting country of power tool products in the world, but there is still great potential for export and target markets for expansion.

In industrial countries in the economically developed regions, such as Germany, United Kingdom, the Netherlands and France in Europe, the United States and Canada in the North America as well as Japan in Asia, it is now very common for families to use power tools, accounting for approximately 50% to 70% of the total production. Although the power tool products from China have a large market share in the household power tool products market in those countries and regions, exports of the professional power tools for industrial use from China to the those regions were very limited. Professional power tools for industrial use are of high technology level and have strict requirements of safety and electromagnetic compatibility and planned performance, efficiency, reliability and durability. The prices of professional power tools can be multiples or over tenfold of that of similar DIY tools. There are internationally renowned brands for various kinds of professional power tools, such as electric hammers of Hilti, Bosch and Metabo, drills of Black & Decker, planers of Makita and circular saws of Skil.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Industry Review – continued

Power Tool Business – continued

We can conclude that there is still a larger potential market in Europe and the United States for the professional power tools for industrial use of high technology level and high standard of performance. As an OEM factory, we would actively undertake businesses of internationally renowned professional brands, so that we could gain our own market share in the DIY market amid the increasingly fierce price competition.

Since the outbreak of debt crisis in Europe, export-oriented general trades have seen a faster decline. According to statistics from the Customs of the PRC, in the first half of 2012, China had exports of US\$954.38 billion, representing an increase of 9.2%; imports of US\$885.46 billion, representing an increase of 6.7%; and trade surplus of US\$68.92 billion, up 56.4%. Generally speaking, the foreign trade industry has survived from the worst time. As for external demand, there are no signs that the United States would enter a recession in the short term. Under such circumstances, the unexpected decrease of inflation will support demand, and the US economy is expected to see a short-term rebound in the third quarter. Meanwhile, as debt crisis in the Eurozone is temporarily relieved, the economic sentiments of the Eurozone improved and rebounded in June, which is favourable to the exports as it is a leading indicator for China's exports.

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 the PRC has adopted a series of austerity measures, the impact on the Group's major land bank in Jiangsu Province was negligible. This was mainly due to the high affordability of the residents in Jiangsu, where the average housing price was merely approximately RMB6,000 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.

Real estate projects in Shanghai are ready for completion and acceptance. Revenue and costs will be recognized upon obtaining the Real Estate Ownership Certificate for New Commercial Housing (新建商品房房地產權證).

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Business Review – continued

Contract Sales

For the first six months ended 30 June 2012, the Group's saleable GFA contracted for but not yet recognized was about 3,514 square metres, generating contract sales revenue of RMB74,568,000 (2011: 6,239 square metres and RMB101,083,000). The average selling price was RMB21,220 per square metre (2011: RMB16,200). Such income will be recognized, depending on the timeframe for the completion of the construction of the relevant projects, the issue of the Real Estate Ownership Certificate for New Commercial Housing and the delivery time of completed units to the purchasers.

Land Bank

No new land bank was added in the first half of 2012 as the Group's land bank is enough for the development in the next three to five years. For the first six months ended 30 June 2012, 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.

Power Tool Business

The Group's factories are mainly engaged in the production and sale of products including AC and DC power tools and air tools. During the period under review, the decrease in domestic prices and raw material prices has caused the uprising of the overall costs of products in the manufacturing industry to alleviate.

During the first half of 2012, factory orders attained a steady growth and factory output value grew over the same period last year. The Group established a close cooperation with a number of new customers in Europe in respect of a variety of new product lines of the power tool segment developed and produced by the Group, which brought profit contribution for the Group. Currently, the Group maintains a continued growth in its customer base. Major customers include: world-renowned chain stores such as BOSCH, TTI, Kingfisher and SPARKY, as well as major power and air tool distributors in Europe and the U.S.

In respect of new product development, the Group was mainly focused on the OEM cooperation with the customers like BOSCH and SPARKY. In 2012, a number of products such as large-angle grinder, electric circular saw, drill driver and hand drill, etc, were commenced production. In respect of domestic trade, we have commenced full production of the motors together with BOSCH's factories, which is expected to contribute 20% of the total sales for 2012.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Financial Review

Revenue and Profit Analysis

For the six months ended 30 June 2012, the Group recorded revenue of approximately HK\$60,303,000, representing an increase of 26% when compared to 2011. Loss attributable to shareholders in 2012 amounted to approximately HK\$13,916,000 (2011: HK\$20,426,000) during the period. The increase in revenue was mainly due to the introduction of new products to the markets during the period. The decrease in loss for the period was largely due to the tight control exercised on administrative expenses during the period.

Revenue Breakdown by Products and Geographical Locations

In terms of products, during the current and prior period, power tools were the only source of income for the Group. Geographically, the U.S. was the main market of the Group.

Gross Profit and Profit Margin Analysis

For the six months ended 30 June 2012, the Group's gross profit was HK\$2,681,000 an increase of HK\$678,000 over last year.

The increase in gross profit was primarily due to the drop in raw material prices during the period, for which the Group did not immediately reduce the prices onto its major customers.

Liquidity and Gearing Ratio

As at 30 June 2012, the Group's cash on hand was HK\$71,767,000 (2011: HK\$67,899,000). The Group's long-term and short-term debts were HK\$343,640,000 (2011: HK\$338,212,000) in aggregate. As at 30 June 2011, the gearing ratio (total borrowing/equity) was 21% (2011: 60%).

Capital Expenditure

The Group's capital expenditure in 2012 was approximately HK\$867,000 (2011: HK\$6,693,000), whereas expenditure for development of mould amounted to HK\$16,000 (2011: HK\$4,085,000).

Working Capital Analysis

For the six months ended 30 June 2012, the turnover days for the Group's trade accounts receivable was 69 days (2011: 87 days), whereas the turnover days for trade accounts payable was 159 days (2011: 142 days) and the inventory turnover days was 63 days (2011: 47 days).

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Financial Review – continued

Pledge of Assets

As at 30 June 2012, the Group had pledged its property, plant and equipment with a net book value of HK\$60,337,000 (2011: HK\$50,983,000), prepaid lease payments of approximately HK\$24,658,000 (2011: HK\$25,111,000) and properties under development held for sales of approximately HK\$611,736,000 (2011: HK\$335,046,000) to secure general banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities (2011: 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

As at 30 June 2012, the Group had approximately 429 employees, of which, 16 employees were management staff and 47 employees were engineers. The total staff cost (including Directors' emoluments) amounted to approximately HK\$8,926,000 (2011: HK\$6,645,000). The Group makes great efforts to enhance the quality of staff. During the period under review, the Group organized internal training courses for staff at all levels. Topics of the training courses included moral, ethic, languages, technical and management skill trainings.

Future Outlook

Property Development Business

During the period, the PRC government had lowered the deposit and lending rates twice, by which the monthly mortgage payment of borrowers is expected to reduce indirectly by 4%, and thus increasing the housing needs of the public and supporting the recovery of property sales. We expect that the property market will gradually recover in the second half of the year due to the more relaxed monetary policy adopted by the PRC government following the austerity policy from mid-2009 to 2011 which led to the exit of a large number of qualified buyers from the market and growing pent-up demand. Interest rate cut may not significantly enhance the affordability of the public, but will boost buyers' sentiments. We expect to have more buyers with a "wait and see" attitude back to the market.

MANAGEMENT DISCUSSION AND ANALYSIS – continued

Future Outlook – continued

Property Development Business – continued

At the same time, however, the deteriorating economic growth may affect the recovery of property sales. The opportunities of highly leveraged developers to secure back loans may remain low though they will benefit from lower financing costs. Developers will be more focused on sales volume due to credit crunch, rather than increasing the average selling price.

Power Tool Business

The Group expects that the overall business performance in 2012 will be steadily enhanced. The Group will further accelerate the expansion of new markets, especially the emerging markets. Efforts will also be made to step up the pace of new products development to upgrade the DIY tools to professional tools.

Looking forward, in order to stay ahead of the market, the Group will accelerate the pace of market expansion and march towards market diversification. Vigorous efforts will be delivered to enhance the grade of products through development of a wider range of middle-end and high-end products of premium quality, thereby raising the economic efficiency of the Group. The Group will further reinforce its efforts on promoting a higher level of management and building an admirable corporate culture within the Group. At the same time, to capture immense growth potentials emerging from the booming market, the Group is confident that it is well-positioned to attain a sustained growth in its power tool and new product business operations by making unwavering efforts. With continuous efforts on fostering the internal and external corporate development, the Group will continue to strengthen its operation and management capabilities. The Group will also constantly achieve new breakthroughs in a number of important aspects including sales, R&D and production.

ADDITIONAL INFORMATION

1. Directors' Interests in Shares and Underlying Shares

At 30 June 2012, the interests of the directors or chief executives of the Company and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Name of Director	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approx. percentage of the issued share capital of the Company
Mr. Wang Zheng Chun	Held by spouse	70,148,000 (Note 1)	–	70,148,000	1.66%
	Held by controlled corporation	2,268,403,000 (Note 2)	–	2,268,403,000	53.69%
	Held by controlled corporation	795,718,000 (Note 3)	–	795,718,000	18.84%
		3,134,269,000	–	3,143,269,000	74.19%
	Beneficial owner	–	10,937,500 (Note 4)	10,937,500	0.26%
Mr. Zheng Wei Chong	Beneficial owner	–	3,281,250 (Note 5)	3,281,250	0.08%
Mr. Xu Wen Cong	Beneficial owner	–	3,281,250 (Note 5)	3,281,250	0.08%
Mr. Zhang Xiu He	Beneficial owner	11,550,000	3,281,250 (Note 5)	14,831,250	0.35%

ADDITIONAL INFORMATION – continued**1. Directors' Interests in Shares and Underlying Shares – continued**

Name of Director	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approx. percentage of the issued share capital of the Company
Mr. Cheung Man	Beneficial owner	–	3,281,250 (Note 5)	3,281,250	0.08%
Mr. Liu Hoi Keung	Beneficial owner	–	27,120,874 (Note 6)	27,120,874	0.64%
Mr. Ho Hao Veng	Beneficial owner	2,396,000	1,093,750 (Note 5)	3,489,750	0.08%
Mr. Ang Siu Lun, Lawrence	Beneficial owner	–	1,093,750 (Note 5)	1,093,750	0.03%
Mr. Ma Kwai Yuen	Beneficial owner	–	1,093,750 (Note 5)	1,093,750	0.03%

Notes:

1. Mr. Wang Zheng Chun ("Mr. Wang") is deemed to be interested in 70,148,000 shares, being the interests beneficially held by his spouse, Madam Shen Ling Zhao.
2. The 2,268,403,000 shares are held by Grand Vision Group Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang.
3. The 795,718,000 shares are held by Hillfame Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang.
4. The 10,937,500 underlying shares which Mr. Wang is interested in derived from the share options granted by the Company to Mr. Wang on 6 November 2009 which entitle the holder thereof to subscribe for a total number of 10,937,500 shares at an exercise price of HK\$0.21 per share exercisable during the period from 6 November 2010 to 5 November 2019.

ADDITIONAL INFORMATION – continued

1. Directors' Interests in Shares and Underlying Shares – continued

Notes: – continued

5. The interests derived from share options granted by the Company on 6 November 2009 which entitle the holders thereof to subscribe for shares at an exercise price of HK\$0.21 per share exercisable during the period from 6 November 2010 to 5 November 2019.
6. Of the 27,120,874 underlying shares which Mr. Liu Hoi Keung ("Mr. Liu") is interested in, interest in 17,676,343 shares are derived from share options granted by the Company to Mr. Liu on 10 January 2008 which entitle the holder thereof to subscribe for a total number of 17,676,343 shares at an exercise price of HK\$0.477 per share exercisable during the period from 10 January 2009 to 9 January 2018, interest in 6,163,281 shares are derived from share options granted by the Company to Mr. Liu on 5 May 2008 which entitle the holder thereof to subscribe for a total number of 6,163,281 shares at an exercise price of HK\$0.183 per share exercisable during the period from 5 May 2008 to 4 May 2018, and interest in the remaining 3,281,250 shares are derived from share options granted by the Company to Mr. Liu on 6 November 2009 which entitle the holder thereof to subscribe for a total number of 3,281,250 shares at an exercise price of HK\$0.21 per share exercisable during the period from 6 November 2010 to 5 November 2019.

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

ADDITIONAL INFORMATION – continued

2. Substantial Shareholders' Interests

Other than as disclosed above in the section headed “Directors’ interests in shares and underlying shares” at 30 June 2012, the shareholders (other than Directors or chief executives of the Company) who had interests of 5% or more of short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long Positions in the Shares of the Company

Name of shareholder	Capacity	Number of shares beneficially held	Percentage of holding
Mr. Wang Zheng Chun	Interest held by spouse (Note 1)	70,148,000	1.66%
	Interest held by controlled corporation (Note 2)	2,268,403,000	53.69%
	Interest held by controlled corporation (Note 3)	795,718,000	18.84%
	Beneficial Owner (Note 4)	10,937,500	0.26%
		<u>3,145,206,500</u>	<u>74.45%</u>

Notes:

- Mr. Wang Zheng Chun is deemed to be interested in 70,148,000 shares, being the interest beneficially held by his spouse, Madam Shen Ling Zhao.
- The 2,268,403,000 shares are held by Grand Vision Group Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang Zheng Chun.
- The 795,718,000 shares are held by Hillfame Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Wang Zheng Chun.
- The 10,937,500 shares derived from share options granted by the Company to Mr. Wang Zheng Chun on 6 November 2009 which entitle the holder thereof to subscribe for a total number of 10,937,500 shares at an exercise price of HK\$0.21 per share exercisable during the period from 6 November 2010 to 5 November 2019.

ADDITIONAL INFORMATION – continued**2. Substantial Shareholders' Interests – continued**

Save as disclosed above and in the section headed “Directors’ interests in shares and underlying shares”, as at 30 June 2012, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. Share-Based Payment Transactions*Equity-Settled Share Option Scheme*

The Company operates a share option scheme (the “Share Option Scheme”) for the purposes of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Share Option Scheme became effective on 26 April 2002 and, unless otherwise cancelled or amended, the options will remain in force for 10 years from its date of grant of the share options.

The following table discloses the movements of the Company’s share options granted under the share option scheme:

Options granted on 18 August 2006

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2012	Number of share lapsed during this period	Number of share options at 30/6/2012
Directors	0.114	0.0319	note (i)	1,164,314	(1,164,314)	–
Employees	0.114	0.033	note (ii)	4,057,457	(4,057,457)	–
				5,221,771	(5,221,771)	–

There is no share option granted prior to 18 August 2006.

Notes:

- The share options are exercisable one year after 18 August 2006 until 10 April 2012.
- One-fifth of the share options granted to the employees will be vested annually in the next five years from 18 August 2006. The share options are exercisable once they become vested until 10 April 2012.

ADDITIONAL INFORMATION – continued**3. Share-Based Payment Transactions – continued***Equity-Settled Share Option Scheme – continued*

Options granted on 10 January 2008

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2012 and 30/6/2012
Director	0.477	0.4648	note (i)	<u>17,676,343</u>

Note:

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

Options granted on 7 March 2008

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2012	Number of share lapsed during this period	Number of share options at 30/6/2012
Employees	0.261	0.2935	note (i)	<u>6,884,864</u>	(353,070)	<u>6,531,794</u>

Note:

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

ADDITIONAL INFORMATION – continued**3. Share-Based Payment Transactions – continued***Equity-Settled Share Option Scheme – continued*

Options granted on 5 May 2008

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2012 and 30/6/2012
Director	0.183	0.1769	note (i)	<u>6,163,281</u>

Note:

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

Options granted on 6 November 2009

Category	Adjusted exercise price per share HK\$	Estimated fair value per share option at the date of grant HK\$	Exercisable period	Number of share options at 1/1/2012	Number of share lapsed during this period	Re-classification	Number of share options at 30/6/2012
Directors	0.210	0.1487	note (i)	28,437,500	–	3,281,250	31,718,750
Employees	0.210	0.1487	note (i)	15,312,500	(1,093,750)	(3,281,250)	10,937,500
				<u>43,750,000</u>	<u>(1,093,750)</u>	<u>–</u>	<u>42,656,250</u>

Note:

- (i) One-third of the share options granted will be vested annually in the next three years from 6 November 2010. The share options are exercisable until 5 November 2019.

ADDITIONAL INFORMATION – continued

4. Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sales or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2012.

5. Code on Corporate Governance

The Corporate Governance Report of the Board has been set out in our 2011 annual report. The Company has complied with the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2012, 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.

ADDITIONAL INFORMATION – continued

6. Securities Transactions by Directors

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors (the “Code of Conduct”), the terms of which are not less exacting than the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific inquiries to the directors, all directors confirmed that they have complied with the Code of Conduct for the six months ended 30 June 2012.

7. 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 three independent non-executive directors, Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Ho Hao Veng.

The Company’s interim result announcement and interim report for the six months ended 30 June 2012 have been reviewed by the external auditor Deloitte Touche Tohmatsu and the Audit Committee of the Company.

8. Remuneration Committee

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

The members of the Remuneration Committee comprise three independent non-executive directors, Mr. Ang Siu Lun, Lawrence, Mr. Ma Kwai Yuen and Mr. Ho Hao Veng and one executive director, Mr. Zheng Wei Chong.

9. Nomination Committee

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

The members of the Nomination Committee comprise two independent non-executive directors, Mr. Ang Siu Lun, Lawrence and Mr. Ma Kwai Yuen and one executive director, Mr. Wang Zheng Chun.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wang Zheng Chun
(*Chairman and Chief Executive Officer*)

Mr. Zheng Wei Chong
Mr. Zhang Xiu He
Mr. Xu Wen Cong
Mr. Cheung Man
Mr. Liu Hoi Keung

Independent Non-executive Directors

Mr. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack
(Retired on 18 May 2012)
Mr. Ho Hao Veng
(Redesignated on 2 May 2012)

Authorised Representatives

Mr. Zheng Wei Chong
Mr. Lam Ka Tak

Company Secretary

Mr. Lam Ka Tak

Audit Committee

Mr. Ma Kwai Yuen (*Chairman*)
Mr. Ho Hao Veng
Mr. Ang Siu Lun, Lawrence
Mr. Law Wing Tak, Jack
(Retired on 18 May 2012)

Remuneration Committee

Mr. Ho Hao Veng (*Chairman*)
Mr. Ang Siu Lun, Lawrence
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack
(Retired on 18 May 2012)
Mr. Zheng Wei Chong

Nomination Committee

Mr. Ang Siu Lun, Lawrence
(*Chairman*)
Mr. Ma Kwai Yuen
Mr. Law Wing Tak, Jack
(Retired on 18 May 2012)
Mr. Wang Zheng Chun

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Stock Code

2389

Website

www.genvon.com

Principal Bankers

Bank of Nanjing Co., Ltd.
Bank of China Limited
China Construction Bank Corporation
Hang Seng Bank Limited

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Head Office and Principal Place of Business

Suite 1101, 11/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

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