



建福集團控股有限公司

KENFORD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00464

INTERIM REPORT 2012



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lam Wai Ming (*Chairman*)
Tam Chi Sang (*Managing Director*)

Independent Non-Executive Directors

Chiu Fan Wa
Choi Hon Keung
Li Chi Chung
Li Tat Wah

COMPANY SECRETARY

Pang Kit Teng

AUDIT COMMITTEE

Chiu Fan Wa (*Chairman*)
Choi Hon Keung
Li Chi Chung
Li Tat Wah

NOMINATION COMMITTEE

Chiu Fan Wa (*Chairman*)
Choi Hon Keung
Li Chi Chung
Li Tat Wah

REMUNERATION COMMITTEE

Li Tat Wah (*Chairman*)
Chiu Fan Wa
Choi Hon Keung
Lam Wai Ming
Li Chi Chung
Tam Chi Sang

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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New Territories, Hong Kong
Telephone: (852) 2422 8198
Facsimile: (852) 2420 3199
Email: inform@kenford.com.hk

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

BDO Limited

LEGAL ADVISER

Sit, Fung, Kwong & Shum

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited
Dah Sing Bank Limited

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited
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CORPORATE WEBSITE

www.kenford.com.hk

STOCK CODE: 00464

HIGHLIGHTS

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Operating results		
Turnover	331,913	313,822
Gross profit	59,856	68,984
EBITDA	34,023	41,312
Operating profit	29,597	33,740
Net profit	20,061	30,034
Per share data		
	HK cents	HK cents
Earnings per share (Basic)	4.614	6.931
Earnings per share (Diluted)	4.598	6.927
Interim dividend per share	1.38	2.10
Net assets per share	79.1	68.8
Financial position		
	HK\$'000	HK\$'000
Cash and cash equivalents	126,942	139,725
Total assets	616,778	554,126
Net assets	344,043	298,265
Financial ratio		
Gross profit margin	18.0%	22.0%
EBITDA to revenue	10.3%	13.2%
Operating profit to revenue	8.9%	10.8%
Net profit to revenue	6.0%	9.6%
Return on equity	5.8%	10.1%
Net cash to equity	5.2%	13.4%

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2011 (the "current period") was HK\$331,913,000, an increase of 5.8% from HK\$313,822,000 of the corresponding period last year (the "last corresponding period"). This increase was primarily attributable to the growth of sales of electrical hair care products in the domestic China market and the ability to increase selling price to compensate in part for the huge surge in operating expenses.

Gross profit for the current period amounted to HK\$59,856,000, a decrease of 13.2% from HK\$68,984,000 in the last corresponding period. Gross profit over revenue ("gross profit margin") during the current period was 18% compared to 22% in the last corresponding period. The drop was mainly caused by the significant hikes in raw materials and labour costs, accompanied by the appreciation of Renminbi.

In line with the drop of gross profit, operating profit for the current period was HK\$29,597,000, a decrease of 12.3% from HK\$33,740,000 in the last corresponding period. The proportion of operating profit to revenue dropped to 8.9% compared to 10.8% in the corresponding period last year.

During the current period, the Group recognised a loss arising from changes in fair value of equity securities held for trading of HK\$2,646,000. As a result of the temporary market volatility, which happened immediately prior to 30 September 2011, fair value of these securities dropped significantly. Accordingly, the Group had to account for this drop in fair value in profit or loss. This item did not affect the cash flow of the Group for the current period.

Earnings before interest, tax, depreciation and amortization ("EBITDA") dropped to HK\$34,023,000, a decline of 17.6% from HK\$41,312,000 of the last corresponding period. Affected by the increase in operating expenses and the inclusion of the fair value loss on trading securities, EBITDA over revenue ("EBITDA Margin") was 10.3% compared to 13.2% of the last corresponding period. Had the fair value loss on the trading securities been excluded, the EBITDA Margin would have been 11%.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the current period dropped to HK\$20,061,000, a decrease of 33.2% from HK\$30,034,000 of the last corresponding period.

Basic earnings per share amounted to HK4.614 cents, a drop of 33.4% from HK6.931 cents of the corresponding period last year.

The Board of Directors (“The Board”) has resolved to declare an interim dividend of HK1.38 cents per share (six months ended 30 September 2010: HK2.1 cents), totalling HK\$6,057,179 (six months ended 30 September 2010: HK\$9,100,056).

BUSINESS REVIEW

Market Review

The Group is principally engaged in the design, manufacture and sale of electrical hair care products, electrical health care products and other small electrical household appliances. The Group’s manufacturing base is in Dongguan, the PRC, with its products mainly sold on Original Design Manufacturing (ODM), Original Equipment Manufacturing (OEM) and Original Brand Manufacturing (OBM) basis.

During the current period, the pace of global economic recovery slowed compared to the robust expansion last year. Troubled by the bearish America economy and the recent market turmoil caused mainly by the Euro Zone debt crisis, overall consumption of electrical goods in both North America and Europe was still weak. Amidst this challenging market environment, the demand for the Group’s hair care products in Asia, especially, China, showed promising double-digit growth.

With such a rise in demand, the Group was able to reduce the dependence on the European market to 43% in the current period from 52% in the last corresponding period. At the same time, the turnover contribution from Asia increased to 41% in the current period from 27% in the last corresponding period. As more and more consumers are longing for hair beauty products in emerging markets, like Colombia, Chile, Uruguay and the Ukraine, the Group believes that the geographical distribution of revenue should be more evenly distributed in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

During the current period, electrical hair care products still represented the Group's main revenue stream, accounting for approximately 96% of the total turnover. Within this product category, hair dryers led the way followed by hair straighteners, airbrush, curling tongs and hair crimpers. Other products such as heat sterilizers, footbaths, facial saunas, juicers, coffee makers and spare parts contributed the balance of 4%.

Most of the Group's customers are famous global brands. Our five major customers accounted for approximately 79% and 73% of the Group's total turnover in the current period and the last corresponding period, respectively.

Operations Review

Today's consumers are increasingly concerned about grooming of their hair in addition to styling. They are looking for hair dryers that can promise softer, shiner and healthier hair and hair straighteners that can leave the hair straight, shiny and smooth. The Group is able to meet their demands as most of our products boast the features of ionizing; ceramic coating; self-heat regulating; convenient cool-shot button (to cool hair quickly and hold a hair style); diffusing; removable air filter (to prevent overheating and breakdown) and are light in weight.

In order to sustain our competitiveness in this industry, the Group is devoting more resources to the research and development ("R&D") of new innovative and value-added applications for hair care products especially in the area of hair nutrition, over-heating signal, quiet performance and fast drying times. Besides our in-house R&D team, the Group also collaborates with university and other research teams in product development. The cooperation with The Hong Kong Polytechnic University and with research teams in Japan have provided cost-effective research results. The strengthened R&D enables the Group to more quickly develop and efficiently ramp up production of our new products. It also provides new business momentum for the Group to tap opportunities in this industry.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has faced operating challenges common to other manufactures in Mainland China, such as the appreciating Renminbi and increased operation costs and general expenses. Though there has been less pressure on the Renminbi to appreciate in the 3rd quarter, the market still believes this currency would appreciate to around 6.3 (per USD) by end of this year, a rise of approximately 4.6% for all 2011. Movements of all the metal commodities, such as copper; aluminium alloy, silvers, and plastic resin are very choppy given the uncertainty on the European debt issues. The monthly minimum wage in Dongguan increased from RMB920 to RMB1,100 commencing from March 2011. The Group's gross profit margin was heavily hit by these factors, as it was very difficult to pass all of the higher expenses on to customers.

The Group realises that in the long run, it is necessary to transform itself from a labour intensive operation into more of a capital-intensive enterprise. It has strived to improve the competitiveness of the production by adopting the "Lean Programme" since late 2010. The objective of this programme is to increase production efficiency and reduce cost waste. We have specially engaged a professional consultant and a lean manager to implement and monitor this long-term project. It is expected that capital investment of approximately HK\$18 million for production automation and set up will be spent in this fiscal year. As we are still in the early stage of this Programme, the cost saving result will not be realised in such a short period of time.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group's outstanding bank borrowings amounted to HK\$109,105,000 (31 March 2011: HK\$92,442,000). The borrowings comprised bank loan facilities of HK\$49,359,000 and trade finance facilities of HK\$59,746,000. The maturity profile of the Group's borrowings falling due within one year and in the second to the fifth year amounted to HK\$90,850,000 and HK\$18,255,000, respectively (31 March 2011: HK\$70,121,000 and HK\$22,321,000, respectively).

After deducting cash and cash equivalents of HK\$126,942,000 (31 March 2011: HK\$144,756,000), the Group has a net cash position of HK\$17,837,000 (31 March 2011: HK\$52,314,000) while the current ratio stood at 1.76 (31 March 2011: 1.86).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has been maintaining a healthy liquidity position and has continuously monitored sufficient financial resources to meet the working capital and capital expenditure requirement.

FOREIGN EXCHANGE EXPOSURE

The Group's financial statements were denominated in Hong Kong dollars. The Group carried out its business transactions mainly in United States dollars, Hong Kong dollars, Renminbi and Japanese Yen. As the Hong Kong dollars remained pegged to the United States dollars, there was no material exchange risk in this respect. To manage the appreciation of Renminbi, the Group has successfully increased its revenue in Mainland China in order to hedge Renminbi receipts and Renminbi payments. All of the Group's long-term bank loan facilities were denominated in Hong Kong dollars and carried interests at floating rates. Interest rate exposure was low.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2011, the Group employed 54 employees in Hong Kong (six months ended 30 September 2010: 58) and employed a total work force of approximately 2,722 (six months ended 30 September 2010: 3,035) inclusive of all its staff and workers in China. The Group's remuneration policy is built on the principle of equitable, incentive-based where applicable, performance-oriented and market-competitive remuneration packages to employees. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

OUTLOOK AND PROSPECTS

Our R&D team continues to work on new product development and we believe our product lines will expand and incorporate more features in the near future. The Lean Programme will increase overall productivity by minimising the reliance on headcount and smoothly cope with the future increase in demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Since China remains the brightest spot in the world economy, sales penetration in the domestic China market will be stepped up. Growth in emerging markets, such as Columbia, Chile, Uruguay and the Ukraine, is promising and the Group will continue to work with business partners to diversify its business in these regions.

Over the years, the Group's gross and net margins have registered promising performances addressing various challenges though we are confronting rising raw material and labour costs now. We are well equipped to face this volatile business environment by leveraging the resources of the Group. We expect our performance to deliver better returns for our shareholders.

SUPPLEMENTARY INFORMATION

SHARE CAPITAL

During the six months ended 30 September 2011, the listed shares of HK\$0.001 each in the share capital of the Company (the "Share") was 438,926,000 Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of HK\$0.001 each in the share capital of the Company during the period.

INTERIM DIVIDENDS

The directors of the Company (the "Directors") are pleased to declare an interim dividend of HK1.38 cents per Share (six months ended 30 September 2010: HK2.1 cents) for the six months ended 30 September 2011, to be paid to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 15 December 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 December 2011 to Thursday, 15 December 2011, both days inclusive, during which period no transfers of Shares duly accompanied by the relevant Share certificates, and the appropriate transfer forms must be lodged for registration with the Company's share register in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 9 December 2011. The record date will be on Thursday, 15 December 2011. The last day in Hong Kong of dealings in the Shares with entitlement to interim dividend will be on Wednesday, 7 December 2011. Shares will be traded ex-dividend as from Thursday, 8 December 2011. The interim dividend will be paid on Tuesday, 3 January 2012.

SUPPLEMENTARY INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 30 September 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in the Shares of the Company

Name of Director	Nature of interest	Total number of Shares	Approximate percentage of issued shares
Mr. Lam Wai Ming	Corporate interest	244,800,000 <i>(Note 1)</i>	55.78%
	Personal	395,000	0.09%
Mr. Tam Chi Sang	Corporate interest	244,800,000 <i>(Note 2)</i>	55.78%
	Personal	395,000	0.09%

SUPPLEMENTARY INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SHARES OF THE COMPANY (Continued)

Long position in the Shares of the Company (Continued)

Notes:

- (1) Mr. Lam Wai Ming was taken to be interested in an aggregate of 244,800,000 Shares held by Achieve Best Limited ("**Achieve Best**") and Beaute Inc ("**Beaute**") respectively, of which
 - (a) 40,800,000 Shares were held by Achieve Best which was wholly-owned by Mr. Lam Wai Ming and he was the sole director of Achieve Best. Mr. Lam Wai Ming was therefore taken to be interested in the 40,800,000 Shares that Achieve Best was interested; and
 - (b) 204,000,000 Shares were held by Beaute which was owned as to 50% by Apex Prima Limited ("**Apex Prima**") and 50% by Potentasia Holdings Inc ("**Potentasia**"). Apex Prima was wholly-owned by Mr. Lam Wai Ming and Potentasia was wholly-owned by Mr. Tam Chi Sang. Mr. Lam Wai Ming was also a director of Beaute and the sole director of Apex Prima. Mr. Lam Wai Ming was therefore taken to be interested in the 204,000,000 Shares that Beaute was interested.
- (2) Mr. Tam Chi Sang was taken to be interested in an aggregate of 244,800,000 Shares held by Realchamp International Inc ("**Realchamp**") and Beaute respectively, of which
 - (a) 40,800,000 Shares were held by Realchamp which was wholly-owned by Mr. Tam Chi Sang and he was the sole director of Realchamp. Mr. Tam Chi Sang was therefore taken to be interested in the 40,800,000 Shares that Realchamp was interested; and
 - (b) 204,000,000 Shares were held by Beaute which was owned as to 50% by Apex Prima and 50% by Potentasia. Apex Prima was wholly-owned by Mr. Lam Wai Ming and Potentasia was wholly-owned by Mr. Tam Chi Sang. Mr. Tam Chi Sang was also a director of Beaute and the sole director of Potentasia. Mr. Tam Chi Sang was therefore taken to be interested in the 204,000,000 Shares that Beaute was interested.

Long position in the underlying shares of the Company

Details are set out in the section headed "SHARE OPTION SCHEME" below.

SUPPLEMENTARY INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 30 September 2011, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the shares of the Company

Name of substantial shareholder	Number of Shares held	Approximate percentage of issued Shares
Beaute	204,000,000	46.48%
Apex Prima (<i>Note 1</i>)	204,000,000	46.48%
Potentasia (<i>Note 2</i>)	204,000,000	46.48%
Achieve Best	40,800,000	9.30%
Realchamp	40,800,000	9.30%

Notes:

1. Apex Prima was taken to be interested in an aggregate of 204,000,000 Shares held by Beaute which was owned as to 50% by Mr. Lam Wai Ming and 50% by Mr. Tam Chi Sang through their respective interests in Apex Prima and Potentasia.
2. Potentasia was taken to be interested in an aggregate of 204,000,000 Shares held by Beaute which was owned as to 50% by Mr. Lam Wai Ming and 50% by Mr. Tam Chi Sang through their respective interests in Apex Prima and Potentasia.

Save as disclosed above, as at 30 September 2011, no person (other than Directors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

SUPPLEMENTARY INFORMATION

SHARE OPTION SCHEME

On 27 May 2005, the Company adopted the Share Option Scheme which will remain in force for a period of ten (10) years.

Particulars of outstanding options under Share Option Scheme at the beginning and at the end of the financial period for the six months ended 30 September 2011 and the details of shares options granted, exercised, cancelled and lapsed during the period were as follows:

Name or category of grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	Outstanding at beginning of the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period
Director							
Lam Wai Ming	22 February 2010	2011.02.22 – 2015.05.26	0.5	395,000	395,000	0	0
Tam Chi Sang	22 February 2010	2011.02.22 – 2015.05.26	0.5	395,000	395,000	0	0
				790,000	790,000	0	0
Senior Management	22 February 2010	2011.02.22 – 2015.05.26 <i>(Note 1(ii))</i>	0.5	4,800,000	4,800,000	0	0
Senior Management	22 February 2010	2012.02.22 – 2015.05.26 <i>(Note 1(ii))</i>	0.5	3,600,000	0	0	3,600,000
Senior Management	22 February 2010	2013.02.22 – 2015.05.26 <i>(Note 1(iii))</i>	0.6	3,600,000	0	0	3,600,000
				12,000,000	4,800,000	0	7,200,000
Total				12,790,000	5,590,000	0	7,200,000

SUPPLEMENTARY INFORMATION

SHARE OPTION SCHEME (Continued)

Notes:

1. These 12,000,000 options are exercisable from 22 February 2011 to 26 May 2015 (both days inclusive) subject to the following exercisable periods:
 - (i) the first 40% will be exercisable from 22 February 2011 at an exercise price of HK\$0.5 per share;
 - (ii) the next 30% will be exercisable from 22 February 2012 at an exercise price of HK\$0.5 per share; and
 - (iii) the remaining 30% will be exercisable from 22 February 2013 at an exercise price of HK\$0.6 per share.

Save as disclosed above, no options were granted, cancelled and lapsed by the Company under the Share Options Scheme during the six months ended 30 September 2011.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period were there any rights to acquire benefits by means of the acquisition of securities of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CORPORATE GOVERNANCE

Corporate Governance Practices

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2011, except for the deviation from the CG Code Provision A.2.1 explained in the following relevant section.

SUPPLEMENTARY INFORMATION

To enhance accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders, the Company is dedicated to develop the appropriate framework of corporate governance for the Group. The Group will keep on implementing and reviewing our corporate governance practices and procedures from time to time for ensuring the commitment of the corporate governance standard and striving for the enhancement of shareholder value.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2011.

Board of Directors

During the period, the Board of Directors appointed Mr. Choi Hon Keung as an Independent Non-Executive Director. The Board of Directors of the Company comprises six Directors, of which two are Executive Directors, namely, Mr. Lam Wai Ming (Chairman) and Mr. Tam Chi Sang (Managing Director) and four are Independent Non-Executive Directors, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung, and Mr. Li Tat Wah.

CG 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. Lam Wai Ming holds the position of Chairman currently and is deemed to be the Chief Executive Officer. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies and development plans. The Board believes that the balance of power and authority is adequately ensured.

SUPPLEMENTARY INFORMATION

Code Provision A.1.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the six months ended 30 September 2011, the Company had convened two Board meeting with the formal notice and agenda issued to all the Directors before the intended dates of the meetings. In view of good corporate governance practices, the Board has scheduled the meetings' calendar on a regular basis. It is expected that there will be at least four Board meetings to be convened for the financial year ending 31 March 2012.

Remuneration Committee

The remuneration committee of the Company (the “**Remuneration Committee**”) was established to formulate remuneration policy for the Board’s approval. It has adopted the terms of reference in line with the CG Code Provisions set out in the CG Code under Appendix 14 of the Listing Rules. During the period, the Board of Directors appointed Mr. Choi Hon Keung as a member of the Remuneration Committee. The Remuneration Committee comprises four Independent Non-Executive Directors namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung, and Mr. Li Tat Wah and two Executive Directors namely, Mr. Lam Wai Ming and Mr. Tam Chi Sang. Mr. Li Tat Wah was appointed as chairman of the Remuneration Committee.

Nomination Committee

The nomination committee of the Company (the “**Nomination Committee**”) was established to formulate nomination policy for consideration by the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference in line with the CG Code Provisions set out in the CG Code under Appendix 14 of the Listing Rules. During the period, the Board of Directors appointed Mr. Choi Hon Keung as a member of the Nomination Committee. The Nomination Committee comprises four Independent Non- Executive Directors namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung, and Mr. Li Tat Wah. Mr. Chiu Fan Wa was appointed as the chairman of the Nomination Committee.

SUPPLEMENTARY INFORMATION

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) was established on 29 April 2005 with written terms of reference in compliance with the Listing Rules. During the period, the Board of Directors appointed Mr. Choi Hon Keung as a member of the Audit Committee. The Audit Committee comprises four Independent Non-Executive Directors, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung, and Mr. Li Tat Wah. Mr. Chiu Fan Wa, who is a qualified accountant with appropriate professional qualification and experience in financial matters, was appointed as the chairman of the Audit Committee. None of the Audit Committee members are members of the former or existing auditors of the Company.

The Audit Committee together with the management, has reviewed the accounting principles and practices adopted by the Group and has discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2011.

PUBLICATION OF INTERIM RESULTS

All details on the financial and related information of the Company containing all information as required by paragraph 46(1) to 46(9) of Appendix 16 to the Listing Rules are published on the website of the Stock Exchange. It will also be dispatched to shareholders and available to the public for collection in the following places in late November 2011:

1. Principal Place of Business in Hong Kong: Room 1106-8, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong;
2. Website: www.kenford.com.hk

SUPPLEMENTARY INFORMATION

INTERNAL CONTROL AND RISK MANAGEMENT

The Company has set up an internal audit department in February 2008. The Audit Committee reviewed and discussed internal control matters with the internal auditor in June 2011. Then the internal auditor has prepared a priority list to follow up the outstanding of internal control system to the Audit Committee and further discussed with the management of the Group. The directors of the Company will conduct the interim review of the effectiveness of the system of internal control of the Group which cover all material controls, including financial, operational and compliance control and risk management functions.

OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes from the information disclosed in the latest annual report of the Company or such changes are considered not significant to the Group's operations, and thus no additional disclosure has been made in this report.

GENERAL

As at the date of this report, the Board of the Company comprises two Executive Directors, namely Mr. Lam Wai Ming (Chairman) and Mr. Tam Chi Sang (Managing Director) and four Independent Non-Executive Directors, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung, and Mr. Li Tat Wah.

By Order of the Board
KENFORD GROUP HOLDINGS LIMITED
LAM WAI MING
Chairman

Hong Kong, 22 November 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

		Six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<i>Notes</i>			
Turnover	3	331,913	313,822
Cost of sales		(272,057)	(244,838)
Gross profit		59,856	68,984
Other income and gains		11,244	5,160
Distribution costs		(5,135)	(5,165)
Administrative expenses		(36,368)	(35,239)
Operating profit		29,597	33,740
Fair value (loss)/gain on equity securities held for trading	6	(2,646)	373
Finance income		96	123
Finance costs		(590)	(616)
Profit before income tax expense	6	26,457	33,620
Income tax expense	7	(6,396)	(3,586)
Profit for the period attributable to owners of the Company		20,061	30,034
Other comprehensive income			
Exchange differences on translating foreign operations		3,673	2,138
Total comprehensive income for the period attributable to owners of the Company		23,734	32,172
Earnings per share (HK cents)	8		
– Basic		4.614	6.931
– Diluted		4.598	6.927
DIVIDENDS	9	6,057	9,100

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	<i>Notes</i>	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	11	155,666	158,678
Payments for leasehold land held for own use under operating leases		3,963	3,944
Goodwill		1,403	1,403
Total non-current assets		161,032	164,025
Current assets			
Inventories		143,167	92,817
Trade and bills receivables	12	169,271	143,505
Deposits, prepayments and other receivables		10,586	10,782
Equity securities held for trading	13	5,780	8,426
Cash and cash equivalents		126,942	144,756
Total current assets		455,746	400,286
Total assets		616,778	564,311
Liabilities			
Current liabilities			
Trade payables	14	106,626	83,928
Accruals and other payables		32,603	29,513
Borrowings		108,236	91,325
Obligations under finance leases – due within one year		506	499
Current tax liabilities		10,936	10,192
Total current liabilities		258,907	215,457

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

<i>Notes</i>	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Non-current liabilities		
Obligations under finance leases		
– due after one year	363	618
Deferred tax liabilities	13,465	13,166
Total non-current liabilities	13,828	13,784
Total liabilities	272,735	229,241
Net current assets	196,839	184,829
Total assets less current liabilities	357,871	348,854
NET ASSETS	344,043	335,070
Capital and reserves attributable to owners of the Company		
Share capital	439	433
Share premium	58,873	55,496
Merger reserve	942	942
Properties revaluation reserve	43,553	43,553
Exchange fluctuation reserve	13,019	9,346
Share-based compensation reserve	574	1,162
Proposed dividends	6,057	17,333
Retained profits	220,586	206,805
TOTAL EQUITY	344,043	335,070

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash (used in)/from operating activities	(25,976)	8,472
Net cash from/(used in) investing activities	5,151	(6,083)
Net cash from/(used in) financing activities	1,314	(6,631)
Net decrease in cash and cash equivalents	(19,511)	(4,242)
Cash and cash equivalents at beginning of period	144,756	142,896
Effect of foreign exchange rate changes	1,697	1,071
Cash and cash equivalents at end of period	126,942	139,725
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	126,942	139,725

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

Attributable to owners of the Company

	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Merger reserve HK\$'000 (unaudited)	Properties revaluation reserve HK\$'000 (unaudited)	Exchange fluctuation reserve HK\$'000 (unaudited)	Share-based compensation reserve HK\$'000 (unaudited)	Proposed dividends HK\$'000 (unaudited)	Retained profits HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 1 April 2011	433	55,496	942	43,553	9,346	1,162	17,333	206,805	335,070
Profit for the period	-	-	-	-	-	-	-	20,061	20,061
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	-	3,673	-	-	-	3,673
Total comprehensive income for the period	-	-	-	-	3,673	-	-	20,061	23,734
Issue of shares by exercise of share options	6	3,377	-	-	-	(588)	-	-	2,795
2011 final dividend paid	-	-	-	-	-	-	(12,133)	-	(12,133)
2011 special dividend paid	-	-	-	-	-	-	(5,200)	-	(5,200)
Under-provision of 2011 dividend	-	-	-	-	-	-	-	(223)	(223)
2012 proposed interim dividend	-	-	-	-	-	-	6,057	(6,057)	-
At 30 September 2011	439	58,873	942	43,553	13,019	574	6,057	220,586	344,043

	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Merger reserve HK\$'000 (unaudited)	Properties revaluation reserve HK\$'000 (unaudited)	Exchange fluctuation reserve HK\$'000 (unaudited)	Share-based compensation reserve HK\$'000 (unaudited)	Proposed dividends HK\$'000 (unaudited)	Retained profits HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 1 April 2010	433	55,496	942	36,036	4,442	1,162	15,166	167,582	281,259
Profit for the period	-	-	-	-	-	-	-	30,034	30,034
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	-	2,138	-	-	-	2,138
Total comprehensive income for the period	-	-	-	-	2,138	-	-	30,034	32,172
2010 final dividend paid	-	-	-	-	-	-	(10,833)	-	(10,833)
2010 special dividend paid	-	-	-	-	-	-	(4,333)	-	(4,333)
2011 proposed interim dividend	-	-	-	-	-	-	9,100	(9,100)	-
At 30 September 2010	433	55,496	942	36,036	6,580	1,162	9,100	188,516	298,265

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

1. GENERAL INFORMATION

Kenford Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 10 November 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 June 2005. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is at Room 1106-8, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances.

These condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The preparation of these condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

These condensed consolidated interim financial statements include selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2011. These condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA. HKFRSs include all applicable HKFRSs, HKASs and related interpretations. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2011.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for leasehold land and buildings in Hong Kong, buildings in the People’s Republic of China which are measured at revalued amounts, and equity securities which are carried at fair value with changes in fair value recognised in profit or loss.

Except for the adoption of the following new or revised HKFRSs, the accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2011.

The Group has adopted the following new and revised HKFRSs that are relevant to the Group and are effective for accounting periods beginning on 1 April 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Following the adoption of amendment to HKAS 34, as part of the Improvements to HKFRSs 2010, it emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

There was no material impact as a result of the adoption of other revised HKFRSs.

3. TURNOVER

The Group is principally engaged in the design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances. Turnover represents the net invoiced value of goods sold which is the most significant category of revenue during the period.

4. SEASONALITY OF OPERATIONS

The Group on average experiences higher sales in the second and third quarters of the financial year, compared to other quarters in the financial year, due to the increased retail demand for its products during the Christmas holiday period. The Group anticipates this demand by increasing its production to build up inventories during the second quarter of the financial year. Those built-up inventories still held at the end of the interim reporting period are sold off in the third quarter of the financial year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

5. SEGMENT INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision-maker (i.e. the board of directors) for the purposes of assessing segment performance and allocating resources.

The Group has one reportable segment, which is design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances and as a result, segment assets and liabilities, revenue and expenses are allocated to that single reportable segment.

The measure used for reportable segment profit is profit before income tax expense.

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue from external customers	331,913	313,822
Segment profit	26,457	33,620

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

5. SEGMENT INFORMATION (Continued)

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Segment assets	616,778	564,311

An analysis of the Group's revenue by geographical location of external customers is as follows:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Europe	144,064	163,096
Asia	135,358	83,785
North and South America	40,362	48,012
Australia	9,243	9,080
Africa	2,886	9,849
	331,913	313,822

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Cost of inventories recognised as expenses	272,057	244,838
Depreciation of property, plant and equipment	7,025	7,153
Amortisation of payments for leasehold land held for own use under operating leases	47	46
Interest on:		
– bank loans wholly repayable within five years	245	284
– trust receipt loans	318	295
– finance leases	27	37
	590	616
Loss on disposal of property, plant and equipment, net	36	1
Write down of inventories	–	1,129
(Reversal of impairment)/Impairment of trade receivables	(300)	162
Exchange losses, net	500	87
Fair value loss/(gain) on equity securities held for trading	2,646	(373)
Dividend income from equity securities held for trading	(86)	(38)
Interest income	(96)	(123)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

7. INCOME TAX EXPENSE

The amount of income tax expense charged to the condensed consolidated statement of comprehensive income represents:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	90	2,439
– PRC Enterprise Income Tax (“EIT”)	6,306	1,309
	6,396	3,748
Deferred tax	–	(162)
Income tax expense	6,396	3,586

No provision for income tax for group entities in the Cayman Islands or the British Virgin Islands has been made as these entities had no income assessable for income tax purposes in these jurisdictions for current and prior periods.

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2010: 16.5%) of the estimated assessable profits for the period.

Group entities operating in the PRC are subject to EIT at a rate of 25% (six months ended 30 September 2010: 25%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	20,061	30,034
	Number of shares	
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	434,791	433,336
Effect of dilutive potential ordinary shares: – options	1,554	265
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	436,345	433,601
Basic earnings per share (HK cents)	4.614	6.931
Diluted earnings per share (HK cents)	4.598	6.927

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

9. DIVIDENDS

The Board recommends the payment of interim dividend for the six months ended 30 September 2011 at the rate of HK1.38 cents per share, totalling HK\$6,057,179, payable on 3 January 2012 to the shareholders of the Company (six months ended 30 September 2010: HK2.1 cents per share, totalling HK\$9,100,056).

The amount of interim dividend is based on 438,926,000 shares (six months ended 30 September 2010: 433,336,000 shares) in issue as at 22 November 2011.

10. SHARE-BASED PAYMENTS

The Company operates an equity-settled share-based remuneration for directors and other senior management.

Details and movements of the share options are as follows:

	30 September 2011 (Unaudited)		31 March 2011 (Audited)	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
Outstanding at beginning of the period/year	0.53	12,790,000	0.53	12,790,000
Exercised during the period/year	0.50	(5,590,000)	–	–
Outstanding at end of period/year	0.55	7,200,000	0.53	12,790,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

10. SHARE-BASED PAYMENTS (Continued)

The weighted average exercise price of options outstanding at the end of reporting period was HK\$0.55 (31 March 2011: HK\$0.53) and their weighted average remaining contractual life was 2.35 years (31 March 2011: 2.52 years).

In accordance with HKFRS 2, the fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$4,586,000 (six months ended 30 September 2010: HK\$6,214,000) on the acquisition of property, plant and equipment and disposal of property, plant and equipment with an aggregate carrying amount of approximately HK\$2,605,000 (six months ended 30 September 2010: HK\$10,800).

12. TRADE AND BILLS RECEIVABLES

In general, the credit terms granted by the Group ranged from 14 to 90 days.

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Trade receivables	144,495	125,868
Bills receivables	24,776	17,637
	169,271	143,505

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

12. TRADE AND BILLS RECEIVABLES (Continued)

The aging analysis of trade receivables, net of impairment, prepared based on delivery date is as follows:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Aged:		
Within 60 days	115,176	82,392
61 – 120 days	28,738	43,476
121 – 365 days	581	–
	144,495	125,868

The maturity dates of bills receivables are generally between one to three months.

13. EQUITY SECURITIES HELD FOR TRADING

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Equity securities held for trading		
– Listed in Hong Kong	5,780	8,426

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

14. TRADE PAYABLES

In general, the credit terms granted by suppliers agreed from 30 to 120 days. The aging analysis of trade payables prepared based on goods received date is as follows:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Aged:		
Within 60 days	97,847	76,938
61 – 120 days	6,265	5,461
121 – 365 days	2,135	1,167
More than 365 days	379	362
	106,626	83,928

15. CONTINGENT LIABILITIES

As at 30 September 2011, the Company has issued guarantees to certain financial institutions in respect to banking facilities made available to its subsidiaries of HK\$171,424,000 (31 March 2011: HK\$214,549,000). Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in event of any default and its liability shall at no time exceed the sum stated on the banking facilities letter.

As at 30 September 2011, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The amount utilised at the end of reporting period under the guarantees above is approximately HK\$109,105,000 (31 March 2011: HK\$92,442,000).

In the opinion of the directors, no material liabilities will arise from the above corporate guarantee which arose in the ordinary course of the business and the fair value of the guarantee granted by the Company is insignificant.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

16. COMMITMENTS

(a) Lease arrangements

The Group has future minimum lease payments in respect of staff quarters and production properties under non-cancellable operating leases, which are due for payments as follows:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Not later than one year	1,923	958
Later than one year and not later than five years	2,658	757
	4,581	1,715

(b) Capital commitments

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Commitments for acquisition of property, plant and equipment: – contracted for but not provided in the financial statements	12,718	2,238

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

17. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out in note 10 above, the Group has the following material related party transactions during the period:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Key management personnel compensation:		
– basic salaries and other allowances and benefits	18,836	16,902
– contributions to defined contribution plan	48	54
	18,884	16,956

18. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were authorised for issue by the Board on 22 November 2011.