



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

Kenford
Interim
Report
2013

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CORPORATE INFORMATION

BOARDS 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

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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Cayman) Limited

Butterfield House
68 Fort Street, P.O. Box 705
Grand Cayman KY1-1107
Caymen Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Operating results		
Turnover	299,360	331,913
Gross profit	49,382	59,856
EBITDA	22,651	34,023
Operating profit	14,410	26,951
Net profit	11,250	20,061
Per share data		
	HK cents	HK cents
Earnings per share (Basic)	2.563	4.614
Earnings per share (Diluted)	2.563	4.598
Interim dividend per share	0.78	1.38
Net assets per share	81.5	79.1
Financial position		
	HK\$'000	HK\$'000
Bank balances and cash	120,554	126,942
Net cash (Bank balances and cash less interest bearing borrowings)	62,156	17,837
Total assets	576,650	616,778
Net assets	357,912	344,043
Financial ratio		
Gross profit margin	16.5%	18.0%
EBITDA to revenue	7.6%	10.3%
Operating profit to revenue	4.8%	8.1%
Net profit to revenue	3.8%	6.0%
Return on equity	3.1%	5.8%
Net cash to equity	17.4%	5.2%

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2012 (the "current period") was HK\$299,360,000, a decrease of 9.8% from HK\$331,913,000 during the corresponding period last year (the "last corresponding period"). This drop was primarily attributable to the delay in the launch of new models in the domestic China market from the current period to the second half of the fiscal year, and the slowdown of global economy in the current period, which in turn reduced the demand for our products.

Gross profit for the current period amounted to HK\$49,382,000, a decrease of 17.5% from HK\$59,856,000 in the last corresponding period. Gross profit over revenue ("gross profit margin") during the current period was 16.5% compared to 18.0% in the last corresponding period. The decline was mainly contributed by the increase in labour costs and the surge in the appreciation of the Renminbi.

In line with the drop of gross profit, operating profit for the current period was HK\$14,410,000, representing a decrease of 46.5% from HK\$26,951,000 in the last corresponding period. Operating profit to revenue dropped to 4.8% compared to 8.1% in the last corresponding period.

During the current period, the Group recognised a gain arising from changes in the fair value of equity securities held for trading of HK\$151,000 compared to a loss of HK\$2,646,000 in the last corresponding period. As a result of the temporary market volatility occurring immediately prior to 30 September 2012, the Group had to account for this increase 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 amortisation ("EBITDA") dropped to HK\$22,651,000, a decrease of 33.4% from HK\$34,023,000 in the last corresponding period. Affected by the increase in operating expenses, EBITDA over revenue ("EBITDA Margin") was 7.6% compared to 10.3% during the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the current period dropped to HK\$11,250,000, a decrease of 43.9% from HK\$20,061,000 in the last corresponding period.

Basic earnings per share amounted to HK2.563 cents, representing a decrease of 44.5% from HK4.614 cents in the last corresponding period.

The Board of Directors (“The Board”) has resolved to declare an interim dividend of HK0.78 cent per share (six months ended 30 September 2011: HK1.38 cents), totalling HK\$3,424,000 (six months ended 30 September 2011: HK\$6,057,000).

BUSINESS REVIEW

Market Review

The Group is principally engaged in the design, manufacture and sale of electrical haircare products, electrical healthcare 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 ambivalent economic indicators observed in US, the ongoing European debt crisis and the alarming signals of a slowdown in China’s economic growth had weakened the overall worldwide consumption of electrical goods. Amidst this challenging market environment, the double-digit growth increase in demand for the Group’s haircare products in Germany, Russia and Thailand has been encouraging. This rising demand has increased the turnover contribution from the European Market to 47% during the current period from 43% over the last corresponding period.

The delay in the launching of new models in the domestic China market from the current period to the second half of the year led to a slight decrease in the turnover contribution from Asia to 38% during the current period from 41% in the last corresponding period. The Group believes that the European Market and Asia will still be the major revenue contributors in terms of geographic location in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

During the current period, electrical haircare products still represented the Group's main revenue stream accounting for approximately 98% of the total turnover. Within this product category, hair dryers led the way followed by hair straighteners, airbrushes, curling tongs and spilt tongs. Other products such as footbaths, juicers, coffee makers and spare parts contributed the remaining 2%.

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

Operation Review

The market demand for electrical products has been affected by the unsatisfactory global economies in the first half of 2012. The Group has faced a series of operating challenges common to other manufacturers in Mainland China, such as the appreciating Renminbi, and increased operation costs and general expenses. Though the Group's gross profit margin was hit by these factors, and it was very difficult to pass all the increased expenses on to customers, the Group still recorded an improvement in net cash and net cash to equity ratio.

In order to sustain our competitiveness in this industry, the Group is allocating more resources to the research and development ("R&D") of new innovative and value-added applications for haircare products especially in the area of hair nutrition, over-heating indicators, quiet performance and all-in-one multi-functionality so as to address the increasing concern of today's consumers' about grooming their hair in additional to styling. This means they are looking for a hair dryer that can promise softer, shiner and healthier hair, a hair straightener that can leave the hair straight, shiny and smooth and curling tongs that can curve the hair just right for that perfect hairstyle.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is able to meet their demands as most of our products provide a wide range of features including ionising, 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 lightweight for ease of use. During the period under review, the Group successfully incorporated a number of innovative features in its leading products. Highlights include a multi-function automatic beauty hair styler with both straightener and curling tong functions and a hairdryer with a new feature of ultrasonic mist generation that can penetrate the hair and enhance the health of the hair and scalp during the hair drying process.

Besides our in-house R&D team, the Group also collaborates with university and other outside research teams in product development. The cooperation with Hong Kong Polytechnic University and with research teams in Japan has delivered cost-effective research results. The strengthened R&D capabilities enable 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 and enhance its competitive advantage.

A key initiative of the Group is to transform itself from a labour intensive operation into a more capital-intensive enterprise. To implement this strategic transformation, the Group has continued to devote more resources to upgrade its manufacturing platform. Towards this end, it has strived to improve the competitiveness of its production system by adopting the "Lean Programme." The objective of this program is to increase production efficiency and eliminate wastage and, ultimately, reduce costs.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the Group had approximately HK\$120,554,000 bank balances and cash (31 March 2012: HK\$132,547,000). The net cash position after deducting all interest bearing borrowings was HK\$62,156,000 (31 March 2012: HK\$49,485,000) and the net cash to equity ratio was 17.4% (31 March 2012: 14.1%). The Group's net current assets were approximately HK\$206,242,000 (31 March 2012: HK\$202,359,000) and the current ratio was 2 (31 March 2012: 2).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2012, the Group's outstanding interest bearing borrowings amounted to HK\$58,398,000 (31 March 2012: HK\$83,062,000). Such borrowings comprised bank loan facilities of HK\$17,892,000, trade finance facilities of HK\$40,143,000 and the obligation under finance leases of HK\$363,000. The maturity profile of the Group's bank borrowings falling due within one year and in the second to the fifth year amounted to HK\$47,840,000 and HK\$10,195,000 respectively. (31 March 2012: HK\$68,389,000 and HK\$14,055,000, respectively)

The Group has maintained a healthy liquidity position and has continuously monitored sufficient financial resources to meet working capital and capital expenditure requirements.

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 dollar has remained pegged to the United States dollar, there was no material exchange risk in this respect. To manage the appreciation of Renminbi, the Group had successfully diversified its revenue sources in Mainland China in order to hedge Renminbi receipts and Renminbi payments. All of the Group's 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 2012, the Group employed 57 employees in Hong Kong (six months ended 30 September 2011: 54) and a total work force of approximately 2,384 (six months ended 30 September 2011: 2,722) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS

With the uncertainty of the global economy, the slowdown of domestic economic growth in Mainland China and the ripple effect arising from the launching of Quantitative Easing 3 in the US, the key challenges facing the Group in the coming year would be the shortage of labour, rising manufacturing and labour costs, volatile commodity prices and Renminbi appreciation.

Nevertheless, the Group has observed an encouraging growth in sales orders recently received. However, whether the sales growth momentum in the second half of this fiscal year would be sustained is still uncertain. The Group intends to continue new product development and believes its product range would expand further with more innovative features in the near future. The Lean Programme should increase overall productivity by minimising the reliance on headcount and more smoothly coping with the future increase in demand.

As one of the key global suppliers of stylish haircare products, the Group will continue to improve the gross profit margins and the operating profit by adjusting the product mix and also exerting more stringent controls over manufacturing overheads. It shall strive to maintain a healthy financial and liquidity position. The Group's strategic focus on developing lifestyle haircare products superior to traditional electrical appliances will remain unchanged.

SUPPLEMENTARY INFORMATION

SHARE CAPITAL

During the six months ended 30 September 2012, 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 HK0.78 cent per Share (six months ended 30 September 2011: HK1.38 cents) for the six months ended 30 September 2012, to be paid to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 20 December 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 December 2012 to Thursday, 20 December 2012, 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14 December 2012.

The record date will be on Thursday, 20 December 2012. The last day in Hong Kong of dealings in the Shares with entitlement to interim dividend will be on Wednesday, 12 December 2012. Shares will be traded ex-dividend as from Thursday, 13 December 2012. The interim dividend will be paid on Thursday, 10 January 2013.

SUPPLEMENTARY INFORMATION

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

As at 30 September 2012, 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	55.78%
	Personal	395,000 <i>(Note 1)</i>	0.09%
Mr. Tam Chi Sang	Corporate interest	244,800,000	55.78%
	Personal	395,000 <i>(Note 2)</i>	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 2012, 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 2012, 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 2012 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
Senior Management	22 February 2010	2012.02.22 – 2015.05.26 <i>(Note 1(i))</i>	0.5	3,360,000	0	0	3,360,000
Senior Management	22 February 2010	2013.02.22 – 2015.05.26 <i>(Note 1(ii))</i>	0.6	3,360,000	0	0	3,360,000
Total				6,720,000	0	0	6,720,000

Notes:

- These options are exercisable from 22 February 2012 to 26 May 2015 (both days inclusive) subject to the following exercisable periods:
 - will be exercisable from 22 February 2012 at an exercise price of HK\$0.5 per share; and
 - 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 2012.

SUPPLEMENTARY INFORMATION

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 2012, except for the deviation from the CG Code Provision A.2.1 explained in the following relevant section.

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 2012.

SUPPLEMENTARY INFORMATION

Board of Directors

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.

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 2012, the Company had convened two Board meetings 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 2013.

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. 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.

SUPPLEMENTARY INFORMATION

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. 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.

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. 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 2012.

SUPPLEMENTARY INFORMATION

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 early December 2012:

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

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 2012. 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.

SUPPLEMENTARY INFORMATION

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, 27 November 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended 30 September	
	Notes	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	3	299,360	331,913
Cost of sales		(249,978)	(272,057)
Gross profit		49,382	59,856
Other income, gains and losses		6,734	8,598
Distribution costs		(5,841)	(5,135)
Administrative expenses		(35,865)	(36,368)
Operating profit		14,410	26,951
Interest income	6	75	96
Finance costs	6	(689)	(590)
Profit before income tax expense	6	13,796	26,457
Income tax expense	7	(2,546)	(6,396)
Profit for the period attributable to owners of the Company		11,250	20,061
Other comprehensive (expenses)/ income			
Exchange differences on translating foreign operations		(2,401)	3,673
Total comprehensive income for the period attributable to owners of the Company		8,849	23,734
Earnings per share (HK cents)	8		
– Basic		2.563	4.614
– Diluted		2.563	4.598

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	<i>Notes</i>	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	11	159,702	157,927
Prepaid lease payments		3,866	3,933
Goodwill		1,403	1,403
Total non-current assets		164,971	163,263
Current assets			
Inventories		125,372	111,891
Trade and bills receivables	12	139,179	139,876
Deposits, prepayments and other receivables		23,819	15,874
Equity securities held for trading	13	2,755	2,604
Bank balances and cash		120,554	132,547
Total current assets		411,679	402,792
Total assets		576,650	566,055
Liabilities			
Current liabilities			
Trade payables	14	120,838	80,168
Accruals and other payables		20,148	28,378
Bank borrowings		58,035	82,444
Obligations under finance leases – due within one year		363	514
Current tax liabilities		6,053	8,929
Total current liabilities		205,437	200,433

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Non-current liabilities		
Obligations under finance leases		
– due after one year	–	104
Deferred tax liabilities	13,301	13,383
Total non-current liabilities	13,301	13,487
Total liabilities	218,738	213,920
Net current assets	206,242	202,359
Total assets less current liabilities	371,213	365,622
NET ASSETS	357,912	352,135
Capital and reserves		
Share capital	439	439
Reserves	357,473	351,696
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	357,912	352,135

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash from/(used in) operating activities	26,030	(25,976)
Net cash (used in)/from investing activities	(10,382)	5,151
Net cash (used in)/from financing activities	(28,426)	1,314
Net decrease in cash and cash equivalents	(12,778)	(19,511)
Cash and cash equivalents at beginning of period	132,547	144,756
Effect of foreign exchange rate changes	785	1,697
Cash and cash equivalents at end of period, represented by bank balances and cash	120,554	126,942

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

Attributable to owners of the Company

	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Merger reserve HK\$'000 (unaudited)	Revaluation reserve HK\$'000 (unaudited)	Exchange translation reserve HK\$'000 (unaudited)	Share option reserves HK\$'000 (unaudited)	Proposed dividends HK\$'000 (unaudited)	Retained profits HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 1 April 2012	439	58,873	942	46,110	13,806	536	3,072	228,357	352,135
Profit for the period	-	-	-	-	-	-	-	11,250	11,250
Other comprehensive expense									
- Exchange differences on translating foreign operations	-	-	-	-	(2,401)	-	-	-	(2,401)
Total comprehensive (expenses)/income for the period	-	-	-	-	(2,401)	-	-	11,250	8,849
2012 final dividend paid (<i>note 9</i>)	-	-	-	-	-	-	(3,072)	-	(3,072)
2013 proposed interim dividend (<i>note 9</i>)	-	-	-	-	-	-	3,424	(3,424)	-
At 30 September 2012	439	58,873	942	46,110	11,405	536	3,424	236,183	357,912

	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Merger reserve HK\$'000 (unaudited)	Revaluation reserve HK\$'000 (unaudited)	Exchange translation reserve HK\$'000 (unaudited)	Share option reserves 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 upon exercise of share options	6	3,377	-	-	-	(588)	-	-	2,795
2011 final dividend paid (<i>note 9</i>)	-	-	-	-	-	-	(12,133)	-	(12,133)
2011 special dividend paid (<i>note 9</i>)	-	-	-	-	-	-	(5,200)	-	(5,200)
Under-provision of 2011 dividend (<i>note 9</i>)	-	-	-	-	-	-	-	(223)	(223)
2012 proposed interim dividend (<i>note 9</i>)	-	-	-	-	-	-	6,057	(6,057)	-
At 30 September 2011	439	58,873	942	43,553	13,019	574	6,057	220,586	344,043

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

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 haircare products, electrical healthcare 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 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to 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").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

The condensed consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings in Hong Kong and buildings in the People's Republic of China ("PRC"), which are measured at revalued amounts, and equity securities held for trading which are carried at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2012.

In the current period, the Group has applied, for the first time, the following amendments:

- amendments to HKFRS 7 Financial instruments: Disclosures – Transfers of financial assets; and
- amendments to HKAS 12 Deferred tax: Recovery of underlying assets.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

3. TURNOVER

The Group is principally engaged in the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances. Turnover represents the sales value of goods supplied to customers.

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 and the Chinese New Year 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.

5. SEGMENT REPORTING

The Group determines its operating segment based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has one reportable segment, which is design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

5. SEGMENT REPORTING (Continued)

The Group's revenue by country of domicile of external customers is as follows:

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
PRC	65,671	83,471
Germany	34,953	19,595
Russia	22,145	14,850
Thailand	19,613	13,271
Italy	15,415	30,911
Other countries *	141,563	169,815
	299,360	331,913

* Other countries mainly represent United Kingdom, United States of America, Turkey and France.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Cost of inventories recognised as expenses	250,188	272,057
Depreciation of property, plant and equipment	8,193	7,025
Amortisation of prepaid lease payments	48	47
Interest on:		
– bank loans wholly repayable within five years	285	245
– trust receipt loans	384	318
– finance leases	20	27
	689	590
(Gain)/loss on disposal of property, plant and equipment, net	(228)	36
Reversal of write-down of inventories	(210)	–
Reversal of impairment of trade receivables	–	(300)
Exchange losses, net	54	500
Fair value (gain)/loss on equity securities held for trading	(151)	2,646
Dividend income from equity securities held for trading	–	(86)
Interest income	(75)	(96)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	130	90
– PRC Enterprise Income Tax (“EIT”)	2,416	6,306
Income tax expense	2,546	6,396

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2011: 16.5%) of the estimated assessable profits for the period.

Subsidiaries operating in the PRC are subject to EIT at a rate of 25% (six months ended 30 September 2011: 25%).

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	11,250	20,061

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

8. EARNINGS PER SHARE (Continued)

	Number of shares	
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	438,926	434,791
Effect of dilutive potential ordinary shares:		
– options	–	1,554
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	438,926	436,345
Basic earnings per share (HK cents)	2.563	4.614
Diluted earnings per share (HK cents)	2.563	4.598

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of shares for the six months ended 30 September 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

9. DIVIDENDS

The directors recommends an interim dividend of HK0.78 cent per share, totalling HK\$3,424,000 for the six months ended 30 September 2012 (six months ended 30 September 2011: HK1.38 cents per share, totalling HK\$6,057,000), payable on 10 January 2013 to the shareholders of the Company.

During the current period, a final dividend of HK0.7 cent per share in respect of the year ended 31 March 2012 (2011: a final dividend of HK2.8 cents per share and special dividend of HK1.2 cents per share in respect of the year ended 31 March 2011) was declared and paid to the owners of the Company. The aggregate amount of the dividend declared and paid in the current period amounted to HK\$3,072,000 (2011: HK\$17,556,000).

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 2012 (Unaudited)		31 March 2012 (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	0.55	6,720,000	0.53	12,790,000
Exercised during the period/year	-	-	0.50	(5,590,000)
Lapsed during the period/year	-	-	0.55	(480,000)
Outstanding at end of period/year	0.55	6,720,000	0.55	6,720,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

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 2012: HK\$0.55) and their weighted average remaining contractual life was 1.35 years (31 March 2012: 1.85 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 option reserve.

11. PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group spent approximately HK\$10,938,000 (six months ended 30 September 2011: HK\$4,586,000) on the acquisition of property, plant and equipment and disposal of property, plant and equipment with an aggregate carrying amount of approximately HK\$1,593,000 (six months ended 30 September 2011: HK\$2,605,000).

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's leasehold land and buildings as at the end of the current period is carried at revalued amounts does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current period.

12. TRADE AND BILLS RECEIVABLES

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

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Trade receivables	131,133	131,581
Bills receivables	8,046	8,295
	139,179	139,876

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

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 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Aged:		
Within 60 days	109,449	98,309
61 – 120 days	21,014	25,855
121 – 365 days	554	4,952
Over 365 days	116	2,465
	131,133	131,581

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

13. EQUITY SECURITIES HELD FOR TRADING

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Equity securities held for trading – Listed in Hong Kong	2,755	2,604

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

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 2012 (Unaudited) HK\$'000	30 March 2012 (Audited) HK\$'000
Aged:		
Within 60 days	113,158	67,318
61 – 120 days	3,584	9,596
121 – 365 days	3,552	2,736
More than 365 days	544	518
	120,838	80,168

15. CAPITAL COMMITMENTS

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Commitments for acquisition of property, plant and equipment:		
– contracted for but not provided in the financial statements	7,212	4,632

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

16. 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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Key management personnel compensation:		
– basic salaries and other allowances and benefits	9,363	18,836
– contributions to defined contribution plan	56	48
	9,419	18,884

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, including directors and other senior management, totalling 8 individuals (six months ended 30 September 2011: 8 individuals).

17. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were authorised for issue by the Board on 27 November, 2012.