



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
Annual
Report
2013

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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

Room 1106-8, Riley House

88 Lei Muk Road, Kwai Chung

New Territories, Hong Kong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman 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

For the year ended 31 March	2013 HK\$'000	2012 HK\$'000
Operating result		
Revenue	657,302	634,357
Gross profit	106,098	114,480
EBITDA	47,423	60,459
Net profit	21,283	30,866
Per share data		
	HK cents	HK cents
Earnings per share (Basic)	4.849	7.054
Earnings per share (Diluted)	4.849	7.042
Final dividend per share	0.820	0.700
Total dividend per share for the year	1.600	2.080
Net assets per share	86.388	80.227
Financial position		
	HK\$'000	HK\$'000
Cash and bank deposits	126,939	132,547
Total assets	587,211	566,055
Net assets	379,180	352,135
Financial ratio		
Gross profit margin	16.1%	18.0%
EBITDA to revenue	7.2%	9.5%
Net profit to revenue	3.2%	4.9%
Return on equity	5.6%	8.8%
Net cash to equity	16.4%	14.1%

Chairman's Statement

On behalf of the Board of Directors (the “**Board**”), I am pleased to present the audited consolidated financial results of Kenford Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2013.

The business environment for the financial year of 2012/2013 (the “**Financial Year**”) has been very challenging for many small electrical appliance manufacturers. While global economic prospects have improved modestly in the third quarter of 2012, we were able to achieve 20% growth in turnover in the second half of the financial year over the first half. The main sources of acceleration were the revival of lost turnover in the domestic China market, where the interim turnover was reduced by the delay in the launch of new models from the first half to the second half of the financial year, and the promising double-digit growth in the United States, which was a welcome surprise.

Unfortunately, the pool of both skilled and non-skilled labour continued to shrink in Guangdong province as many of the migrant workers chose to stay in their home provinces. Because of the shortage of labour, the Group had no choice but to pay higher wages and more overtime. The subsequent increase in labour costs compounded by the appreciation of the Renminbi intensified the operating pressures on the business, and as a result, adversely affected the Group's overall profitability.

For the financial year ended 31 March 2013, the Group's consolidated turnover was HK\$657,302,000 (2012: HK\$634,357,000). The Group's net profit was HK\$21,283,000 (2012: HK\$30,866,000). Our cash and bank deposits as at the end of this financial year was HK\$126,939,000 (2012: HK\$132,547,000). This healthy financial status with net cash position enables the Group to continue paying a satisfactory dividend.

The Board recommended a final dividend of HK0.82 cents per shares for the year. Together with an interim dividend of HK0.78 cents already paid, the total dividend per share would amount to HK1.60 cents per shares for the financial year, representing a payout ratio of 33%.

During the financial year, considerable effort has been made to redesign assembly processes and increase automation within our operations. The Group invested HK\$14,816,000 in upgrading the manufacturing equipment and facilities to improve production efficiency as part of its emphasis on cost rationalisation. The Group expects to maintain the level of this investment to be better prepared to capture future growth opportunities.

It is expected that the coming year of 2013/2014 would be full of challenges. We believe China's economic growth will probably continue to slide and struggle for momentum, and the economic prospects in Europe and US will improve with a bumpy recovery and skewed macroeconomic policies. Under these conditions, the Group shall strive to maintain healthy financial and liquidity positions.

Moving forward, our veteran management team will focus on formulating business strategies and continue to leverage our strong internal research and development capabilities and enhance collaboration with universities in Hong Kong to create innovative products with strong value-added features that can boost our margins. At the same time, the Group will implement stringent cost control measures to offset rising operating cost pressures. The strategic focus of the Group in developing lifestyle hair care products superior to traditional electrical appliances will remain unchanged. Guided by the motto of “Better Ideas, Better Design, Better Quality,” the Group will continue to enrich its product portfolio.

On behalf of the Board, I would like to extend my sincere gratitude to the entire workforce for their diligence and commitment during the year. I would further like to thank our shareholders for their confidence in the Group, our customers worldwide for their trust and support of our products and services, as well as our bankers and business partners for their ongoing support.

By Order of the Board

Lam Wai Ming

Chairman

Hong Kong, 28 June 2013

Management Discussion and Analysis

COMPANY PROFILE

Kenford Group Holdings Limited and its subsidiaries (the “Group”) was founded in 1984 and has been listed on the Hong Kong Stock Exchange since 2005. 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 is headquartered in Hong Kong with a manufacturing base in Dongguan, PRC.

The Group’s products are mainly sold on Original Design Manufacturing (ODM), Original Equipment Manufacturing (OEM) and Original Brand Manufacturing (OBM) bases. Its customers are mainly leading brand owners and importers who will then resell the products to beauty supply retailers and wholesalers, chain stores, mass merchandisers, warehouse clubs, catalogues and grocery stores.

Today’s consumers are increasingly concerned about grooming their hair in addition to styling. They are looking for hair dryers that can promise softer, shinier 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 following features: 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). Besides, they are light in weight.

The Group annually participates in the Hong Kong Electronics Fair Autumn Edition every October and the Exhibition of Cosmoprof Asia, Hong Kong every November so as to increase awareness of and promote products.

FINANCIAL REVIEW

For the year ended 31 March 2013, the Group recorded a turnover of HK\$657,302,000 (2012: HK\$634,357,000), an increase of 3.6% from the previous financial year. The slight increase in turnover was attributable to the increase of demand from our top brand overseas customers who benefitted from the improved consumer sentiment due to the gentle growth in the global economy especially in Germany, Russia, Thailand and the US.

During the Financial Year 2013, turnover attributable to the sales of electrical haircare products accounted for approximately HK\$647,282,000 (2012: HK\$623,184,000), representing about 98.5% (2012: 98.2%) of the turnover of the Group. The remaining HK\$10,020,000 (2012: HK\$11,173,000), representing about 1.5% (2012: 1.8%), was for the sales of electrical healthcare products and other small household electrical appliances.

During the year, the Group reported a gross profit of HK\$106,098,000 (2012: HK\$114,480,000), representing a gross profit margin of 16.1% (2012: 18.0%). The decrease was due to the increase of material prices and rising labour costs compounded by the appreciation of the Renminbi, all of which drove production costs upwards. Had we reclassified wages of HK\$6,662,000 under “Cost of sales” incurred by one of the major subsidiaries in Dongguan as salaries under “Administrative expenses” for the financial year ended 31 March 2012, similar to the current financial year’s presentation, the gross profit margin for 2012 would have been 19.1% instead of the 18.0% as stated above. The change of presentation for the financial year under review was caused by the complete restructuring of this subsidiary from a contract processing factory to a Wholly Foreign Owned Enterprise “WFOE” in August 2011.

Management Discussion and Analysis

In line with the drop of gross profit, profit before taxation for the year ended 31 March 2013 was HK\$30,072,000 (2012: HK\$44,618,000), representing a decrease of 32.6% from the previous financial year. The percentage of distribution costs and administrative expenses to turnover were about 1.8% and 11.8% respectively compared to 1.9% and 11.0% in the last financial year. The increase in administrative expenses was caused by the change of presentation as stated above.

Earning before interest expense, tax, depreciation and amortization (“**EBITDA**”) dropped to HK\$47,423,000 (2012: HK\$60,459,000), a decrease of 21.6% from the previous financial year. Affected by the increase in operating expenses, EBITDA over revenue (“**EBITDA Margin**”) was 7.2% compared to 9.5% in the previous financial year.

Profit for the year dropped to HK\$21,283,000, a decrease of 31.0% from HK\$30,866,000 of the financial year ended 31 March 2012.

Basic earnings per share amounted to HK4.849 cents, a decrease of 31.3% from HK7.054 cents during the corresponding period last year.

The Board of Directors (“**The Board**”) has proposed a final dividend of HK0.82 cents per share (2012: a final dividend of HK0.7 cents), totalling HK\$3,599,000 (2012: HK\$3,072,000) for the financial year ended 31 March 2013. Together with the interim dividend of HK0.78 cents per share (2012: HK1.38 cents per share) already declared and paid, total dividends for the year amount to HK1.60 cents per share (2012: HK2.08 cents per share), representing a pay-out ratio of 33.0% (2012: 29.5%).

BUSINESS REVIEW

Market Review

During the financial year, the exports markets were improving. After the aftermath of the Global Financial Crisis, the overall consumption of haircare products in both the US and Europe showed a modest pickup in growth. We believe that if further crisis risks do not materialise and economic conditions continue to improve, global growth could be expected but only at a relatively slow pace in the coming year.

Despite this challenging market environment, the demand for the Group’s haircare products in most of markets did improve modestly. The Americas, Asia and Europe all showed promising growth of 10.9%, 3.9% and 3.4%, respectively, in turnover during this financial year. The turnover contribution from the Americas increased slightly to 10.6% during this financial year from 9.9% in the preceding financial year. At the same time, the turnover contribution from Asia remained flat at 42.7% in both financial years. And there was not much change from the turnover contribution from the European market with 42.5% and 42.6% in the financial year ended 31 March 2013 and 2012, respectively. As more and more consumers demand hair beautifying products in the emerging markets, such as Argentina, Panama, India, Brazil and Thailand, the Group believes that the geographical proportion of revenue should be more evenly distributed among the regions in the coming years.

Testimony to the Group’s quality is that most of the Group’s customers are famous global brands. Our five major customers have accounted for approximately 78.9% and 79.0% of the Group’s total turnover in the current financial year and the previous financial year, respectively.

Management Discussion and Analysis

Operation Review

With the PRC Government encouraging investors to change their processing factory operations into wholly foreign-owned enterprises (“WFOE”) through incentive schemes, the Group had completed the process of changing its Dongguan processing factory to a WFOE in August 2011.

The market demand for electrical products was adversely affected by the unsatisfactory performance of the global economy in the first half of 2012. With the improved global growth in the second half of the financial year, the Group was able to achieve a better turnover than in the previous financial year. Nevertheless, the Group has faced a series of operating challenges shared by other manufacturers in Mainland China, such as the appreciating Renminbi, along with increased operations 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 in its 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 addition to styling. During the financial year 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 novel ultrasonic mist generation feature 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 has delivered cost-effective research results. The strengthened R&D capabilities enable the Group to more quickly develop and efficiently ramp up production of its new products. It also provides new business momentum for the Group to more quickly tap opportunities in this industry and enhance its competitive advantage.

During the current financial year, the Group faced the same operating challenges as other manufacturers in Mainland China, such as slow recovery in exports markets, the appreciating Renminbi and increased operations costs and general expenses. The monthly minimum wage in Dongguan has been confirmed to increase from RMB1,100 to RMB1,310 effective May 2013. At the same time, the market still expects the RMB to appreciate by 2-3% by the end of this calendar year. But amidst the macroeconomic uncertainty, prices for metal commodities, such as copper, lead, and aluminium alloys, are stabilising, which can provide some relief to the cost pressures on the Group.

Labour shortage remained as a serious issue in China, which has led to significant increases in labour costs and has inevitably placed a heavier burden on the whole manufacturing process. To cope with this issue, a strategic direction of the Group is to transform itself from a labour-intensive operation into a more capital-intensive enterprise. To implement this 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 programme is to increase production efficiency and eliminate wastage and, ultimately, reduce costs.

The immediate goal of the Group is to monitor the on-going initiatives to both improve operational efficiency and invest in people and processes to support the long-term development of the Group.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group had approximately HK\$126,939,000 cash and bank deposits (2012: HK\$132,547,000). The Group's net current assets were approximately HK\$210,773,000 (2012: HK\$194,845,000). The current ratio of the Group as at 31 March 2013 was maintained at 2.1 (2012: 2.0) and the net cash to equity ratio (cash and bank deposits less the interest bearing borrowings over total equity) was 16.4% (2012: 14.1%).

As at 31 March 2013, the Group had aggregate banking facilities of HK\$164,542,000 (2012: HK\$176,643,000), of which HK\$64,590,000 (2012: HK\$83,062,000) was used. The borrowings comprised bank loan facilities of HK\$14,056,000 (2012: HK\$44,703,000), trade finance facilities of HK\$50,534,000 (2012: HK\$37,741,000) and nil obligation under finance leases (2012: HK\$618,000). The maturity profile of the Group's borrowings falling due within one year and in the second to the fifth year amounted to HK\$58,282,000 and HK\$6,308,000, respectively (2012: HK\$68,389,000 and HK\$14,055,000, respectively). The bank borrowings carry interest at rates ranging from HIBOR/LIBOR plus 0.4% to 2.25% (2012: 0.4% to 2.25%) or 1% below the Prime Rate (2012: 1%).

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

CHARGES ON ASSETS

The Group had no charges on assets as at 31 March 2013 (2012: Nil), except for the assets charged under finance leases.

FOREIGN EXCHANGE EXPOSURE

The Group's financial statements are denominated in United States dollars. The Group conducts its business transactions mainly in United States dollars, Hong Kong dollars and Renminbi. As the United States dollar remains pegged to the Hong Kong dollar, there is no material exchange risk in this respect. To manage the appreciation of the Renminbi, the Group has successfully increased its revenue in Mainland China in order to hedge Renminbi receipts and Renminbi payments on an ongoing basis. All of the Group's bank loan facilities were denominated in Hong Kong dollars and carried interest at floating rates.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2013, the Group employed 53 staff (2012: 53) in Hong Kong and employed a total work force of approximately 2,832 (2012: 2,440) inclusive of all its staff and workers in China. The Group's remuneration policy is built on the principle of equitable packages to employees, incentive-based where applicable, with performance-oriented and market-competitive remuneration. 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

DIVIDENDS

The Board has proposed the payment of a final dividend of HK0.82 cents per share (2012: a final dividend of HK0.7 cents per share) for the year ended 31 March 2013. This amounts to approximately HK\$3,599,000 (2012: HK\$3,072,000), payable to the shareholders of the Company whose names appear on the register of members of the Company as at Friday, 16 August 2013. Together with the interim dividend of HK0.78 cents per share (2012: HK1.38 cents per share) amounting to approximately HK\$3,424,000 (2012: HK\$6,057,000), the total dividends for the year ended 31 March 2013 will be HK1.60 cents per share (2012: HK2.08 cents per share) amounting to approximately HK\$7,023,000 (2012: HK\$9,129,000). Subject to the approval of shareholders with regard to the proposed payment of the final dividend at the forthcoming annual general meeting, the dividend warrants will be dispatched to shareholders on or about Thursday, 12 September 2013.

PROSPECTS

In view of the mixed sentiment prevailing across global consumer markets, the Group expects several key challenges ahead in the years to come: 1) the growth momentum of the global economy especially the United States and European markets is still uncertain; 2) the appreciation of the RMB currency; 3) the continued labour shortage in Mainland China; 4) the rising manufacturing and labour costs and 5) the shorter life cycle of consumer electrical products, which in turn increases the difficulties in resources planning and the ability to predict sales orders.

Nevertheless, the Group intends to continue strengthening its R&D capabilities, enhancing product diversification, automating the manufacturing process and also devoting considerably more resources in developing higher margin and innovative products.

As one of the key global haircare product manufacturers, the Group will continue to align its strategic direction reinforcing its position as a major ODM supplier to the world's leading brand owners. Our strength in advanced and innovative product design and development will drive the sales growth momentum in the years to come. Moreover, our bolstered R&D capabilities supplemented by collaboration with key leading universities provide a mature platform for the Group to expand into the haircare manufacturing sector which is currently undergoing consolidation when the global economy picks up in the near future.

Report of the Directors

The board of directors (the “**Board**”) of Kenford Group Holdings Limited (the “**Company**”) herein present the annual report and the audited financial statements (the “**Financial Statements**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of the subsidiaries are set out in Note 34 to the Financial Statements. There were no significant changes in the nature of the Group’s principal activities during the year.

An analysis of the Group’s performance for the year by products and geographical location is set out in Note 8 to the Financial Statements.

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 Company’s listed shares during the year ended 31 March 2013.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the Consolidated Statement of Comprehensive Income on page 37.

The Board recommends the payment of a final dividend of HK0.82 cents per share (2012: a final dividend of HK0.7 cents per share) for the year ended 31 March 2013, amounting to approximately HK\$3,599,000 (2012: HK\$3,072,000), payable to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 16 August 2013. Together with the interim dividend of HK0.78 cent per share, already paid, (2012: HK1.38 cents per share) amounting to approximately HK\$3,424,000 (2012: HK\$6,057,000), the total dividends for the year ended 31 March 2013 will be HK1.60 cents per share (2012: HK2.08 cents per share) amounting to approximately HK\$7,023,000 (2012: 9,129,000). Subject to the approval of shareholders with regard to the proposed payment of the final dividend at the forthcoming annual general meeting, the dividend warrants will be dispatched to shareholders on or about Tuesday, 12 September 2013.

Report of the Directors

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 6 August 2013 to Thursday, 8 August 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. Members whose names appear on the register of members of the Company on Thursday, 8 August 2013 will be entitled to attend and vote at the annual general meeting. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 5 August 2013.

In order to ascertain the entitlement to the final dividend to be approved at the annual general meeting, the register of members of the Company will be closed from Wednesday, 14 August 2013 to Friday, 16 August 2013, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 13 August 2013.

The record date for the final dividend will be on Friday, 16 August 2013. The last day in Hong Kong of dealings in the Shares with entitlement to final dividend will be on Friday, 9 August 2013. Shares will be traded ex-dividend as from Monday, 12 August 2013. It is expected that the final dividend will be paid on Tuesday, 12 September 2013.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 17 to the Financial Statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the issued share capital and share options of the Company during the year are set out in Notes 28 and 29 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out on page 39.

Report of the Directors

INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK\$'000	2012 HK\$'000
Investments in subsidiaries	58	58
Deposits, prepayments and other receivables	–	112
Amounts due from subsidiaries	59,780	64,005
Bank balances and cash	608	323
Total assets	60,446	64,498
Less: liabilities– accruals and other payables	60	258
Net assets	60,386	64,240
Capital and reserves		
Share capital	439	439
Reserves	59,947	63,801
Total equity	60,386	64,240

DIRECTORS

The directors of the Company (the “**Directors**”) who held office during the year and up to the date of this report are:

Executive Directors:

Mr. Lam Wai Ming (*Chairman*)

Mr. Tam Chi Sang (*Managing Director*)

Independent Non-Executive Directors:

Mr. Chiu Fan Wa

Mr. Choi Hon Keung

Mr. Li Chi Chung

Mr. Li Tat Wah

In accordance with Article 87 of the Company’s articles of association, Mr. Lam Wai Ming and Mr. Tam Chi Sang will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS’ AND SENIOR MANAGEMENT’S PROFILES

Biographical details of the existing Directors and the senior management of the Group are set out on pages 22 to 24 of this annual report.

DIRECTORS’ SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' INTEREST AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 33 to the Financial Statements, none of the Directors or controlling shareholders of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding companies, or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 31 March 2013, the interests and short positions of the Directors and chief executive 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 (Note 1)	55.78%
	Personal	395,000	0.09%
Mr. Tam Chi Sang	Corporate interest	244,800,000 (Note 2)	55.78%
	Personal	395,000	0.09%

(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:

- 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
- 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:

- 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
- 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.

Report of the Directors

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

Long position in the underlying shares of the Company

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

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

As at 31 March 2013, 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 shareholders	Number of Shares held	Approximate percentage of issued Shares
Beaute	204,000,000	46.48%
Apex Prima (Note 1)	204,000,000	46.48%
Potentasia (Note 2)	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 31 March 2013, 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.

Report of the Directors

SHARE OPTION SCHEME

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

The following is the summary of the principal terms of the Share Option Scheme:

(a) Purpose

The purpose of the Share Option Scheme is to recruit and retain high caliber Eligible Persons (as defined in paragraph (b) below) and attract human resources that are valuable to the Enlarged Group or Invested Entities, to recognize the significant contributions of the Eligible Persons to the growth of the Enlarged Group or Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the Enlarged Group or Invested Entities.

(b) Who may join

Any person belonging to any of the following classes who, in the sole discretion of the Board, have contributed or will contribute to the growth and development of the Enlarged Group or any Invested Entity are defined as Eligible Persons:

- (i) any employee (whether full time or part time), senior executive or officer, manager, director (including executive, non-executive and independent non-executive director) or consultant of any members of the Enlarged Group or any Invested Entity;
- (ii) any consultant, adviser or agent engaged by any member of the Enlarged Group or any Invested Entity, who, under the terms of relevant engagement with the Enlarged Group or the relevant Invested Entity, is eligible to participate in the share option scheme of the Company;
- (iii) any vendor, supplier of goods or services or customer of or to any member of the Enlarged Group or Invested Entity who, under the terms of relevant agreement with the Enlarged Group or the relevant Invested Entity, is eligible to participate in the share option scheme of the Company; and
- (iv) any discretionary trust whose discretionary objects include the persons as described in (i), (ii) and/or (iii) above.

The Board may invite any Eligible Person as the Board may in its absolute discretion select, having regard to each person’s qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Enlarged Group or Invested Entity, to take up a right granted to subscribe for Shares pursuant to the Share Option Scheme at a price calculated in accordance with paragraph (c) below and “Options” shall be construed accordingly (the “**Options**”).

Report of the Directors

SHARE OPTION SCHEME (Continued)

(c) Subscription price and acceptance period

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an Eligible Person but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the offer of a grant of Option pursuant to the Share Option Scheme (the "Offer") is made to an Eligible Person pursuant to the Share Option Scheme (the "Offer Date");
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share.

The Eligible Person must accept any such Offer notified to him or her within fourteen (14) days from the Offer Date, failing which it shall be deemed to have been rejected. Upon acceptance of the Offer, any Eligible Person who accepts an Offer in accordance with the terms of the Share Option Scheme (the "Grantee") shall pay HK\$1.00 to the Company as consideration for the grant.

(d) Maximum number of Shares subject to the Share Option Scheme

- (i) Subject to the provisions of paragraph (d)(ii) below,
 - (1) the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed ten (10)% ("Scheme Mandate Limit") of the nominal amount of all issued Shares as at 16 June 2005 (the "Listing Date") (such ten (10)% shall represent 40,000,000 Shares) unless the Company obtains a fresh approval from the holders of the Shares (the "Shareholders") pursuant to paragraphs (d)(i)(2) and/or (3) below;
 - (2) the Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit from time to time such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed ten (10)% of the Shares in issue as at the date of such Shareholders' approval. The Company must send a circular containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to the Shareholders; and
 - (3) the Company may seek separate Shareholders' approval in general meeting to grant Options over and above the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is sought and for whom specific approval is then obtained. The Company must issue a circular containing the information, required under Note 1 to Rule 17.03(3) of the Listing Rules to the Shareholders.
- (ii) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed thirty (30)% of the Shares in issue from time to time required under Note 2 of Rule 17.03(3) of the Listing Rules. Further, no option may be granted under the Share Option Scheme and any other option scheme(s) of the Company if such limit is exceeded.

Report of the Directors

SHARE OPTION SCHEME (Continued)

(e) Maximum entitlement of each Grantee

- (i) Unless the approval of Shareholders contemplated under paragraph (e)(ii) below is obtained, the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed one (1)% of the Shares in issue.
- (ii) Where the Board proposes to grant an option to an Eligible Person under the Share Option Scheme and/or any other share option scheme(s) of the Company and such further grant would result in such Eligible Person becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares (a) already issued under all the options previously granted to him or her which have been exercised; (b) issuable under all the options previously granted to him or her which are for the time being subsisting and unexercised; and (c) which were subject to options previously granted to him or her but for the time being having been cancelled in the past 12-month period up to and including the date of such further grant, exceeding one (1)% of the Shares in issue for the time being, such further grant shall be separately approved by the Shareholders in general meeting (with such Eligible Person and his or her associates abstaining from voting). The relevant requirements under the Note to Rule 17.03(4) of the Listing Rules must be complied with.
- (iii) Each grant of option to an Eligible Person who is a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive director(s) of the Company (excluding the independent non-executive director who is the grantee of the option).
- (iv) Where the Board proposes to grant any option to an Eligible Person who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, and such option, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the past 12-month period up to and including the date of grant (a) representing in aggregate more than 0.1% of the total number of Shares in issue and (b) having an aggregate value (on the assumption that all such options had been exercised and all Shares allotted), based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant or, if that date is not a business day, the business day immediately before that date, in excess of HK\$5,000,000, such further grant of options must be approved by the Shareholders.

(f) Term of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten (10) years commencing from 27 May 2005 (being the date of approval of the Share Option Scheme by the Shareholders), after which no further Options shall be granted but the Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the Share Option Scheme shall in all other respects remain in full force and effect in respect thereof.

Report of the Directors

SHARE OPTION SCHEME (Continued)

(g) Grant of Share Option

Particulars of the Share Option Scheme are set out in Note 29 to the Financial Statements.

As at 31 March 2013, 6,720,000 share options remained outstanding under the Share Options Scheme and the details of the movements of the said outstanding share options were as follow:

Name of grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	At 1 April 2012	Exercised during the year	Lapsed during the year	At 31 March 2013	% of total Issued shares
Senior management	22 February 2010	2012.02.22 – 2015.05.26	0.5	3,360,000	–	–	3,360,000	0.8%
Senior management	22 February 2010	2013.02.22 – 2015.05.26	0.6	3,360,000	–	–	3,360,000	0.8%
				6,720,000	–	–	6,720,000	1.6%

Notes:

1. The closing price of the shares of the Company on the date of grant of the above options that is, 22 February 2010, was HK\$0.47 per share.
2. 12,790,000 options are exercisable from 22 February 2011 to 26 May 2015 (both days inclusive) subject to the following exercisable periods:
 - (i) the first 5,590,000 will be exercisable from 22 February 2011 at an exercise price of HK\$0.5 per share;
 - (ii) the next 3,600,000 will be exercisable from 22 February 2012 at an exercise price of HK\$0.5 per share; and
 - (iii) the remaining 3,600,000 will be exercisable from 22 February 2013 at an exercise price of HK\$0.6 per share.

As at the date of this report, Options entitling the holders to subscribe for an aggregate of 27,210,000 Shares (representing approximately 6.20% of Shares in issue as at the date of this report) are available for issue under the Share Option Scheme.

Report of the Directors

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year 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, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of the Company's issued shares as required under the Listing Rules.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its Independent Non-Executive Directors an annual confirmation of his independence. The Company considers that all of its Independent Non-Executive Directors are independent.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 81 and 82.

RELATED PARTY TRANSACTIONS

Details of the information in relation to the related party transactions of the Group during the year is set out on Note 33 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to its existing Shareholders.

Report of the Directors

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, transfer or other dispositions of Shares are exempted from Cayman Islands stamp duty.

(c) Professional tax advice recommended

Intending holders of Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 78.9% of the total sales for the year and sales to the largest customer included therein amounted to approximately 52.7%.

Purchases from the Group's five largest suppliers accounted for approximately 27.9% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 7.2%.

None of the Directors or any of their associates or any shareholders, which to the knowledge of the Directors, own more than 5% of the issued share capital of the Company had any beneficial interest in the Group's five largest customers and suppliers.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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 financial year ended 31 March 2013, except for the deviation from the CG Code A.2.1. The Company has published its corporate governance report, details of which are set out on pages 25 to 33 of this annual report.

Report of the Directors

AUDITORS

The financial statements of the Company have been audited by Deloitte Touche Tohmatsu who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK\$Nil (2012: HK\$ Nil).

On behalf of the Board

KENFORD GROUP HOLDINGS LIMITED

Lam Wai Ming

Chairman

Hong Kong, 28 June 2013



Directors' and Senior Management's Profile

DIRECTORS

Executive Directors

Mr. Lam Wai Ming, aged 54, joined the Group in January 1989. Mr. Lam is currently the Executive Director and the Chairman of the Company and a member of the Remuneration Committee. Mr. Lam is principally responsible for the leadership and effective running of the Board. Mr. Lam is also responsible for the overall management, corporate strategies, planning and development as well as supervising production, sales and marketing functions of the Group. Mr. Lam has over 24 years of experience in trading and manufacturing of electrical appliances. Mr. Lam received the Asia Pacific Entrepreneurship Awards (“APEA”) – Outstanding Entrepreneur Awards from Enterprise Asia on 4 July 2011. At present, Mr. Lam is the Vice President of The Hong Kong Electrical Appliances Manufacturers Association from 2012-2014 and was the Communication & Publication Deputy Director of The Hong Kong Electrical Appliances Manufacturers Association from 2010 to 2012. Mr. Lam is the brother of Mr. Lam Wai Hung, the Administration Manager of the subsidiaries of the Company in the PRC and the brother-in-law of Mr. Poon Kam Ming, the Senior Marketing Manager of the Group.

Mr. Tam Chi Sang, aged 53, joined the Group in July 1991. Mr. Tam is currently the Executive Director and Managing Director of the Company and a member of the Remuneration Committee. Mr. Tam is responsible for supervision and management of the purchasing, quality control, engineering and design functions of the Group. Mr. Tam has over 24 years of experience in the trading and manufacturing of electrical appliances. Mr. Tam was the Deputy Director and the Director of The Hong Kong Electrical Appliances Manufacturers Association from 2000-2008.

Independent Non-Executive Directors

Mr. Chiu Fan Wa, aged 48, has been the Independent Non-Executive Director of the Company since March 2005. Mr. Chiu is also currently serving as the Chairman of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Chiu is a founder and the managing director of Chiu, Choy & Chung C.P.A. Limited, a local audit firm and a partner of F. S. Li & Co, a local audit firm. He graduated from City University of Hong Kong and obtained a Bachelor of Arts (Honours) Degree with major in accountancy in 1992 and was awarded a Master of Professional Accounting from The Hong Kong Polytechnic University in 2002. Mr. Chiu is a Certified Public Accountant (Practising) in Hong Kong, a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a member of The Society of Chinese Accountants & Auditors, an associate member of the Institute of the Chartered Accountants in England and Wales, an associate of The Hong Kong Institute of Chartered Secretaries, an associate of The Institute of Chartered Secretaries and Administrators, United Kingdom and a fellow member of the Taxation Institute of Hong Kong and registered as a Certified Tax Adviser in 2010. Mr. Chiu is an independent non-executive director of Tianda Pharmaceuticals Limited (formerly known as “**Tianda Holdings Limited**”) (Stock Code: 00455) which is a company listed on the main board (the “**Main Board**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Mr. Choi Hon Keung, aged 52, has been the independent non-executive director of the Company since August 2011. Mr. Choi is also currently serving as a member of each the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Choi has been International Legal Counsel for TCL Multimedia, a global TV manufacturer, since February 2005. Mr. Choi is currently an independent director of China BCT Pharmacy Group, Inc. (Stock Code: CNBI), a company listed on the OTC Electronic Bulletin Board (OTCBB). Mr. Choi is also an active PRC legal advisor to the Hong Kong Electrical Appliances Manufacturers Association. Mr. Choi obtained a bachelor degree in laws from Peking University in 1991, a master degree in laws from London University in 1992 and a Common Profession Examination Certificate in laws from Hong Kong University in 1994. Mr. Choi was admitted as a Solicitor of the Supreme Court of England and Wales in 1998 and as a member of the Institute of Linguists in 1996.

Directors' and Senior Management's Profile

DIRECTORS (Continued)

Independent Non-Executive Directors (Continued)

Mr. Li Chi Chung, aged 44, has been the Independent Non-Executive Director of the Company since March 2005. Mr. Li is also currently serving as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Li is currently a solicitor practising in Hong Kong. Mr. Li obtained a Bachelor Degree in Laws from The University of Sheffield in England in 1990. Mr. Li was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. At present, Mr. Li is an independent non-executive director of PINE Technology Holdings Limited (Stock Code: 01079), which is a company listed on the Main Board. Mr. Li is the company secretary of China Financial International Investments Limited (formerly known as Sunshine Capital Investments Group Limited) (Stock Code: 00721) and China Environmental Investment Holdings Limited (formerly known as Sino Gas Group Limited) (Stock Code: 00260), which are companies listed on Main Board, and China Nonferrous Metals Company Limited (formerly known as Sungreen International Holdings Limited (Stock Code: 08306)) which is a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange.

Mr. Li Tat Wah, aged 43, has been the Independent Non-Executive Director of the Company since March 2005. Mr. Li is also currently serving as the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. Mr. Li has extensive experience in information technology. Mr. Li holds a Master Degree of Business Administration from University of Surrey (U.K.). Mr. Li has worked as project manager in several publicly listed multinational companies in the telecommunication equipment manufacturing industry. Mr. Li is also a certified Project Management Professional (PMP).

Senior Management

Ms. Pang Kit Teng, aged 50, joined the Group in October 2011. Ms. Pang is the Company Secretary and the Financial Controller of the Group. Ms. Pang is responsible for overseeing the Group's financial planning, control and management, regulating compliance, investor relationship and HR and Administrative functions. Prior to joining the Group, Ms. Pang had held various senior management positions, including Chief Financial Officer, Director of Finance and Company Secretary in various listed companies in USA and HK. She had also worked in Deloitte Touche Tohmatsu Limited, one of the world's largest international accounting firms, for four years. Ms. Pang has over 25 years of professional accountancy, financial and executive management experience. She holds an Executive Master of Business Administration from City University of Hong Kong and a Bachelor of Business Administration from York University in Canada. Ms. Pang is a member of the Hong Kong Institute of Certified Public Accountant and a member of the American Institute of Certified Public Accountant.

Mr. Kwong Pak Chuen, Patrick, aged 52, joined the Group in June 1999 and is the Senior Engineering Manager of the Group. Mr. Kwong is the Head of Engineering, Design and Research and Development Departments. Mr. Kwong graduated from The University of Warwick with a Master Degree of Science in Engineering Business Management. Mr. Kwong has over 27 years of experience in project engineering, product development and research and development for small household electrical appliances, such as haircare products, kitchen ware products, other hand held drilling machines and hand toys.

Mr. Poon Kam Ming, Percy, aged 57, joined the Group in 1997 and is the Senior Marketing Manager of the Group. Mr. Poon is responsible for sales and marketing functions of the Group. Mr. Poon was awarded Master Degree of Science and a Bachelor Degree of Science in Civil Engineering from University of Saskatchewan. Mr. Poon has over 16 years of experience in sales and marketing of electrical appliances. Prior to joining the Group, Mr. Poon served an international construction company and earned several years of managerial experience. Mr. Poon is the brother-in-law of Mr. Lam Wai Ming, the Executive Director and the Chairman of the Company.

Directors' and Senior Management's Profile

DIRECTORS (Continued)

Senior Management (Continued)

Mr. Yeung Kin Wing, Ramo, aged 43, joined the Group in June 1998 and is the Operation Manager of the Group. Mr. Yeung is responsible for the overall production management of the factories in PRC. Mr. Yeung has obtained a Bachelor Degree of Business Administration from Lincoln University and a National Diploma in Engineering from Business and Technical Education Council. Mr. Yeung has over 22 years of experience in manufacturing industry.

Mr. Lam Wai Hung, aged 43, joined the Group in February 1993 and is the Administration Manager of the subsidiaries of the Company in the PRC. Mr. Lam is responsible for the administration, human resources, training, import duty, information and technology functions of the factories in the PRC. Mr. Lam has over 20 years of experience in factory administration and regulatory compliances in the PRC. Mr. Lam is the brother of Mr. Lam Wai Ming, the Executive Director and the Chairman of the Company.

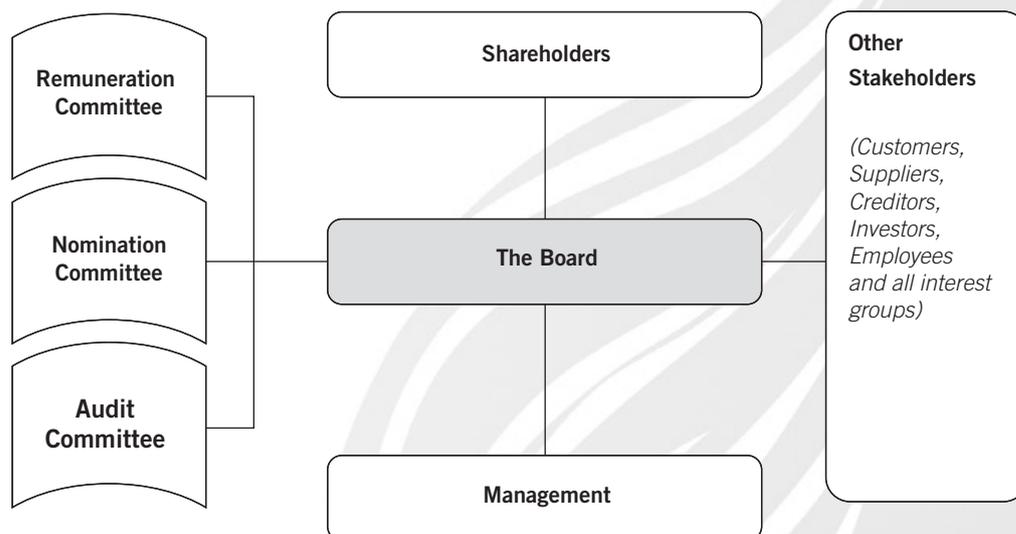
Mr. Ng Tin Lun, Alain, aged 52, joined the Group in 1990 and is the Logistic Manager of the Group. Mr. Ng is the Head of Inventory, Production Materials Control (PMC) and Shipping Departments of the Group. Mr. Ng has obtained a Bachelor Degree of Arts in Chinese Literature and History from Asia International Open University (Macau) and a Master Degree of Business Administration from Tarlac State University in Philippines. Mr. Ng has extensive experience in logistic management. He is a Senior Logistician, which is granted by the Educational Specialist Committee of China Science and Technology Institute Centre and a member of Chinese Career Manager Coalition.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

In the opinion of the board of directors (the “**Board**”) of Kenford Group Holdings Limited (the “**Company**”), the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the financial year ended 31 March 2013, except for the deviation from the CG Code A.2.1. This corporate governance report contains the detailed explanations on the Company’s practices in compliance with the applicable CG Code provisions and the considered reasons for such deviations.

To enhance accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders, the Company is dedicated to develop an appropriate framework of corporate governance for the Company and its subsidiaries (collectively, the “**Group**”), the chart of which is shown below. The Group will keep on reviewing and improving the corporate governance practices and procedures from time to time to ensure its commitment to the corporate governance standard and strive for the enhancement of shareholder value.



DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors’ securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the directors of the Company (the “**Directors**”) have confirmed that they fully complied with the required standards as set out in the Model Code throughout the financial year ended 31 March 2013.

DIRECTORS’ AND OFFICERS’ INDEMNITY

The Company continues to subscribe for an insurance policy to indemnify the Directors and senior executives from any losses, claims, damages, liabilities and expenses, including without limitation, any proceedings brought against them, arising from the performance of their duties pursuant to their appointment under their respective service agreements or letter of appointment entered into with the Company. The current policy has been renewed and shall be under constant review.

Corporate Governance Report

BOARD OF DIRECTORS

Board functions

The Board oversees the strategic development and determines objectives, strategy, policy and business plan of the Company. It monitors and controls the operation and financial performance, reviews the corporate governance standard of the Company and sets appropriate policies pursuant to the Company's objectives.

Board composition

The Board of Directors of the Company comprised six Directors, of which two were Executive Directors, namely, Mr. Lam Wai Ming (Chairman) and Mr. Tam Chi Sang (Managing Director); and four were Independent Non-Executive Directors, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung and Mr. Li Tat Wah. The biographical details of the existing Directors of the Company and the relationships among them as at the date of this report are set out in the "Directors' and Senior Management's Profile" section on pages 22 to 24 of this annual report. Save as disclosed in this annual report, none of the Directors has any business, financial, family or material relationship with each other and the Company.

The Board believes it is a balanced composition as each of the Directors has his own skills, expertise, professional qualifications and appropriate experiences to effectively oversee the business of the Group and the Directors give sufficient time and attention to the Group's affairs. It can effectively exercise independent judgment for the business activities of the Group to safeguard the interests of the shareholders and to improve standard in corporate governance to fulfill the demands of the shareholders and stakeholders of the Group.

During the financial year ended 31 March 2013, the Board complied at all times with the requirements of the Listing Rules relating to the appointment of Independent Non-Executive Directors representing at least one-third of the Board. One of the Independent Non-Executive Directors is a professional accountant, which is in compliance with the requirement of the Listing Rules. Each of the Independent Non-Executive Directors has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered all of the Independent Non-Executive Directors to be independent.

Board delegation

The Board delegates the authorities to the board committees and the senior management of the Company to provide professional advice and monitor the daily operation of the Group on issues which require discussion, expertise knowledge and experience to make the decision. The three committees of the Board, namely, Remuneration Committee, Nomination Committee and Audit Committee are responsible for making recommendation on the specified matters in line with the terms of reference adopted by the Board set out separately. The senior management is responsible for supervision on the daily operation of the Group by functions.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Board delegation

The total number of the meetings and the individual attendance of each Director in person at each of the meetings during the financial year ended 31 March 2013 were as follows:

Name of Directors	Number of meeting attended				
	Board Meetings (Note)	Remuneration Committee meetings	Nomination Committee meetings	Audit Committee meetings	Shareholders' General Meeting
Executive Directors					
Mr. Lam Wai Ming	5/5	3/3	N/A	N/A	1/1
Mr. Tam Chi Sang	5/5	3/3	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Chiu Fan Wa	4/5	3/3	2/2	4/4	1/1
Mr. Choi Hon Keung	4/5	3/3	2/2	2/4	1/1
Mr. Li Chi Chung	4/5	3/3	2/2	4/4	1/1
Mr. Li Tat Wah	4/5	3/3	2/2	3/4	1/1

Note: There were five (5) Board Meetings held during the financial year ended 31 March 2013 which included four (4) meetings with formal notice and agenda.

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. There were in total 5 Board meetings held during the financial year ended 31 March 2013, out of which there were 4 regular meetings with formal notice and agenda. The Board believes that the fairness and effectiveness for the decision making on the business needs are adequately ensured. In view of good corporate governance practices, the Board will use its endeavors to meet regularly and hold at least four regular Board meetings in the forthcoming years.

The notices were given at least 14 days in advance for each of the regular Board meeting to all the Directors so that they could have an opportunity to attend the same in person during the year. On ad hoc basis, the Executive Directors met together upon reasonable notices or by agreement of the Executive Directors to waive the notice of the meetings to discuss the matters as required by business needs. In respect of regular Board meetings, and so far as practicable, an agenda and accompanying board papers were sent in full to all Directors in a timely manner at least 3 days before the intended dates of Board meetings.

The company secretary of the Company attended all regular board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company has maintained a procedure for Directors to seek independent professional advice in appropriate circumstances. Minutes of Board meetings and meetings of Board committees are kept by a duly appointed secretary of the meetings and such minutes would be inspected at any reasonable time on reasonable notice by any Director.

Minutes of Board meetings and Board committees meetings had recorded in sufficient details the matters considered by the Board and decisions reached, including any concerns raised by Directors or the representatives of the relevant parties or dissenting views expressed. Draft and final versions of minutes of Board meetings had been sent to all Directors and the representatives of the relevant parties involved in the meetings through electronic means for their comments and records respectively, in both cases within a reasonable time after the meetings held.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the code and disclosure in this corporate governance report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company renewed a letter of appointment with each of the Independent Non-executive Directors for a term of one year.

DIRECTORS' TRAINING

Every newly appointed Director of the Company will receive a comprehensive, formal and tailored induction package to ensure that the Director has a proper understanding of the Company's operation and business and the relevant statutes, common laws, the Listing Rules, legal and regulatory requirements and governance policies. The company secretary also provides updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements to the Directors from time to time.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of trainings received by Directors since 1 April 2012 to 31 March 2013 according to the records provided by the Directors is as follows:

Directors	Seminars and/or conferences and/or forums	Type of trainings		Reading
		Corporate events or visits		
Executive Directors				
Mr. Lam Wai Ming	✓	✓		✓
Mr. Tam Chi Sang	✓	✓		✓
Independent Non-executive Directors				
Mr. Chiu Fan WA	✓	✓		✓
Mr. Choi Hon Keung	✓	✓		✓
Mr. Li Chi Chung	✓	✓		✓
Mr. Li Tat Wah	✓	✓		✓

Corporate Governance Report

REMUNERATION COMMITTEE

Remuneration Committee functions

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, which are in line with the Code Provisions set out in the CG Code under Appendix 14 of the Listing Rules.

The terms of reference of the Remuneration Committee were amended in August 2011 to the effect that the Remuneration Committee shall include two Executive Directors appointed by the Board in addition to the four Independent Non-executive Directors from time to time. The majority of the members of the Remuneration Committee must be Independent Non-executive Directors of the Company.

The principal functions of the Remuneration Committee include reviewing and recommending specific remuneration packages for each Executive Director and senior management by reference to corporate goals and objectives as well as the share option scheme of the Company.

Remuneration Committee composition

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 the chairman of the Remuneration Committee.

Remuneration Committee meetings

During the financial year ended 31 March 2013, the Remuneration Committee had met 3 times to discuss the following matters:

- to review and give comment to the overall remuneration policy and remuneration packages of the Group;
- to review and give comment to the basic salary of the Executive Directors and senior management of the Group;
- to review and give comment to the performance bonus of the Executive Directors of the Company;
- to note the fact that no compensation had been paid to the Executive Directors and senior management of the Group in relation to their resignation, if any; and
- to recommend the remuneration packages of the Executive Directors and senior management of the Group for the financial year ended 31 March 2013 prior to recommending them to the Board for determination.

The details of the number of the Remuneration Committee meetings held during the financial year ended 31 March 2013 and the relevant record of individual attendance of the members of the Remuneration Committee, on a named basis, are shown in the table under the heading “Board, Board committees and general meetings” on page 27 of this corporate governance report.

The Directors are remunerated with reference to their respective duties and responsibilities with the Company, the Company’s performance and current market situation. Details of emoluments of the Directors from the Group for the year are as disclosed in Note 13 to the Financial Statements.

Corporate Governance Report

NOMINATION COMMITTEE

Nomination Committee functions

The nomination committee of the Company (the “**Nomination Committee**”) was established to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference, which are in line with the CG Code under Appendix 14 of the Listing Rules.

As a result of the establishment and the adoption of the written terms of reference of the Nomination Committee, it has been developed a formal, consistent and transparent procedure for the appointment of new Directors to the Board. There would be plans in place for orderly succession for appointments to the Board. All Directors would be subject to re-election at regular intervals.

A proposal for the appointment of a new Director will be considered and reviewed by the Nomination Committee. The Nomination Committee will consider the skills and expertise of the candidates as well as personal ethics, integrity and the willingness to commit time to the affairs of the Group. All candidates must be able to meet the standards set out in the Listing Rules. A candidate who is to be appointed as an Independent Non-Executive Directors should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Nomination Committee composition

The terms of reference of the Nomination Committee were amended in August 2011 to the effect that the Nomination Committee shall include four Independent Non-executive Directors from time to time, 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.

Nomination Committee meetings

During the financial year ended 31 March 2013, the Nomination Committee had met two times to discuss the following matters:

- to consider the structure, size, and composition of the Board;
- to consider no new Board member be nominated and introduced to the Board; and
- to consider the re-election of the Directors of the Company at the annual general meeting of the Company.

The details of the number of the Nomination Committee meetings held during the financial year ended 31 March 2013 and the relevant record of individual attendance of the members of the Nomination Committee, on a named basis, are shown in the table under the heading “Board, Board committees and general meetings” on page 27 of this corporate governance report.

AUDITORS’ REMUNERATION

During the financial year ended 31 March 2013, the Company engaged Deloitte Touche Tohmatsu as the external auditors of the Company to perform audit and non-audit services. The audit fee was approximately HK\$733,000 and other non-audit service fee was approximately HK\$55,600 for the year ended 31 March 2013.

Corporate Governance Report

AUDIT COMMITTEE

Audit Committee functions

The audit committee of the Company (the “**Audit Committee**”) was established on 29 April 2005 with written terms of reference published on both the websites of the Stock Exchange and the Company. They are available for inspection by the shareholders of the Company upon request made to the company secretary. The primary duties of the Audit Committee are, inter alia, to review and supervise the financial reporting process and internal control system of the Group, to review the financial statements focusing particularly on (i) any changes in accounting policies and practices of the Group; (ii) the compliance with accounting standards and (iii) the compliance with the legal requirements, as well as to review the Company’s annual reports and interim reports.

The audit committee has the responsibilities and powers set forth in the terms of reference of the audit committee. Committee members shall meet at least twice to consider the interim and final results prepared by the Board.

Audit Committee composition

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.

Audit Committee meetings

During the financial year ended 31 March 2013, the Audit Committee had met 4 times to discuss the following matters:

- to review the final results of the Group for the year ended 31 March 2012 prior to recommending them to the Board for approval;
- to review the interim results for the six months ended 30 September 2012 of the Group prior to recommending them to the Board for approval;
- to review the selection and appointment of the external auditors of the Company for the financial year ended 31 March 2013 prior to recommending them to the Board for approval and the Board had agreed with the Audit Committee’s view on this matter;
- to discuss with the Group’s external auditors any significant or unusual items reflected in interim and annual reports;
- to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system; and
- to review the internal audit function and report of the Group.

The details of the number of the Audit Committee meetings held during the financial year ended 31 March 2013 and the relevant record of individual attendance of the members of the Audit Committee, on a named basis, are shown in the table under the heading “Board, Board committees and general meetings” on page 27 of this corporate governance report.

As at the date of this corporate governance report, the Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the financial year ended 31 March 2013 in conjunction with the Group’s external auditors.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Detailed procedures can be found in the Procedures for Shareholders to convene "General Meetings" which is available on the Company's website.

Investor Relations

The Board recognises the importance of maintaining on-going communications with shareholders and investors for the performance of the Company and establishes different communicate channels. These include: (i) the publication of interim and annual reports and/or dispatching circular, notices and other announcements and notifications; (ii) conducting annual general meeting or extraordinary general meeting (if any) which provides a forum for Shareholders of the Company to raise comments and exchange views with the Board; and (iii) updating the websites with the corporate information, achievements and new development of the Group.

To strengthen the investors' relationship, the Company provides different ways for investors to access the soft and hard copies of the Company's information. The printed copies of this annual report in both English and Chinese languages will be dispatched to the Shareholders of the Company in early July 2013. Shareholders can obtain corporate communications free of charge by notice in writing to the Company Secretary of the Company. This annual report in both English and Chinese language is also available on the following websites:

- (a) www.hkex.com.hk
- (b) www.kenford.com.hk

INTERNAL CONTROL AND RISK MANAGEMENT

The Company believes that improvement in its internal control system will enhance its operational management efficiency and effectiveness. The Company has set up an internal audit department since February 2008. The Audit Committee has met with the internal auditor and discussed with the Board about the internal control report. The Board also through the Audit Committee conducted a 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. The Company has engaged two qualified accountants with appropriate working experiences in the Finance & Accounting Department of the Group. The Board was also satisfied with the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting and financial reporting function.

The Group's internal control for strategic risks includes assessing the threats and opportunities that influence the Company's development. The Company's business environment is affected by economic and political conditions globally.

The Group's internal control for financial risks includes ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use as well as for publication, ensuring compliance with relevant legislation and regulations, and implementing credit risk management. The Directors are responsible for overseeing the preparation of accounts for the financial year to ensure such accounts give a true and fair view of the state of affairs of the Group. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. As at the date of this corporate governance report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern required to be disclosed.

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

The Group's internal control for operational risks includes: (i) maintaining and ensuring compliance with ISO9001 under the family of ISO9000, a series of international standards on quality management and quality assurance developed by the International Organization for Standardization, for the quality control of the Group's production; (ii) maintaining and implementing a sound network system to avoid computer viruses or other system malfunctions; and (iii) maintaining a team of staff for products development. Besides, the Group has been maintaining product liability insurance for most types of the Group's products against possible claims relating to personal injury or property damage arising from the use of the products manufactured by the Group.

The Group's internal control for compliance risks includes maintaining a team of professionals with accounting, financial management, financial risk control (including credit assessment), and corporate governance expertise (including regulatory compliance) to monitor the ongoing activities of the Group to avoid the breach of financial regulations, Listing Rules, companies ordinance requirements and other regulations and laws. The Group would seek for advice from external advisers on accounting, financial and legal issues if necessary.

MANAGEMENT FUNCTIONS

The Board has delegated aspects of its management and administration functions to the management. The management should report back and obtain prior approval from the Board before making decisions or entering into any agreements or arrangements to discharge its functions. The Directors clearly understand the Group's delegation arrangements in place. The key terms and conditions relative to the Directors' appointments have been set out in their service agreements and/or letters of appointments.

COMPANY SECRETARY

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the Chairman and the Managing Director. From time to time, the company secretary advises the Board on governance matters and ensures the board procedures, applicable law, rules and regulations are followed. During the financial year ended 31 March 2013, the company secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

CONSTITUTIONAL DOCUMENTS

During the financial year ended 31 March 2013, there is no significant change in the Company's constitutional documents.

ENVIRONMENTAL PROTECTION

The Group is fully committed to environmental sustainability both for its products and its operations. The implementation of the European Union's Directives on Restriction of the use of the certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS") in August 2005 in European Union members' states has impacted on the electrical and electronic Industry. Accordingly, the Group installed new equipments and established a comprehensive set of policies and procedures to ensure the Group's products completely satisfy RoHS requirements for the European Community and equivalent requirement for the rest of the world. The Group had also made it mandatory for all vendors and business partners to comply with the RoHS requirements.

In addition, the Group's production process has conformed to local environmental regulations. The Group is actively pursuing opportunities to directly contribute to environmental protection, and remains steadfast in its support of environmental protection, consistent with its commitment to be a good corporate citizen.

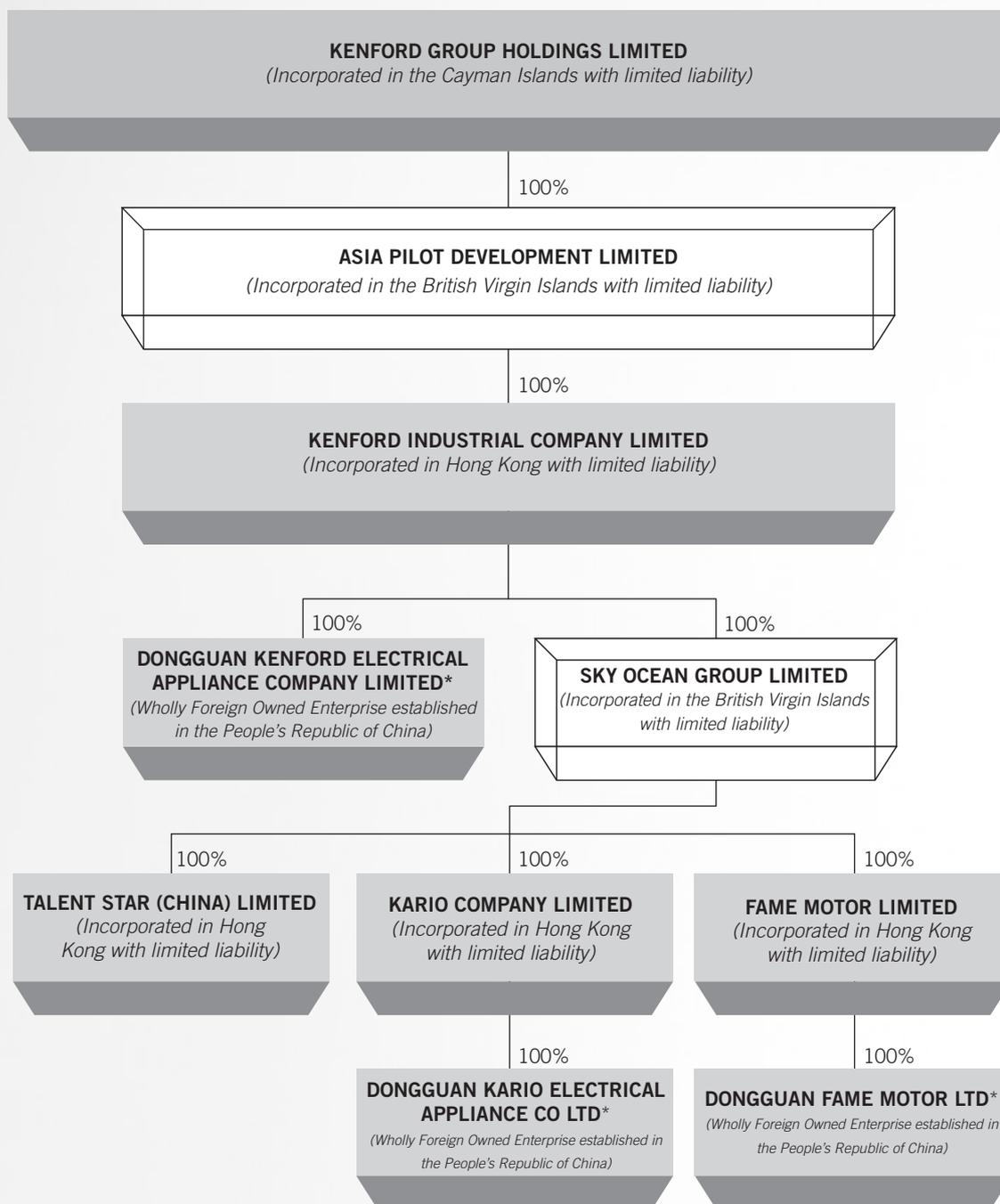
LOOKING FORWARD

The Group will keep on reviewing and improving its corporate governance standards from time to time and the Board will take necessary actions to ensure the compliance with the provisions of the CG Code introduced by the Stock Exchange.

Corporate Structure

CORPORATE STRUCTURE OF THE GROUP

The following chart provides the overview of the corporate structure of Kenford Group Holdings Limited and its subsidiaries (the “Group”) as at 31 March 2013.



* The English names are translated from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

Independent Auditor's Report

Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE SHAREHOLDERS OF KENFORD GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kenford Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 37 to 80, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 29 June 2012.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
Revenue	7	657,302	634,357
Cost of sales		(551,204)	(519,877)
Gross profit		106,098	114,480
Other income, gains and losses	9	14,459	12,491
Distribution costs		(11,736)	(11,830)
Administrative expenses		(77,467)	(69,539)
Finance income		314	490
Finance costs	10	(1,596)	(1,474)
Profit before taxation		30,072	44,618
Income tax expense	11	(8,789)	(13,752)
Profit for the year attributable to owners of the Company	12	21,283	30,866
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		1,260	4,461
Gain on revaluation of land and buildings		11,413	2,652
Deferred tax arising from revaluation of land and buildings		(415)	(96)
Other comprehensive income for the year		12,258	7,017
Total comprehensive income for the year attributable to owners of the Company		33,541	37,883
Earnings per share (HK cents)	16		
– Basic		4.849	7.054
– Diluted		4.849	7.042

Consolidated Statement of Financial Position

At 31 March 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment	17	171,080	157,927
Prepaid lease payments	18	3,850	3,933
Deposits paid for acquisition of property, plant and equipment		5,662	7,514
Goodwill	19	1,403	1,403
		181,995	170,777
Current assets			
Inventories	20	111,992	111,891
Trade and bills receivables	21	151,308	139,876
Deposits, prepayments and other receivables		14,482	8,360
Investments held for trading	22	495	2,604
Bank deposits	23	3,716	–
Bank balances and cash	23	123,223	132,547
		405,216	395,278
Current liabilities			
Trade payables	24	101,331	80,168
Accruals and other payables		20,726	28,378
Bank borrowings	25	64,590	82,444
Obligations under finance leases – due within one year	26	–	514
Tax liabilities		7,796	8,929
		194,443	200,433
Net current assets		210,773	194,845
Total assets less current liabilities		392,768	365,622
Non-current liabilities			
Obligations under finance leases – due after one year	26	–	104
Deferred tax liabilities	27	13,588	13,383
		13,588	13,487
		379,180	352,135
Capital and reserves			
Share capital	28	439	439
Share premium and reserves		378,741	351,696
Equity attributable to owners of the Company		379,180	352,135

The consolidated financial statements on pages 37 to 80 were approved and authorised for issue by the Board of Directors on 28 June 2013 and are signed on its behalf by:

Lam Wai Ming
Director

Tam Chi Sang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2011	433	55,496	942	43,553	9,346	1,162	224,138	335,070
Profit for the year	-	-	-	-	-	-	30,866	30,866
Exchange differences arising on translation of foreign operations	-	-	-	-	4,461	-	-	4,461
Gain on revaluation of land and buildings	-	-	-	2,652	-	-	-	2,652
Deferred tax arising from revaluation of land and buildings	-	-	-	(96)	-	-	-	(96)
Other comprehensive income for the year	-	-	-	2,556	4,461	-	-	7,017
Total comprehensive income for the year	-	-	-	2,556	4,461	-	30,866	37,883
Exercise of share options	6	3,377	-	-	-	(588)	-	2,795
Lapse of share options	-	-	-	-	-	(38)	38	-
Dividends paid (Note 15)	-	-	-	-	-	-	(23,613)	(23,613)
	6	3,377	-	-	-	(626)	(23,575)	(20,818)
At 31 March 2012	439	58,873	942	46,109	13,807	536	231,429	352,135
Profit for the year	-	-	-	-	-	-	21,283	21,283
Exchange differences arising on translation of foreign operations	-	-	-	-	1,260	-	-	1,260
Gain on revaluation of land and buildings	-	-	-	11,413	-	-	-	11,413
Deferred tax arising from revaluation of land and buildings	-	-	-	(415)	-	-	-	(415)
Other comprehensive income for the year	-	-	-	10,998	1,260	-	-	12,258
Total comprehensive income for the year	-	-	-	10,998	1,260	-	21,283	33,541
Dividends paid (Note 15)	-	-	-	-	-	-	(6,496)	(6,496)
At 31 March 2013	439	58,873	942	57,107	15,067	536	246,216	379,180

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK\$'000	2012 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	30,072	44,618
Adjustments for:		
Depreciation of property, plant and equipment	15,659	14,271
Amortisation of prepaid lease payments	96	96
(Gain) loss on disposal of property, plant and equipment	(344)	1,119
Reversal of impairment loss on property, plant and equipment	–	(735)
Dividend income	(21)	(151)
Interest income	(314)	(490)
Reversal of allowance for inventory obsolescence	(387)	(578)
Reversal of allowance for bad and doubtful debts	–	(300)
Change in fair value of investments held for trading	(691)	1,519
Finance costs	1,596	1,474
Operating cash flows before movements in working capital	45,666	60,843
Decrease (increase) in inventories	286	(18,496)
(Increase) decrease in trade and bills receivables	(11,432)	3,929
(Increase) decrease in deposits, prepayments and other receivables	(6,122)	2,422
Decrease in investments held for trading	2,800	4,303
Increase (decrease) in trade payables	21,163	(3,760)
Decrease in accruals and other payables	(7,652)	(1,135)
Cash generated from operations	44,709	48,106
Income tax paid	(10,188)	(16,643)
NET CASH FROM OPERATING ACTIVITIES	34,521	31,463
INVESTING ACTIVITIES		
New bank deposits placed	(3,716)	–
Purchase of property, plant and equipment	(9,520)	(8,906)
Proceeds from disposal of property, plant and equipment	670	385
Deposits paid for acquisition of property, plant and equipment	(5,662)	(7,514)
Dividend income received	21	151
Interest received	314	490
NET CASH USED IN INVESTING ACTIVITIES	(17,893)	(15,394)
FINANCING ACTIVITIES		
New bank borrowings raised	144,669	144,000
Repayment of bank borrowings	(162,523)	(152,881)
Interest paid	(1,596)	(1,474)
Repayment of obligations under finance leases	(618)	(499)
Proceeds from issue of shares	–	2,795
Dividends paid	(6,496)	(23,613)
NET CASH USED IN FINANCING ACTIVITIES	(26,564)	(31,672)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,936)	(15,603)
CASH AND CASH EQUIVALENTS AT 1 APRIL	132,547	144,756
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	612	3,394
CASH AND CASH EQUIVALENTS AT 31 MARCH		
Represented by bank balances and cash	123,223	132,547

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its 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.

The functional currency of the Company is United States dollars (“US\$”), the currency of the primary economic environment in which the Company and its major subsidiaries operates since the majority of sales of the Group are denominated and settled in US\$. For the purpose of the preparation of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are presented in Hong Kong dollars (“HK\$”).

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKAS 12
Amendments to HKFRS 7

Deferred tax: Recovery of underlying assets; and
Financial instruments: Disclosures – Transfers of financial assets

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle ¹
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
HKAS 19 (as revised in 2011)	Employee benefits ¹
HKAS 27 (as revised in 2011)	Separate financial statements ¹
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ⁴
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ²
HK (IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ¹
HK (IFRIC) – INT 21	Levies ²

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

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 Financial instruments

HKFRS 9 “Financial instruments” (as issued in 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial instruments” (as revised in October 2010) adds requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: recognition and measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 9 Financial instruments (Continued)

- With regard to measurement of financial liabilities that are designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the application of HKFRS 9 for financial year ending 31 March 2016 that based on the Group’s financial instruments as at 31 March 2013 will have no material impact on the consolidated financial statements.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for the Group’s annual period beginning on 1 April 2013. The directors anticipate that the application of the new standard may result in more extensive disclosures in the consolidated financial statements in respect of the property, plant and equipment and investments held for trading.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 “Presentation of items of other comprehensive income” introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’ and an ‘income statement’ is renamed as a ‘statement of profit or loss’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group’s annual period beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for land and buildings and investments held for trading, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment other than land and buildings and construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs of inventories are calculated using the weighted average cost. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and costs necessary to make the sale.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets include loans and receivables and investments held for trading. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Investments held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other income, gains and losses" line item in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets other than investments held for trading are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, accruals and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation and revaluation of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives as set out in note 17 to the consolidated financial statements, commencing from the date the items of property, plant and equipment are put into their intended use. The estimated useful lives and the dates the items of property, plant and equipment are put into use reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment. The Group assesses the residual value and useful lives of the property, plant and equipment on a regular basis and if the expectation differs from the original estimate, such difference will impact the depreciation charge in the year in which such estimate has been changed.

As described in note 17, land and buildings were revalued as at 31 March 2013 and 2012 based on direct comparison approach and depreciated replacement cost method respectively determined by directors of the Company and independent professional valuer respectively. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation for direct comparison approach for land and building in Hong Kong, the Group's management considers information in relation to the current price in the market and uses assumptions that are mainly based on market conditions existing at the end of the reporting period. Where there are any changes in the assumptions on the market conditions in Hong Kong, the estimate of fair value of land and buildings may be affected. In making the estimation for depreciated replacement cost method for buildings in the People's Republic of China (the "PRC"), the independent professional valuer considers information from the aggregate amount of the new replacement cost of the buildings and deductions may be made to allow for the age, condition, economic or functional obsolescence and environmental factor existing at the end of the reporting period. As at 31 March 2013, the carrying amounts of leasehold land and building in Hong Kong determined using the direct comparison approach and buildings in the PRC determined using the depreciated replacement cost method are approximately HK\$40,000,000 and HK\$88,295,000 (2012: HK\$26,000,000 and HK\$93,164,000) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Allowance for inventories

The management of the Group reviews an aging analysis at the end of the reporting period and makes allowance for obsolete and slow moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carried out an inventory review at the end of reporting period and make allowance for inventories, as appropriate. If the market condition was to deteriorate, resulting to a lower net realisable value for inventories, additional allowance may be required.

Allowance for bad and doubtful debts

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows (details of accounting policies are described in note 3). The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2013, the carrying amount of the aggregate trade receivables is approximately HK\$149,930,000 (net of allowance for bad and doubtful debts of approximately HK\$51,000) (2012: carrying amount of approximately HK\$131,581,000, net of allowance for bad and doubtful debts of approximately HK\$51,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings disclosed in note 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as addition to new borrowings and repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 HK\$'000	2012 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	284,186	273,346
Investments held for trading	495	2,604
Financial liabilities		
Amortised cost	181,250	178,634

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, investments held for trading, bank deposits, bank balances, trade payables, accruals and other payables and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. In addition, certain trade and bills receivables, deposits and other receivables, bank deposits, bank balances and cash, trade payables, accruals and other payables and bank borrowings are denominated in foreign currencies other than the functional currency of the respective group entities.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
HK\$ against US\$	11,130	32,736	124,584	123,866
US\$ against HK\$	1,012	1,223	306	1,931
Renminbi ("RMB") against US\$	4,083	760	3,630	4,587
Euro against US\$	164	375	–	10
	16,389	35,094	128,520	130,394

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

For certain group entities whose functional currency is either HK\$ or US\$, the change in exchange rate of its functional currency against US\$ or HK\$ has not been considered in the sensitivity analysis below as HK\$ is pegged to US\$. In the opinion of the directors, the Group does not expect any significant changes between the exchange rate of US\$ against HK\$ in the foreseeable future.

The following table detailed the Group's sensitivity to a 5% (2012: 4%) increase and decrease in the functional currency of each group entity against RMB and 5% (2012: 9%) against Euro and all other variables were held constant. 5% (2012: 4% and 9%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% (2012: 4%) change in RMB and 5% (2012: 9%) change in Euro. A positive number below indicates increase in post-tax profit for the year where RMB strengthen 5% (2012: 4%) and Euro strengthen 5% (2012: 9%) against the functional currency of each group entity. For a 5% (2012: 4%) weakening of RMB and 5% (2012: 9%) weakening of Euro against the functional currency of each group entity, there would be an equal and opposite impact on the post-tax profit for the year and the balances below would be negative.

	2013 HK\$'000	2012 HK\$'000
Increase (decrease) in post-tax profit for the year		
Impact of RMB against US\$	19	(493)
Impact of EURO against US\$	7	27

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest rate risk

The Group's fair value interest rate risk relates primarily to the fixed rate bank borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and financial liabilities at variable rate, mainly deposits with banks and bank borrowings.

The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors of the Company consider the Group's exposure to interest rate risk of bank deposits as a result of the change of market interest rate is insignificant and thus no sensitivity analysis is performed.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for the variable rate financial instruments including bank borrowings at the end of the reporting period, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points (2012: 30 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2012: 30 basis points) higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK\$161,000 (2012: HK\$247,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank borrowings.

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Equity price risk

The Group is exposed to equity price risk through its investments held for trading. The Group's equity price risk is mainly concentrated on securities listed on the Stock Exchange. Management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

Sensitivity analysis

For sensitivity analysis purpose, the sensitivity rate is 15% in current year as a result of the volatile financial market. The sensitivity analysis below has been determined based on the exposure for equity price risks at the end of reporting period. If the prices of the respective equity instruments had been 15% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2013 would increase/decrease by approximately HK\$74,000 (2012: HK\$391,000) as a result of the changes in fair value of held-for-trading investments.

In the management's opinion, the sensitivity analysis was unrepresentative of the inherent equity price risk as the year end exposure did not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at 31 March 2013 and 2012. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 42% (2012: 41%) of the total trade receivable as at 31 March 2013.

The Group has concentration of credit risk as 79% (2012: 65%) and 92% (2012: 79%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's bank balances are deposited with banks of high credit rating and the Group has limited exposure to any single financial institution.

Other than the concentration of credit risk on bank balances and trade receivables, the Group has no other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2013, the Group has available unutilised overdrafts and short-term bank loan facilities of approximately HK\$99,952,000 (2012: HK\$93,581,000). At 31 March 2013 and 2012, all the undrawn banking facilities are in floating rate without specific expiry terms. Details of the Group's bank borrowings at 31 March 2013 are set out in note 25.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate % per annum	On demand HK\$'000	Less than 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 31.3.2013 HK\$'000
2013						
Non-derivative financial liabilities						
Trade payables	–	–	101,331	–	101,331	101,331
Accruals and other payables	–	–	15,329	–	15,329	15,329
Bank borrowings	2.21%	64,590	–	–	64,590	64,590
		64,590	116,660	–	181,250	181,250

	Weighted average effective interest rate % per annum	On demand HK\$'000	Less than 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 31.3.2012 HK\$'000
2012						
Non-derivative financial liabilities						
Trade payables	–	–	80,168	–	80,168	80,168
Accruals and other payables	–	–	16,022	–	16,022	16,022
Bank borrowings	2.29%	82,444	–	–	82,444	82,444
Obligations under finance leases	2.5%	–	550	104	654	618
		82,444	96,740	104	179,288	179,252

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table below follows the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis above. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Weighted average interest rate %	Less than 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
31 March 2013	2.21%	58,389	6,324	64,713	64,590
31 March 2012	2.29%	68,879	14,991	83,870	82,444

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2013 and 2012, the Group's investments held for trading are measured at Level 1. There were no transfer between Level 1,2 and 3 in the current and prior years.

7. REVENUE

The Group is principally engaged in the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances.

The following is an analysis of the Group's revenue:

	2013 HK\$'000	2012 HK\$'000
Electrical haircare products	647,282	623,184
Electrical healthcare products and other small household electrical appliances	10,020	11,173
	657,302	634,357

8. SEGMENT INFORMATION

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 the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

8. SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue is mainly derived from customers located in Asia, Europe, North and South America, Africa and Australia while the Group's business activities are conducted predominantly in Hong Kong and the PRC.

The Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Asia	281,346	270,588	181,995	170,777
Europe	279,111	270,044	–	–
North and South America	69,802	62,944	–	–
Africa	14,935	12,114	–	–
Australia	12,108	18,667	–	–
	657,302	634,357	181,995	170,777

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013 HK\$'000	2012 HK\$'000
Customer A	346,248	309,937
Customer B	N/A ¹	74,129

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

9. OTHER INCOME, GAINS AND LOSSES

	2013 HK\$'000	2012 HK\$'000
Other income:		
Mould income, net of mould costs	8,483	8,207
Compensation received in respect of cancelled orders	3,883	4,950
Rental income	–	263
Dividend income	21	151
Sundry income	1,525	1,695
	13,912	15,266
Other gains and losses:		
Gain (loss) on disposal of property, plant and equipment	344	(1,119)
Net foreign exchange loss	(488)	(1,172)
Reversal of impairment loss on property, plant and equipment	–	735
Reversal of allowance for bad and doubtful debts, net (Note 21)	–	300
Change in fair value of investments held for trading	691	(1,519)
	547	(2,775)
Total other income, gains and losses	14,459	12,491

10. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interests on:		
Bank borrowings wholly repayable within five years	397	561
Trust receipt loans	1,163	862
Finance leases	36	51
	1,596	1,474

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

11. INCOME TAX EXPENSE

	2013 HK\$'000	2012 HK\$'000
Current tax:		
Hong Kong Profits Tax	–	1,541
PRC Enterprise Income Tax	9,162	12,466
	9,162	14,007
Overprovision in prior years:		
Hong Kong Profits Tax	(106)	–
Deferred tax:		
Current year (Note 27)	(267)	(255)
	8,789	13,752

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

During the year ended 31 March 2013, no Hong Kong Profits Tax has been provided in the consolidated financial statements as a subsidiary in Hong Kong has no assessable profit for the year and the assessable profits of other subsidiaries in Hong Kong are wholly absorbed by tax losses brought forward.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2013 HK\$'000	2012 HK\$'000
Profit before taxation	30,072	44,618
Taxation at the EIT of 25% (2012: 25%)	7,518	11,155
Tax effect of expenses not deductible for tax purposes	560	925
Tax effect of income not taxable for tax purposes	(2)	(463)
Tax effect of tax exemptions granted (Note)	640	(2,294)
Overprovision in respect of prior years	(106)	–
Tax effect of tax losses not recognised	1,179	2,044
Tax effect of utilisation of tax losses previously not recognised	(2,351)	(186)
Effect of different tax rates of subsidiaries operating in other jurisdictions	503	(881)
Others	848	3,452
Income tax expense	8,789	13,752

Note: This amount mainly represents the tax effect of 50% of assessable profits/losses of a subsidiary, Kenford Industrial Company Limited, which was exempted under Departmental Interpretation and Practice Notes No. 21 (Revised 2009) issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of manufacturing profits as offshore in nature.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

12. PROFIT FOR THE YEAR

	2013 HK\$'000	2012 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	733	637
Amortisation of prepaid lease payments	96	96
Depreciation of property, plant and equipment	15,659	14,271
Reversal of allowance for inventories (included in cost of sales)	(387)	(578)
Directors' emoluments (Note 13)	17,012	22,438
Other staff costs (Note)		
Salaries and allowances	129,974	111,839
Retirement benefits scheme contributions	5,213	5,571
	152,199	139,848
Cost of inventories recognised as expenses	459,873	437,828
Minimum lease payments in respect of rented properties	2,057	2,080

Note: Included in other staff costs were research and development costs (comprised mainly salaries paid to engineers who are responsible for the research and development functions) of HK\$5,584,000 (2012: HK\$5,390,000).

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2012: six) directors were as follows:

Year ended 31 March 2013

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments HK\$'000 (Note a)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors					
Lam Wai Ming	–	7,319	3,500	15	10,834
Tam Chi Sang	–	4,779	1,000	15	5,794
Independent non-executive directors					
Chiu Fan Wa	96	–	–	–	96
Choi Hong Keung	96	–	–	–	96
Li Chi Chung	96	–	–	–	96
Li Tat Wah	96	–	–	–	96
Total	384	12,098	4,500	30	17,012

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Year ended 31 March 2012

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments HK\$'000 (Note a)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors					
Lam Wai Ming	–	7,010	7,500	12	14,522
Tam Chi Sang	–	4,656	2,900	12	7,568
Independent non-executive directors					
Chiu Fan Wa	96	–	–	–	96
Choi Hong Keung (Note b)	60	–	–	–	60
Li Chi Chung	96	–	–	–	96
Li Tat Wah	96	–	–	–	96
Total	348	11,666	10,400	24	22,438

Notes:

- (a) The performance related incentive payments are determined having regard to the performance of individuals.
- (b) Mr. Choi Hong Keung was appointed on 15 August 2011.

Mr. Lam Wai Ming is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

During both years, no emoluments were paid by the Group to the directors as compensation for loss of office or an inducement to join or upon joining the Group. None of the directors has waived or agreed to waive any emoluments in both years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

14. EMPLOYEE'S EMOLUMENTS

During the year ended 31 March 2013, of the five individuals with the highest emoluments in the Group, two (2012: two) were directors of the Company whose emoluments are included in the disclosures in note 13 above.

The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries, allowances and other benefits	3,821	3,325
Discretionary bonuses	–	160
Contributions to retirement benefits schemes	44	36
	3,865	3,521

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
Less than HK\$1,000,000	–	1
HK\$1,000,001 – HK\$1,500,000	3	2
	3	3

15. DIVIDENDS

	2013 HK\$'000	2012 HK\$'000
Dividend recognised as distribution and paid during the year:		
Interim dividend – HK0.78 cents per ordinary share for 2013 (2012: HK1.38 cents for 2012)	3,424	6,057
Final dividend – HK0.7 cents per ordinary share for 2012 (2012: HK2.8 cents for 2011)	3,072	12,356
Special dividend – Nil for 2012 (2012: HK1.2 cents for 2011)	–	5,200
	6,496	23,613

The final dividend of HK0.82 cents (2012: HK0.7 cents) per ordinary share has been proposed by the directors and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

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16. EARNINGS PER SHARE

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

	2013 HK\$'000	2012 HK\$'000
Profit for the purposes of basic and diluted loss per share (Profit for the year attributable to owners of the Company)	21,283	30,866

Number of shares

	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	438,926	437,597
Effect of dilutive potential ordinary shares: Share options	–	715
Weighted average number of ordinary shares for the purpose of diluted earnings per share	438,926	438,312

The computation of diluted per share for the year ended 31 March 2013 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

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For the year ended 31 March 2013

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong HK\$'000 (Notes a and b)	Buildings in the PRC HK\$'000 (Note b)	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000 (Note c)	Moulds HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST OR VALUATION									
At 1 April 2011	23,120	93,907	11,873	45,811	24,518	6,035	68,164	3,242	276,670
Additions	-	-	1,010	2,992	4,259	-	596	49	8,906
Disposals	-	-	-	(607)	(645)	-	(2,392)	-	(3,644)
Reclassification	-	-	-	-	-	-	1,660	(1,660)	-
Revaluation increase (decrease)	2,880	(2,983)	-	-	-	-	-	-	(103)
Exchange realignment	-	2,240	118	385	209	63	65	113	3,193
At 31 March 2012	26,000	93,164	13,001	48,581	28,341	6,098	68,093	1,744	285,022
Additions	-	-	3,715	8,994	2,107	-	1,162	1,056	17,034
Disposals/written off	-	-	-	(1,130)	(314)	-	(343)	-	(1,787)
Revaluation increase (decrease)	14,000	(5,376)	-	-	-	-	-	-	8,624
Exchange realignment	-	507	35	187	56	10	19	26	840
At 31 March 2013	40,000	88,295	16,751	56,632	30,190	6,108	68,931	2,826	309,733
Comprising:									
At cost	-	-	16,751	56,632	30,190	6,108	68,931	2,826	181,438
At valuation – 2013	40,000	88,295	-	-	-	-	-	-	128,295
	40,000	88,295	16,751	56,632	30,190	6,108	68,931	2,826	309,733
DEPRECIATION AND IMPAIRMENT									
At 1 April 2011	-	-	9,123	32,482	17,617	2,637	55,107	1,026	117,992
Charge for the year	550	2,192	943	2,263	2,491	1,059	4,773	-	14,271
Eliminated on disposals	-	-	-	(547)	(447)	-	(1,146)	-	(2,140)
Reclassification	-	-	-	-	-	-	735	(735)	-
Reversal of impairment recognised in prior year	-	-	-	-	-	-	(735)	-	(735)
Eliminated on revaluation	(550)	(2,205)	-	-	-	-	-	-	(2,755)
Exchange realignment	-	13	88	172	85	36	32	36	462
At 31 March 2012	-	-	10,154	34,370	19,746	3,732	58,766	327	127,095
Charge for the year	619	2,162	1,261	3,650	2,773	1,158	4,036	-	15,659
Eliminated on disposals/ written off	-	-	-	(1,140)	(276)	-	(45)	-	(1,461)
Eliminated on revaluation	(619)	(2,170)	-	-	-	-	-	-	(2,789)
Exchange realignment	-	8	20	76	22	8	13	2	149
At 31 March 2013	-	-	11,435	36,956	22,265	4,898	62,770	329	138,653
CARRYING VALUES									
At 31 March 2013	40,000	88,295	5,316	19,676	7,925	1,210	6,161	2,497	171,080
At 31 March 2012	26,000	93,164	2,847	14,211	8,595	2,366	9,327	1,417	157,927

Notes:

- (a) The Group's interests in leasehold land and building are situated in Hong Kong and held under medium-term lease.
- (b) The leasehold land and building in Hong Kong on 31 March 2013 was valued by the directors using direct comparison method. The buildings in the PRC on 31 March 2013 were valued by qualified valuers from an independent firm, LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, using depreciated replacement cost method.

Had the leasehold land and building in Hong Kong and buildings in the PRC been carried at cost less accumulated depreciation and accumulated impairment losses, their carrying value would have been HK\$9,566,000 and HK\$37,706,000 (2012: HK\$9,847,000 and HK\$38,355,000) respectively.

- (c) Included in the carrying values of property, plant and equipment as at 31 March 2012 were motor vehicles of HK\$648,000 held by the Group under finance leases.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building in Hong Kong	Over the unexpired lease terms
Buildings in PRC	50 years or over the unexpired lease terms of the land use rights on which the buildings are located, whichever is shorter
Leasehold improvements	The shorter of the lease terms or 5 years
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Moulds	20%

18. PREPAID LEASE PAYMENTS

	2013 HK\$'000	2012 HK\$'000
Leasehold land outside Hong Kong – medium-term lease	<u>3,850</u>	3,933

19. GOODWILL

	HK\$'000
CARRYING AMOUNT	
At 1 April 2011, 31 March 2012 and 31 March 2013	<u>1,403</u>

The amount represents goodwill arising on the acquisition of interests in Kario Company Limited (“Kario HK”) and its subsidiaries (collectively referred to as the “Kario Group”).

Goodwill has been allocated to a single cash generating unit, Kario Group. The recoverable amount has been determined based on a value in use calculation. The calculation applies cash flow projections based on financial budgets approved by management covering a 5-year period, and at a discount rate of 10.3% (2012: 10.7%) per annum. Cash flows for the first financial period is based on expected sales orders estimated by the management. Cash flows for the second to the fifth financial periods are extrapolated using the average steady growth rate of 5% (2012: 6%). Budgeted gross margin is determined based on the unit’s past performance and management’s expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount and therefore no impairment loss is necessary.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

20. INVENTORIES

	2013 HK\$'000	2012 HK\$'000
Raw materials	65,071	68,784
Work in progress	19,813	14,424
Finished goods	27,108	28,683
	111,992	111,891

21. TRADE AND BILLS RECEIVABLES

	2013 HK\$'000	2012 HK\$'000
Trade receivables	149,981	131,632
Less: Allowance for bad and doubtful debt	(51)	(51)
	149,930	131,581
Bills receivables	1,378	8,295
Total trade and bills receivables	151,308	139,876

The following is an aged analysis of trade and bills receivables (net of allowance for bad and doubtful debts) presented based on the invoice date, which approximates to the date of revenue recognition, at the end of the reporting period:

	2013 HK\$'000	2012 HK\$'000
0 – 60 days	115,385	105,226
61 – 120 days	33,372	26,717
121 – 365 days	2,380	5,468
Over 365 days	171	2,465
	151,308	139,876

The credit terms granted by the Group ranged from 14 days to 90 days. For those major customers, a credit term up to 120 days from the invoice date is allowed.

Before accepting any new customers, the Group assesses the potential customer's credit quality by investigating their historical settlement record and defines credit limits by customers on geographical basis. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. Included in the Group's trade and bills receivables balances are receivables with aggregate carrying amount of HK\$129,445,000 and HK\$126,649,000 as at 31 March 2013 and 2012 respectively, which are neither past due nor impaired. At 31 March 2013, the directors consider that trade and bills receivables which are neither past nor impaired are of good credit quality and there are continuous subsequent settlements from these customers.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

21. TRADE AND BILLS RECEIVABLES (Continued)

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK\$21,863,000 (2012: HK\$13,227,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The directors consider that trade and bills receivables which are past due but yet impaired are of good credit quality and there are continuous subsequent settlements from these customers. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2013 HK\$'000	2012 HK\$'000
Overdue by:		
0 – 60 days	19,834	7,737
61 – 120 days	1,176	1,087
121 – 365 days	843	1,998
Over 365 days	10	2,405
Total	21,863	13,227

Movement in the allowance for bad and doubtful debts

	2013 HK\$'000	2012 HK\$'000
Balance at beginning of the year	51	352
Impairment losses recognised on trade receivables (Note 9)	–	(300)
Exchange realignment	–	(1)
Balance at end of the year	51	51

22. INVESTMENTS HELD FOR TRADING

	2013 HK\$'000	2012 HK\$'000
Equity securities listed in Hong Kong at fair value	495	2,604

Investments held for trading comprise equity securities listed in Hong Kong and their fair values are based on quoted market bid prices.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

23. BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances comprise of bank deposits and short-term deposits with original maturity of less than 3 months, which carry interest at an average rate of 0.05% (2012: 0.05%) per annum. Bank deposits are with maturity more than 3 months.

24. TRADE PAYABLES

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

	2013 HK\$'000	2012 HK\$'000
0 – 60 days	88,458	67,318
61 – 120 days	10,127	9,596
121 – 365 days	2,746	2,736
Over 365 days	–	518
	101,331	80,168

The credit periods on purchases of goods range from 30 to 120 days.

25. BANK BORROWINGS

	2013 HK\$'000	2012 HK\$'000
Trust receipt loans – unsecured	50,534	37,741
Other bank borrowings – unsecured	14,056	44,703
	64,590	82,444
Carrying amount repayable*:		
Within one year	58,282	68,389
More than one year, but not exceeding two years	6,308	7,747
More than two years, but not exceeding five years	–	6,308
	64,590	82,444
Carrying amount of bank borrowings repayable within one year which contain a repayment on demand clause	58,282	68,389
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	6,308	14,055
Amounts shown under current liabilities	64,590	82,444

* The amounts due are based on scheduled repayable dates set out in loan agreements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

25. BANK BORROWINGS (Continued)

The ranges of effective interest rates (which are same as the contracted interest rates) on the Group's bank borrowings are as follows:

	2013	2012
Effective interest rate:		
Fixed-rate bank borrowings	4%	4%
Variable-rate bank borrowings	0.70% – 2.70% (Hong Kong Interbank Offered Rate “HIBOR” + 0.4% to 2.25%)	0.70% – 2.80% (HIBOR + 0.4% to 2.25%)

26. OBLIGATIONS UNDER FINANCE LEASES

The Group has finance leases for motor vehicles. The lease term ranged from two to two and a half years. Interest rates underlying all obligations under finance leases are fixed at respective contracts dates at 2.2% to 2.75% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Amounts payable under finance leases:				
Within one year	–	550	–	514
In more than one year but not more than two years	–	104	–	104
	–	654	–	618
Less: Future finance charges	–	(36)	–	–
Present value of lease obligations	–	618	–	618
Less: Amount due for settlement within twelve months (shown under current liabilities)			–	(514)
Amount due for settlement after twelve months (shown under non-current liabilities)			–	104

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 17).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated depreciation allowance	Provisions	Properties revaluation	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	2,791	(1,411)	11,786	13,166
Charge (credit) to profit or loss (Note 11)	602	429	(1,286)	(255)
Charge to other comprehensive income	–	–	96	96
Exchange realignment	–	–	376	376
At 31 March 2012	3,393	(982)	10,972	13,383
(Credit) charge to profit or loss (Note 11)	(258)	52	(61)	(267)
Charge to other comprehensive income	–	–	415	415
Exchange realignment	–	–	57	57
At 31 March 2013	3,135	(930)	11,383	13,588

Under the PRC law, withholding tax is imposed on dividends declared in respect of profits earned by subsidiaries in the PRC from 1 January 2008 onwards. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by subsidiaries in the PRC amounting to HK\$101,693,000 (2012: HK\$66,352,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 March 2013, unused tax losses of HK\$10,310,000 (2012: HK\$14,998,000) has not been recognised as deferred tax asset due to unpredictability of future profit streams. As at 31 March 2012, included in unused tax losses are losses of HK\$9,278,000 (2013: HK\$ Nil) that will expire in 2015. All other tax losses may be carried forward indefinitely.

28. SHARE CAPITAL

	Number of shares	Nominal value
	'000	HK\$'000
Ordinary shares of HK\$0.001 each:		
Authorised:		
At 1 April 2011, 31 March 2012 and 31 March 2013	1,000,000	1,000
Issued and fully paid:		
At 1 April 2011	433,336	433
Issue of ordinary shares upon exercise of share options	5,590	6
At 31 March 2012 and 31 March 2013	438,926	439

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

29. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to a resolution passed on 27 May 2005 for the primary purpose of providing incentives to directors and eligible employees, and will remain in force for a period of ten years. Under the Share Option Scheme, the Board of Directors (the "Board") may, in its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any adviser, consultant, supplier, customer and/or agent of the Group whom the Board considered have contributed or will contribute to the Group.

At 31 March 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 6,720,000 (2012: 6,720,000), representing 1.53% (2012: 1.53%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the nominal amount of all issued shares as at 16 June 2005, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted were exercisable from 22 February 2011 to 26 May 2015 (both days inclusive). The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of specific categories of options are as follows:

Option type	Number of share options	Date of grant	Exercise period	Exercise price HK\$	Fair value at grant date HK\$
2011	5,590,000	22 February 2010	22 February 2011 to 26 May 2015	0.5	0.1051
2012	3,600,000	22 February 2010	22 February 2012 to 26 May 2015	0.5	0.0922
2013	3,600,000	22 February 2010	22 February 2013 to 26 May 2015	0.6	0.0674

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

29. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

Details and movements of the share options are as follows:

Eligible participants	Outstanding at 1.4.2011	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2012 and 31.3.2013
Directors	790,000	(790,000)	–	–
Employees	12,000,000	(4,800,000)	(480,000)	6,720,000
	12,790,000	(5,590,000)	(480,000)	6,720,000
Exercisable at 31.3.2012				3,360,000
Exercisable at 31.3.2013				6,720,000
Weighted average exercise price	HK\$0.53	HK\$0.50	HK\$0.50	HK\$0.55

In respect of the share options exercised during the year ended 31 March 2012, the weighted average share price on the exercise date was HK\$0.79 per share. For the year ended 31 March 2013, no options were granted, exercised, cancelled or expired.

30. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The Group is required to contribute 5% of the monthly salaries capped at HK\$1,250 (HK\$1,000 before 1 June 2012) for all Hong Kong based employees to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of the trustees.

The employees of the PRC wholly owned subsidiaries of the Group are required to participate in a defined contribution retirement benefit plan organised by the local municipal government in the PRC under which the subsidiaries and the employees are required to make monthly contributions to the plan calculated at 16% of the employees' average monthly salary in the preceding year.

The Group's contributions to the retirement benefits scheme charged to profit or loss in the consolidated statement of comprehensive income for the year ended 31 March 2013 amounted to approximately HK\$5,243,000 (2012: HK\$5,595,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

31. CAPITAL COMMITMENTS

	2013 HK\$'000	2012 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	5,761	4,632

32. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 HK\$'000	2012 HK\$'000
Within one year	1,383	1,937
In the second to fifth year inclusive	803	1,730
	2,186	3,667

Operating lease payments represent rental payable by the Group for its staff quarters and production properties. Leases are negotiated for two to five years with fixed monthly rentals over the lease terms.

33. RELATED PARTY TRANSACTIONS

In addition to the transactions set out in note 29 above and compensation of key management personnel as set below, the Group does not have any material related party transactions for both years.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and allowances	17,735	16,732
Discretionary bonuses	4,500	10,610
Contributions to retirement benefits schemes	116	90
	22,351	27,432

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 (2012: 8 individuals).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

34. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2013 and 2012 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration and operation	Issued and paid up shares/ registered capital	Percentage of ownership interest attributable to the Company		Principal activities
				Directly	Indirectly	
Asia Pilot Development Limited	Corporation	The British Virgin Islands ("BVI")	US\$1	100%	–	Investment holding
Kenford Industrial Company Limited	Corporation	Hong Kong	HK\$1,000,000	–	100%	Design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances
Sky Ocean Group Limited	Corporation	BVI	US\$1	–	100%	Investment holding
Kario Company Limited	Corporation	Hong Kong	HK\$10,000	–	100%	Investment holding and trading
東莞家利來電器有限公司 Dongguan Kario Electrical Appliance Company Limited (Note)	Corporation	The PRC	US\$4,050,000	–	100%	Design, manufacture and sale of electrical haircare products
Talent Star (China) Limited	Corporation	Hong Kong	HK\$1	–	100%	Managerial services for group companies
Fame Motor Limited	Corporation	Hong Kong	HK\$1	–	100%	Investment holding and trading
東莞榮豐電機有限公司 Dongguan Fame Motor Limited (Note)	Corporation	The PRC	US\$1,210,000	–	100%	Design, manufacture and sale of motors
東莞建福電器有限公司 Dongguan Kenford Electrical Appliance Company Limited (Note)	Corporation	The PRC	HK\$21,600,000	–	100%	Provision of contract processing services

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

Note: These entities are registered as wholly foreign owned enterprises under the PRC law. The English translation of the company names is for identification purpose only.

Five Years Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)	2009 HK\$'000 (Restated)
Non-current assets					
Property, plant and equipment	171,080	157,927	158,678	148,636	138,892
Prepaid lease payments	3,850	3,933	3,944	3,933	3,996
Deposits paid for acquisition of property, plant and equipment	5,662	7,514	–	–	–
Goodwill	1,403	1,403	1,403	1,403	1,403
	181,995	170,777	164,025	153,972	144,291
Current assets					
Inventories	111,992	111,891	92,817	67,679	62,043
Trade and bills receivables	151,308	139,876	143,505	124,214	105,086
Deposits, prepayments and other receivables	14,482	8,360	10,782	10,455	9,512
Investments held for trading	495	2,604	8,426	–	–
Bank deposits	3,716	–	–	–	–
Bank balances and cash	123,223	132,547	144,756	142,896	116,263
	405,216	395,278	400,286	345,244	292,904
Current liabilities					
Trade payable	101,331	80,168	83,928	80,633	59,426
Accruals and other payables	20,726	28,378	29,513	28,018	25,547
Bank borrowings	64,590	82,444	91,325	88,508	98,279
Obligations under finance leases – due within one year	–	514	499	908	2,656
Tax liabilities	7,796	8,929	10,192	7,140	5,890
	194,443	200,433	215,457	205,207	191,798
Net current assets	210,773	194,845	184,829	140,037	101,106
Total assets less current liabilities	392,768	365,622	348,854	294,009	245,397
Non – current liabilities					
Obligations under finance leases – due after one year	–	104	618	1,117	2,025
Deferred tax liabilities	13,588	13,383	13,166	11,633	9,265
	13,588	13,487	13,784	12,750	11,290
Net assets	379,180	352,135	335,070	281,259	234,107
Capital and reserves					
Share capital	439	439	433	433	433
Share premium and reserves	378,741	351,696	334,637	280,826	233,674
Equity attributable to owners of the Company	379,180	352,135	335,070	281,259	234,107

Five Years Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	657,302	634,357	655,541	607,579	769,330
Cost of sales	(551,204)	(519,877)	(520,334)	(480,715)	(636,227)
Gross profit	106,098	114,480	135,207	126,864	133,103
Other income, gains and losses	14,459	12,491	14,343	9,314	7,615
Distribution costs	(11,736)	(11,830)	(11,537)	(8,894)	(9,544)
Administrative expenses	(77,467)	(69,539)	(59,493)	(62,335)	(69,762)
Finance income	314	490	171	86	454
Finance costs	(1,596)	(1,474)	(1,280)	(1,414)	(4,432)
Profit before taxation	30,072	44,618	77,411	63,621	57,434
Income tax expenses	(8,789)	(13,752)	(11,755)	(10,074)	(6,478)
Profit for the year attributable to the owners of the Company	21,283	30,866	65,656	53,547	50,956
Other comprehensive income (expenses)					
Exchange differences arising on translation of foreign operations	1,260	4,461	4,904	888	503
Gain on revaluation of land and buildings	11,413	2,652	8,598	10,602	–
Deferred tax arising from revaluation of land and buildings	(415)	(96)	(1,081)	(2,581)	–
Other comprehensive income for the year	12,258	7,017	12,421	8,909	503
Total comprehensive income for the year attributable to owners of the Company	33,541	37,883	78,077	62,456	51,459
Basic earnings per share (HK cents)	4.849	7.054	15.151	12.357	11.759
Diluted earnings per share (HK cents)	4.849	7.042	15.071	12.357	11.759