



建福集團控股有限公司  
KENFORD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00464

# Interim Report 2015

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# Corporate Information

## BOARDS OF DIRECTORS

### Executive Directors

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

### Independent Non-Executive Directors

Chiu Fan Wa  
Choi Hon Keung  
Li Chi Chung

## COMPANY SECRETARY

Pang Kit Teng

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

Choi Hon Keung (*Chairman*)  
Chiu Fan Wa  
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

Telephone: (852) 2422 8198  
Facsimile: (852) 2420 3199  
Email: [inform@kenford.com.hk](mailto:inform@kenford.com.hk)

## 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  
[www.sprg.com.hk](http://www.sprg.com.hk)  
[kenford@sprg.com.hk](mailto:kenford@sprg.com.hk)

## CORPORATE WEBSITE

[www.kenford.com.hk](http://www.kenford.com.hk)

**STOCK CODE:** 00464

# Highlights

	Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Operating results</b>		
Revenue	<b>309,187</b>	324,741
Gross profit	<b>45,593</b>	39,891
EBITDA	<b>17,171</b>	8,865
Net profit	<b>6,670</b>	1,666
<b>Per share data</b>	<b>HK cents</b>	HK cents
Basic and diluted earnings per share	<b>1.520</b>	0.380
Net assets per share	<b>84.3</b>	86.7
<b>Financial position</b>	<b>HK\$'000</b>	HK\$'000
Cash and structured deposits	<b>109,675</b>	115,146
Net cash (Cash and bank deposits less interest bearing borrowings)	<b>43,405</b>	46,737
Total assets	<b>549,575</b>	601,672
Net assets	<b>369,934</b>	380,603
<b>Financial ratio</b>		
Gross profit margin	<b>14.7%</b>	12.3%
EBITDA to revenue	<b>5.6%</b>	2.7%
Net profit to revenue	<b>2.2%</b>	0.5%
Return on equity	<b>1.8%</b>	0.4%
Net cash to equity	<b>11.7%</b>	12.3%

# Management Discussion and Analysis

## FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2014 (the "current period") was HK\$309,187,000, a decrease of 4.8% from HK\$324,741,000 during the corresponding period last year (the "last corresponding period"). The decline was mainly contributed by the decrease in turnover from the American and Asian markets partly offset by the recovery of demand from the European market.

Gross profit for the current period amounted to HK\$45,593,000, an increase of 14.3% from HK\$39,891,000 in the last corresponding period. Gross profit over revenue ("gross profit margin") during the current period was 14.7% compared to 12.3% in the last corresponding period. The increase was mainly contributed by exerting stringent controls over manufacturing overheads as a result of implementing the "Lean Programme."

Earnings before interest, tax, depreciation and amortisation ("EBITDA") rose to HK\$17,171,000, an increase of 93.7% from HK\$8,865,000 in the last corresponding period. Affected by the decrease in operating expenses, EBITDA over revenue ("EBITDA Margin") was 5.6% compared to 2.7% during the last corresponding period.

Net profit for the current period increased to HK\$6,670,000, an increase of 300% from net profit of HK\$1,666,000 in the last corresponding period.

Basic earnings per share amounted to HK1.520 cents, representing an increase of 300% from earnings per share of HK0.380 cents in the last corresponding period.

The Board of Directors ("The Board") have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

# Management Discussion and Analysis

## BUSINESS REVIEW

### Market Review

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

During the current period, we observed a trend of moderate growth in demand from the European market. Unfortunately, less-than-expected turnover due to the ongoing slowdown in Mainland China's economic growth and the decrease in promotion orders from the American market dampened the Group's overall sales performance. This shift has increased the turnover contribution from the European market to 56.6% during the current period from 50.5%, over the last corresponding period. At the same time, the turnover contribution from the Asian market during the current period remained unchanged at 31.4% as the slowdown in the Mainland China market was compensated by the rises in contributions from the Thailand and Korea markets. The Group believes that the European and Asian markets will still be the major geographic revenue contributors in the coming years.

During the current period, electrical haircare products still constituted the Group's predominant revenue stream accounting for approximately 99% of total turnover. Within this product category, hair dryers led the way followed by hair straighteners, airbrushes, curling tongs and split tongs. Other products such as footbaths, juicers, coffee makers and spare parts contributed the remaining 1%.

Most of the Group's customers are renowned global brands. Its five major customers accounted for approximately 82% of the Group's total turnover during the current period and the last corresponding period.

# Management Discussion and Analysis

## Operation Review

Mainland China remains the Group's major production centre. Similar to other manufacturers in Mainland China, the Group has faced a series of operating challenges, such as a slow recovery in export markets, the drop in growth in PRC domestic markets, the appreciating Renminbi, the difficulties in recruiting production line operators and increased operation costs and general expenses. The Group's gross profit margin was seriously hit by these factors, as it was very difficult to pass the higher expenses on to customers.

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

The Group can meet their demand as most of our products provide a wide range of features including ionising, ceramic coating, self-heat regulating, convenient cool-shot button (to cool hair quickly and hold a hairstyle), diffusing and removable air filters (to prevent overheating and breakdown) and are lightweight for ease of use.

In view of the increasing manufacturing and labour costs in Mainland China, the Group continues to enhance its production efficiency through automation, streamlining manufacturing processes while tightening control over manufacturing overheads. The immediate priority of the Group is to monitor the progress of on-going initiatives to both improve operational efficiency and invest in people and processes to support its long-term development.

The Group will continue to adjust its product mix by phasing out low-margin products and is working hard to enhance its overall competitiveness against major competitors and its product profitability in the years to come.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2014, the Group had approximately HK\$109,675,000 in cash and bank deposits (31 March 2014: HK\$103,757,000). The Group's net current assets were approximately HK\$187,022,000 (31 March 2014: HK\$177,048,000). The current ratio was 2.1 (31 March 2014: 2.1). The net cash position after deducting all interest-bearing borrowings was HK\$43,405,000 (31 March 2014: HK\$41,686,000) and the net cash to equity ratio was 11.7% (31 March 2014: 11.5%).

As at 30 September 2014, the Group's outstanding interest-bearing borrowings amounted to HK\$66,270,000 (31 March 2014: HK\$62,071,000). Such borrowings comprised bank loan facilities of HK\$2,396,000 and trade finance facilities of HK\$63,874,000. The maturity profile of the Group's bank borrowings falling due within one year and in the second to the fifth year amounted to HK\$66,270,000 and HK\$ Nil respectively. (31 March 2014: HK\$62,071,000 and HK\$ Nil respectively)

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

## FOREIGN EXCHANGE EXPOSURE

The Group's financial statements are denominated in United States dollars. The Group carried out its business transactions mainly in United States dollars, Hong Kong dollars, Renminbi and Japanese yen. As the Hong Kong dollar has remained pegged to the United States dollar, there was no material exchange risk in this respect. To manage the appreciation of the Renminbi, the Group had successfully diversified its revenue sources 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 interests at floating rates. Interest rate exposure was low.



# Management Discussion and Analysis

## EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2014, the Group employed 50 employees in Hong Kong (six months ended 30 September 2013: 54) and a total work force of approximately 2,187 (six months ended 30 September 2013: 2,627) inclusive of all its staff and workers in China. The Group's remuneration policy is built on the principle of equitable, incentive-based where applicable, performance-oriented and market-competitive remuneration packages to employees. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

## OUTLOOK AND PROSPECTS

The operating environment in the manufacturing sector is expected to remain challenging in the coming years. The slow recovery of the global economy and the slowdown of domestic economic growth in Mainland China are continuing to weigh down the Group's business growth. The key challenges in the coming year would be the labour shortage, rising manufacturing and labour costs, the appreciation of the Renminbi and the shorter life cycle of consumer electrical products, which in turn increases the difficulties in resources planning and the ability to predict sales orders.

The overall performance of the Group in the first half of the financial year has been improving. On-going progress has been made in streamlining the operational flow and overlapping of manpower so as to reduce operational cost.

As one of the key global suppliers of stylish haircare products, the Group will continue to align its strategic direction reinforcing its position as a major ODM supplier to the world's leading brand owners. It will strive to improve the net profit margins and liquidity position by adjusting the product mix and also exercising more stringent control over manufacturing overheads. The Group's strategic focus on developing lifestyle haircare products superior to traditional items will remain unchanged.

## Supplementary Information

### **SHARE CAPITAL**

During the six months ended 30 September 2014, the listed shares of HK\$0.001 each in the share capital of the Company (the “Share”) was 438,926,000 Shares.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

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

### **INTERIM DIVIDENDS**

The directors of the Company (the “Directors”) have resolved not to declare payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

## Supplementary Information

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

As at 30 September 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### Long position in the Shares of the Company

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

## Supplementary Information

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

#### Long position in the Shares of the Company (Continued)

Notes:

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

#### Long position in the underlying shares of the Company

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

## Supplementary Information

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

As at 30 September 2014, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

#### Long position in the shares of the Company

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

#### Notes:

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

Save as disclosed above, as at 30 September 2014, no person (other than Directors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

## Supplementary Information

### SHARE OPTION SCHEME

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

Particulars of outstanding options under Share Option Scheme at the beginning and at the end of the financial period for the six months ended 30 September 2014 and the details of shares options granted exercised, cancelled and lapsed during the period were as follows:

Category of grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	Outstanding at beginning of the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period
Senior Management	22 February 2010	2012.02.22 – 2015.05.26 <i>(Note 1(i))</i>	0.5	3,360,000	0	0	3,360,000
Senior Management	22 February 2010	2013.02.22 – 2015.05.26 <i>(Note 1(ii))</i>	0.6	3,360,000	0	0	3,360,000
Total				6,720,000	0	0	6,720,000

*Notes:*

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

Save as disclosed above, no options were granted, cancelled and lapsed by the Company under the Share Options Scheme during the six months ended 30 September 2014.

# Supplementary Information

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

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

## **CORPORATE GOVERNANCE**

### **Corporate Governance Practices**

In the opinion of the Board, the Company has complied with the applicable code provisions of the 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 six months ended 30 September 2014, except for the deviation from the CG Code A.2.1 explained in the following relevant section.

To enhance accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders, the Company is dedicated to develop the appropriate framework of corporate governance for the Group. The Group will keep on 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.

### **Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted procedures governing directors’ securities transactions in compliance with the Model Code 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 six months ended 30 September 2014.

## Supplementary Information

### Board of Directors

The Board of Directors of the Company comprises five Directors, of which two are Executive Directors, namely, Mr. Lam Wai Ming (Chairman) and Mr. Tam Chi Sang (Managing Director) and three are Independent Non-Executive Directors, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung.

CG Code 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.

Code Provision A.1.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the six months ended 30 September 2014, the Company had convened one Board meetings with the formal notice and agenda issued to all the Directors before the intended dates of the meetings. In view of good corporate governance practices, the Board has scheduled the meetings' calendar on a regular basis. It is expected that there will be at least four Board meetings to be convened for the financial year ending 31 March 2015.



# Supplementary Information

## Remuneration Committee

The remuneration committee of the Company (the “**Remuneration Committee**”) was established for the purpose of (i) to review and give comment to the overall remuneration policy and remuneration packages of the Group; (ii) to review and give comment to the basic salary of the Executive Directors and senior management of the Group; (iii) to review and give comment to the performance bonus of the Executive Directors of the Company; (iv) 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 (v) to recommend the remuneration packages of the Executive Directors and senior management of the Group for each financial year prior to recommending them to the Board for determination.

The Remuneration Committee comprises three Independent Non-Executive Directors namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung and two Executive Directors namely, Mr. Lam Wai Ming and Mr. Tam Chi Sang. Mr. Choi Hon Keung was appointed as chairman of the Remuneration Committee.

## Nomination Committee

The nomination committee of the Company (the “**Nomination Committee**”) was established to formulate nomination policy for consideration 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.

The Nomination Committee comprises three Independent Non-Executive Directors namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung. Mr. Chiu Fan Wa was appointed as the chairman of the Nomination Committee.

## Supplementary Information

### Audit Committee

The audit committee of the Company (the “**Audit Committee**”) was established on 29 April 2005 with written terms of reference 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.

The Audit Committee comprises three Independent Non-Executive Directors, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung. 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.

# Supplementary Information

## **PUBLICATION OF INTERIM RESULTS**

All details on the financial and related information of the Company containing all information as required by paragraph 46(1) to 46(9) of Appendix 16 to the Listing Rules are published on the website of the Stock Exchange. It will also be dispatched to shareholders and available to the public for collection in the following places in early December 2014:

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

## **INTERNAL CONTROL AND RISK MANAGEMENT**

The Company has set up an internal audit department in February 2008 to provide assurance to the Board and management on the effectiveness of internal controls. The Board undertakes to periodically review the internal control including financial, operational and compliance control and risk management systems of the Group to ensure their effectiveness and efficiency and is responsible for maintaining effective internal control system of the Group.

## **OTHER DISCLOSURE**

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

## Supplementary Information

### **APPRECIATION**

The Board would like to take this opportunity to express its gratitude to all members of the staff for their dedication and commitment and the continuing support from our customers, suppliers, banks and shareholders.

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

Hong Kong, 27 November 2014

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		<b>For the six months ended 30 September</b>	
		<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
		<i>Notes</i>	
<b>Revenue</b>	3	<b>309,187</b>	324,741
Cost of sales		<b>(263,594)</b>	(284,850)
Gross profit		<b>45,593</b>	39,891
Other income, gains and losses		<b>4,926</b>	5,350
Distribution costs		<b>(5,269)</b>	(6,450)
Administrative expenses		<b>(36,642)</b>	(37,887)
Finance income		<b>272</b>	70
Finance costs	6	<b>(861)</b>	(880)
<b>Profit before taxation</b>	6	<b>8,019</b>	94
Income tax (expenses)/credit	7	<b>(1,349)</b>	1,572
<b>Profit for the period attributable to owners of the Company</b>		<b>6,670</b>	1,666
<b>Other comprehensive (expenses)/ income</b>			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(416)</b>	3,356
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>6,254</b>	5,022
<b>Basic and diluted earnings per share (HK cents)</b>	8	<b>1.520</b>	0.380

## Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>As at 30 September 2014 (Unaudited) HK\$'000</b>	As at 31 March 2014 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>184,440</b>	188,753
Prepaid lease payments		<b>3,772</b>	3,821
Deposits paid for acquisition of property, plant and equipment		<b>4,962</b>	4,321
Goodwill		<b>1,403</b>	1,403
		<b>194,577</b>	198,298
<b>Current assets</b>			
Inventories		<b>94,048</b>	108,470
Trade and bills receivables	11	<b>135,378</b>	117,691
Deposits, prepayments and other receivables		<b>15,897</b>	15,184
Structured deposits		<b>8,196</b>	10,090
Bank balances and cash		<b>101,479</b>	93,667
		<b>354,998</b>	345,102
<b>Current liabilities</b>			
Trade payables	12	<b>77,443</b>	81,653
Accruals and other payables		<b>18,510</b>	19,480
Bank borrowings		<b>66,270</b>	62,071
Tax liabilities		<b>5,753</b>	4,850
		<b>167,976</b>	168,054
<b>Net current assets</b>		<b>187,022</b>	177,048
<b>Total assets less current liabilities</b>		<b>381,599</b>	375,346

## Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>As at 30 September 2014 (Unaudited) HK\$'000</b>	As at 31 March 2014 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>11,665</b>	11,666
<b>Net assets</b>		<b>369,934</b>	363,680
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>439</b>	439
Share premium and reserves		<b>369,495</b>	363,241
<b>TOTAL EQUITY</b>		<b>369,934</b>	363,680

# Condensed Consolidated Statement of Changes in Equity

## Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Properties Revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2014 (audited)	439	58,873	942	72,899	18,988	536	211,003	363,680
Profit for the period	-	-	-	-	-	-	6,670	6,670
Other comprehensive expenses	-	-	-	-	(416)	-	-	(416)
Total comprehensive (expenses)/income for the period	-	-	-	-	(416)	-	6,670	6,254
At 30 September 2014 (unaudited)	439	58,873	942	72,899	18,572	536	217,673	369,934
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Properties Revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	439	58,873	942	57,107	15,067	536	246,216	379,180
Profit for the period	-	-	-	-	-	-	1,666	1,666
Other comprehensive income	-	-	-	-	3,356	-	-	3,356
Total comprehensive income for the period	-	-	-	-	3,356	-	1,666	5,022
Dividend paid (note 9)	-	-	-	-	-	-	(3,599)	(3,599)
At 30 September 2013 (unaudited)	439	58,873	942	57,107	18,423	536	244,283	380,603



## Condensed Consolidated Statement of Cash Flows

		For the six months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<i>Notes</i>			
Net cash from/(used in) operating activities		<b>7,294</b>	(10,300)
Investing activities			
New structured deposits placed		<b>(2,520)</b>	(4,491)
Withdrawal of structured deposits		<b>4,414</b>	–
Purchase of property, plant and equipment	10	<b>(2,668)</b>	(4,963)
Deposits paid for acquisition of property, plant and equipment		<b>(1,980)</b>	1,892
Other investing cash flows		<b>272</b>	370
Net cash used in investing activities		<b>(2,482)</b>	(7,192)
Financing activities			
New bank borrowings raised		<b>87,527</b>	86,939
Repayment of bank borrowings		<b>(83,328)</b>	(83,120)
Dividend paid	9	–	(3,599)
Other financing cash flows		<b>(861)</b>	(880)
Net cash from/(used in) financing activities		<b>3,338</b>	(660)
Net increase/(decrease) in cash and cash equivalents		<b>8,150</b>	(18,152)
Cash and cash equivalents at beginning of period		<b>93,667</b>	123,223
Effect of foreign exchange rate changes		<b>(338)</b>	1,868
Cash and cash equivalents at end of period, represented by bank balances and cash		<b>101,479</b>	106,939

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 1. GENERAL INFORMATION

Kenford Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 June 2005. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its ultimate holding company is Beaute Inc., a company incorporated in the British Virgin Islands, which is jointly controlled by Mr. Lam Wai Ming, the Executive Director and the Chairman of the Company, and Mr. Tam Chi Sang, the Executive Director and Managing Director of the Company. The registered office and principal place of business of the Company is Room 1106-8, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

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

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to nearest thousand unless otherwise stated.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for land and buildings and structured deposits, which are measured at revalued amounts and fair value respectively.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## **3. 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. Revenue represents the net amounts received and receivable for goods sold in the normal course of business, net of discounts.

## **4. SEASONALITY OF OPERATIONS**

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

## **5. SEGMENT INFORMATION**

Information reported to the executive directors of the Company, being the chief operating decision maker for the purposes of resources allocation and assessment of performance of a single reportable and operating segment, which is the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 5. SEGMENT INFORMATION (Continued)

The Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods is as follows:

	Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Europe	174,865	163,879
Asia	97,132	102,000
North and South America	28,725	45,851
Africa	4,629	7,946
Australia	3,836	5,065
	<b>309,187</b>	324,741

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of inventories recognised as expenses	263,860	285,874
Depreciation of property, plant and equipment	8,242	7,623
Amortisation of prepaid lease payments	49	49
Interests on:		
– bank borrowings wholly repayable within five years	28	94
– trust receipt loans	833	786
	861	880
Gain on disposal of property, plant and equipment	–	(257)
Reversal of allowance for inventories	(266)	(1,024)
Net foreign exchange gain	(394)	(107)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 7. INCOME TAX (EXPENSES)/CREDIT

	<b>Six months ended 30 September</b>	
	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	<b>(920)</b>	–
– The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	<b>(429)</b>	(781)
	<b>(1,349)</b>	(781)
Overprovision in prior years		
– EIT	–	2,353
Income tax (expenses)/credit	<b>(1,349)</b>	1,572

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2013: 16.5%) of the estimated assessable profits for the period.

Under the Law of the PRC on EIT (the "EIT" Law) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 September 2013: 25%).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 8. EARNINGS PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
Profit for the purposes of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	<b>6,670</b>	1,666
	<b>Number of shares</b>	
	<b>'000</b>	'000
Number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<b>438,926</b>	438,926
Basic and diluted earnings per share (HK cents)	<b>1.520</b>	0.380

The computation of diluted earnings per share 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 of shares for the six months ended 30 September 2014 and 2013.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 9. DIVIDENDS

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

During the interim period ended 30 September 2013, a final dividend of HK0.82 cent per share in respect of the year ended 31 March 2013 was declared and paid to the owners of the Company. The aggregate amount of the dividend declared and paid amounted to HK\$3,599,000.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK\$4,007,000 (six months ended 30 September 2013: HK\$4,963,000).

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 11. TRADE AND BILLS RECEIVABLES

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

	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
Trade receivables	<b>132,830</b>	117,296
Bills receivables	<b>2,548</b>	395
	<b>135,378</b>	117,691

The aging analysis of trade and bills receivables, net of allowance for bad and doubtful debts, presented based on invoice date at the end of the reporting period, which approximates to the respective date of revenue recognition, is as follows:

	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
Within 60 days	<b>101,866</b>	58,277
61 – 120 days	<b>31,360</b>	56,713
121 – 365 days	<b>1,797</b>	1,701
Over 365 days	<b>355</b>	1,000
	<b>135,378</b>	117,691

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 12. TRADE PAYABLES

The credit periods on purchases of goods ranged from 30 to 120 days. The aging analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
Within 60 days	<b>71,698</b>	69,273
61 – 120 days	<b>2,917</b>	10,432
121 – 365 days	<b>1,810</b>	1,003
Over 365 days	<b>1,018</b>	945
	<b>77,443</b>	81,653

## 13. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Nominal value HK\$'000</b>
<b>Ordinary shares of HK\$0.001 each</b>		
Authorised:		
At 1 April 2013, 30 September 2013, 1 April 2014 and 30 September 2014	1,000,000	1,000
Issued and fully paid:		
At 1 April 2013, 30 September 2013, 1 April 2014 and 30 September 2014	438,926	439

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 14. SHARE-BASED PAYMENTS

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.

At 30 September 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 6,720,000 (31 March 2014: 6,720,000). The weighted average exercise price of options outstanding at the end of reporting period was HK\$0.55 (31 March 2014: HK\$0.55).

## 15. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements

<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
<b>5,411</b>	4,992

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Key management personnel compensation:		
– salaries and other allowances and benefits	7,720	10,337
– contributions to defined contribution plan	60	60
	<b>7,780</b>	10,397

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 7 individuals (six months ended 30 September 2013: 8 individuals).

## 17. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were authorised for issue by the Board on 27 November 2014.