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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

INTERIM RESULTS

The board of directors (the "Board") of Kenford Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2010, together with the comparative figures for the corresponding period of last financial year as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		Six months ended 30 September	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Turnover	3	313,822	282,199
Cost of sales		(244,838)	(227,422)
Gross profit		68,984	54,777
Other income and gains		5,656	3,193
Distribution costs		(5,165)	(4,120)
Administrative expenses		(35,239)	(30,287)
Finance costs		(616)	(659)
Profit before income tax expense	6	33,620	22,904
Income tax expense	7	(3,586)	(2,812)
Profit for the period, attributable to owners of the Company		30,034	20,092
Other comprehensive income			
Exchange differences on translating foreign operations		2,138	676
Total comprehensive income for the period, attributable to owners of the Company		32,172	20,768
Earnings per share (HK cent)	8		
- Basic		6.931	4.637
- Diluted		6.927	4.637

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Notes	**As at 30 September 2010 (Unaudited) HK$'000**	As at 31 March 2010 (Audited) HK$'000
Assets			
Non-current assets			
Property, plant and equipment	11	149,055	148,636
Payments for leasehold land held for own use under operating leases		3,933	3,933
Goodwill		1,403	1,403
Total non-current assets		154,391	153,972
Current assets			
Inventories		91,405	67,679
Trade and bills receivables	12	148,725	124,214
Deposits, prepayments and other receivables		12,372	10,455
Cash and cash equivalents		139,725	142,896
Equity securities measured at fair value through profit or loss	13	7,508	-
Total current assets		399,735	345,244
Total assets		554,126	499,216
Liabilities			
Current liabilities			
Trade payables	14	101,043	80,633
Accruals and other payables		36,315	28,018
Borrowings - due within one year		72,727	59,253
Obligations under finance leases - due within one year		598	908
Current tax liabilities		7,159	7,140
Total current liabilities		217,842	175,952
Non-current liabilities			
Borrowings - due after one year		25,491	29,255
Obligations under finance leases - due after one year		869	1,117
Deferred tax liabilities		11,659	11,633
Total non-current liabilities		38,019	42,005
Total liabilities		255,861	217,957
Net current assets		181,893	169,292
Total assets less current liabilities		336,284	323,264
TOTAL NET ASSETS		298,265	281,259

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

As at 30 September 2010

	Notes	**As at 30 September 2010 (Unaudited) HK$'000**	As at 31 March 2010 (Audited) HK$'000
Capital and reserves attributable to owners of the Company			
Share capital		433	433
Share premium		55,496	55,496
Merger reserve		942	942
Properties revaluation reserve		36,036	36,036
Exchange fluctuation reserve		6,580	4,442
Share-based compensation reserve		1,162	1,162
Proposed dividends		9,100	15,166
Retained profits		188,516	167,582
TOTAL EQUITY		298,265	281,259

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

These condensed consolidated interim financial statements include selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2010. These condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. HKFRSs include all applicable HKFRSs, HKASs and related interpretations. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2010.

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

Except for the adoption of the following new or revised HKFRSs, the accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2010.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

The Group has adopted the following new and revised HKFRSs that are relevant to the Group and are effective for accounting periods beginning on 1 April 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Amendments to HKFRS 2	Share-based Payment - Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) - Interpretation 17	Distributions of Non-cash Assets to Owners

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009" removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgment to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group has reassessed the classification of land elements of unexpired leases as at 1 April 2010 and concluded that the classification of such lease as operating lease continues to be appropriate.

The adoption of HKFRS 3 (Revised) "Business Combinations" would affect the accounting for business combinations for which the acquisition date is on or after 1 April 2010. As the Group has not undertaken such transactions during the period, the revised standard has no effect to the Group.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" would affect the accounting treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. As the Group has not undertaken such transactions during the period, the revised standard has no effect to the Group.

3. TURNOVER

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

4. SEASONALITY OF OPERATIONS

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

5. SEGMENT INFORMATION

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Board for the purposes of assessing segment performance and allocating resources. The Group has one reportable segment, which is design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances and as a result, segment assets and liabilities, revenue and expenses are allocated to that single reportable segment.

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

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue from external customers	313,822	282,199
Segment profit	33,620	22,904

	30 September	31 March
	2010	2010
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Segment assets	554,126	499,216

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

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Europe	163,096	138,164
North and South America	48,012	57,776
Asia	83,785	72,188
Australia	9,080	6,957
Africa	9,849	7,114
	313,822	282,199

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories recognised as an expense	244,838	227,422
Depreciation of property, plant and equipment	7,153	7,726
Amortisation of payments for leasehold land held for own use under operating leases	46	46
Interest on:		
- bank borrowings and overdrafts wholly repayable within five years	284	14
- bank borrowings not wholly repayable within five years	-	79
- trust receipt loans	295	505
- finance leases	37	61
	616	659
Loss on disposal of property, plant and equipment, net	1	26
Write down of inventories	1,129	1,450
Impairment/(reversal of impairment) of trade receivables	162	(289)
Exchange losses, net	87	115
Fair value gain on equity securities measured at fair value through profit or loss, net	(585)	-
Dividend income	(38)	-
Interest income	(123)	(28)

7. INCOME TAX EXPENSE

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

	Six months ended 30 September 2010 (Unaudited) HK$ '000	Six months ended 30 September 2009 (Unaudited) HK$ '000
Current tax		
- Hong Kong Profits Tax	2,439	1,810
- PRC Enterprise Income Tax ("EIT")	1,309	1,002
	3,748	2,812
Deferred tax	(162)	-
Income tax expense	3,586	2,812

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

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2009: 16.5%) of the estimated assessable profits for the period.

Group entities operating in the PRC are subject to EIT at a rate of 25% (six months ended 30 September 2009: 25%).

8. EARNINGS PER SHARE

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

	Six months ended 30 September 2010 (Unaudited) HK$'000	Six months ended 30 September 2009 (Unaudited) HK$'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	30,034	20,092
	Number of shares '000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	433,336	433,336
Effect of dilutive potential ordinary shares:		
- options	265	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	433,601	433,336

9. DIVIDENDS

The Board recommends the payment of interim dividend for the six months ended 30 September 2010 at the rate of HK2.1 cents per share, payable on 3 January 2011 to the shareholders of the Company (six months ended 30 September 2009: HK1.5 cents per share).

The amount of interim dividend is based on 433,336,000 shares (six months ended 30 September 2009: 433,336,000 shares) in issue as at 23 November 2010.

10. SHARE-BASED PAYMENTS

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

Details and movements of the share options are as follows:

	30 September 2010 (Unaudited)		31 March 2010 (Audited)	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
Outstanding at beginning of the period/year	0.53	12,790,000	-	-
Granted during the period/year	-	-	0.53	12,790,000
Outstanding at end of period/year	0.53	12,790,000	0.53	12,790,000

The weighted average exercise price of options outstanding at the end of reporting period was HK$0.53 (31 March 2010: HK$0.53) and their weighted average remaining contractual life was 3.02 years (31 March 2010: 3.52 years).

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

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$6,214,000 (six months ended 30 September 2009: HK$6,928,000) on the acquisition of property, plant and equipment and disposal of property, plant and equipment with an aggregate carrying amount of approximately HK$10,800 (six months ended 30 September 2009: HK$26,000).

12. TRADE AND BILLS RECEIVABLES

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

	30 September 2010 (Unaudited) HK$'000	31 March 2010 (Audited) HK$'000
Trade receivables	124,956	110,608
Bills receivables	23,769	13,606
	148,725	124,214

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

	30 September 2010 (Unaudited) HK$'000	31 March 2010 (Audited) HK$'000
Aged:		
Within 60 days	96,708	79,109
61 - 120 days	27,977	31,444
121 - 365 days	271	55
	124,956	110,608

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

13. EQUITY SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2010 (Unaudited) HK$'000	31 March 2010 (Audited) HK$'000
Equity securities measured at fair value through profit or loss (held for trading):		
- Listed in Hong Kong	7,508	-

14. TRADE PAYABLES

The aging analysis of trade payables prepared based on goods received date is as follows:

	30 September 2010 (Unaudited) HK$'000	31 March 2010 (Audited) HK$'000
Aged:		
Within 60 days	97,067	73,733
61 - 120 days	2,856	5,843
121 - 365 days	794	759
More than 365 days	326	298
	101,043	80,633

INTERIM DIVIDENDS

The directors of the Company (the "Directors") are pleased to declare an interim dividend of HK2.1 cents per Share (30 September 2009: HK1.5 cents) for the six months ended 30 September 2010, to be paid to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 16 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 December 2010 to Thursday, 16 December 2010, both days inclusive, during which period no transfers of Shares duly accompanies by the relevant Share certificates, and the appropriate transfer forms must be lodged for registration with the Company's share register in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 December 2010. The record date will be on Thursday, 16 December 2010. The last day in Hong Kong of dealings in the Shares with entitlement to interim dividend will be on Wednesday, 8 December 2010. Shares will be traded ex-dividend as from Thursday, 9 December 2010. The interim dividend will be paid on Monday, 3 January 2011.

MANAGEMENT AND DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first half of financial year 2010/2011 ("Financial Year"), the global economy was on a path of recovery, though at a modest pace. In spite of the uncertainties posed by the global economy, the Group achieved a steady rate of recovery for the six months ended 30 September 2010 compared with the corresponding period last year.

The Group designs, manufactures and sells electrical hair care products, electrical health care products and other small household electrical appliances. In the six months ended 30 September 2010, our turnover increased by 11.2% to HK$313.8 million from HK$282.2 million for the corresponding period of 2009. Our net profit also increased, by 49.3%, to HK$30.0 million from HK$20.1 million. During the period under review, average selling price of our products was increased by 6% for the reasons that our business is more focus on the mid to high end products than the low end products. The Group has hastened the pace of its expansion plan in emerging markets such as Asia, Africa and Australia market. Since additional efforts were devoted to the emerging market, the revenue from Asia, Africa and Australia increased by 16.1%, 38.4% and 30.5% respectively against the corresponding period of 2009. In Europe, revenue increased by from 18.0% owing to steadily economic recovery. Due to the weakening US dollar, the US economy was still unstable, and sales in this market remained lacklustre, declining by 16.9%.

We are now marketing our products in approximately 43 countries. Hair care products including hairdryers, hair straighteners, air brushes, curling irons, drop tongs, split tongs and hair crimpers accounted for 97.3% of our total turnover for the period. The remaining 2.7% of the total turnover was from health/personal products and kitchen appliances, including electric massagers, footbaths, facial saunas, hot sterilizers, wax heaters, coffee makers, juicers and motors. The two streams of products are sold by the Group through importers and brand owners to beauty supply retailers and wholesalers, chain stores, mass merchandisers, warehouse clubs, catalogue and grocery stores. As most of our customers are famous global brands, demand for our products is steady. During the period under review, our five major clients accounted for approximately 73.1% of our total turnover.

As the "leaner operation" mode of thinking continues to spread to every country around the world, the Group will promote its own the Lean Program in order to increase production efficiency. We have engaged a professional consultant and Lean Manager to lead the Lean Program. We have also adopted the principle of "Spend less, Award More" to avoid "Seven Wastages". Production Line Model has been set up for testing and practising in October 2010 in order to achieve the pre-set production target.

We expect that the production costs will decrease after executing the Lean Program for approximately ten months. Also, the program will meet the conditions for the changes in the sales pattern of customers in shorten the lead-time for delivery.

The Group will continue to place emphasis on the cost rationalisation programmes. In August 2010, the Group joined the Cleaner Production programme sponsored by the Hong Kong Productivity Council. The first stage of the program involving site evaluation has been completed. We will be setting a cost reduction program in the second half of the Financial Year.

To keep abreast of customers' needs and industry trends in the ever-changing environment, the Group has been relentless its efforts towards product research and development, as well as pushing for advancement in production technology. During the period under review, we introduced approximately 10 brand new hair care products. Furthermore, to improve product quality and ensure our products meet the requirements of various quality regulations, the Group placed more resources into equipping its professional laboratories and testing rooms. Standards such as ISO9001 – Quality Management Systems and ISO14001 – Environment Management Systems were strictly adhered.

With the PRC government encourage investors to change their processing factory operation into wholly foreign owned enterprises ("WFOE") through incentive schemes, we are now in the process of changing our processing factory operation in Dongguan to a WFOE. We expect the change to be completed in the second half of the Financial Year.

PROSPECTS

The global economy has not fully recovered to cope with the market turmoil caused by the financial tsunami in 2008. It is now confronted with the operational pressures arising from rising prices of raw materials and commodities and surging labour costs. The Group will continue to achieve sustainable development in its core business in order to maintain and strengthen our leading position in the electrical hair-care product industry.

Since our new plant in Changping, Dongguan, the PRC commenced operation in March 2009, our annual production capacity has been risen by approximately 30%, enabling us to benefit from the economies of scale and consequently strengthen our power to enlarge the market share. The Group will continue to focus on our profitable core business of developing high quality electrical hair-care products. We are also well-prepared to face a volatile business environment by leveraging the resource of the Group to further develop business and strategic planning.

Raw materials and commodities such as copper, lead, alloy, plastics and paper are the major components of our hair-care products. The prices of these raw materials were fluctuated during the first half of the Financial Year with increasing trend in second half of the Financial Year. Moreover, in the PRC, the minimum wages were increased from RMB770 to RMB920 in May 2010. The Renminbi appreciated by 2% during the last Financial Year and is expected to be further appreciated by 3% to 5% during the next Financial Year. The Japanese Yen reached a historical highs in the first half of the Financial Year. To mitigate the negative impact from external pressure of increasing production costs, the Group will seek to improve production efficiency through enhancements in automation, simplification of production workflow through Lean Program and saving costs through the Cleaner Production Program. Furthermore, we have negotiated price increase with our customers which will be effective from the second half of the Financial Year.

Furthermore, the Group will make further upgrades in the present ERP System. Upon the completion of the upgraded processes, comprehensive data analysis and data management functions will be provided for the operation unit within the Group. Better information management system within the Group inevitably speeds up the work of the staff.

The Group will continue to explore opportunities for promoting its well-known innovative and high quality products with competitive prices. We cannot afford to become complacent about our current situation. The Group will strive to strengthen cooperative ties with key clients and enhance our products to cater to demand for mid-range and high-end products. We will continue to enlarge our market shares in high-growth emerging market. We remain optimistic towards the revenue from emerging market, which will be continued to grow steadily.

Looking ahead, the Group will continue to focus on strengthening its research and development capabilities, leading to the development of innovative products with strong value-added features that can help improve its margin. The strategic focus of the Group remains unchanged of developing ODM, OEM and OBM lifestyle products better than traditional electrical appliances. Guided by the motto of "Better Ideas, Better Design, Better Quality", the Group will leverage resources to promote its own new products and explore more business opportunities in other new product categories and other niche markets. We will also seek to best address the interest of our customers by providing a variety of quality products. Our endeavor will allow us to create greater value for our shareholders.

FINANCIAL REVIEW

For the six months ended 30 September 2010, the Group recorded a turnover of HK$313.8 million (six months ended 30 September 2009: HK$282.2 million), representing an increase of approximately 11.2% against the corresponding period of 2009. Turnover attributable to sales of electrical hair care products was approximately HK$305.2 million, representing approximately 97.3% of the turnover of the Group. The increase in turnover was mainly due to the steady recovery from financial tsunami of 2008 and 2009. The Group has captured a greater share of the market in Asia, testifying to the popularity of its products in the PRC, among other countries. However, sales in the US contracted during the period. Turnover from Asia and Europe increased to HK$83.8 million and HK$163.1 million, up by 16.1% and 18.0% respectively, whereas turnover was down 16.9% in the US to HK$48.0 million.

Gross profit margin of the Group was approximately 22.0% for the period versus 19.4% in the last corresponding period and net profit margin was 9.6%, an increase from 7.1% in the same period last year. The profit margin improved as a result of the management's success in developing new products, identifying alternative material sources to help cap material expenses and rationalise distribution costs and administration expenses.

The percentages of distribution costs and administration expenses to turnover were about 1.6% and 11.2% respectively.

CAPITAL STRUCTURE

The market capitalisation of the Company as at 30 September 2010 was approximately HK$255.7 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2010, the Group had approximately HK$139.7 million in cash and cash equivalents (31 March 2010: HK$142.9 million). Its net current assets were approximately HK$182.0 million (31 March 2010: HK$169.3 million). The net debt to equity ratio (the interest bearing borrowings less cash over total equity) as at 30 September 2010 and as at 31 March 2010 respectively was net cash. The current ratio as at 30 September 2010 was maintained at 1.8 (31 March 2010: 2.0). The Group has been maintaining a healthy liquidity position and has sufficient financial resources to meet ordinary operational and capital expenditure requirements.

As at 30 September 2010, the Group had aggregate banking facilities of HK$214.9 million (31 March 2010: HK$198.3 million), of which HK$99.7 million (31 March 2010: HK$90.6 million) was utilised. The increase in banking facilities was due to restructuring of unused banking facilities. We continued to receive strong support from major bankers and maintain a reasonable amount of banking facilities during the six months ended 30 September 2010.

CHARGES ON ASSETS

The Group had no charges on assets as at 30 September 2010 (31 March 2010: Nil), except for the assets charged on trust receipt loans and obligations under finance leases.

FOREIGN EXCHANGE EXPOSURE

The Group's sales are mainly denominated in US dollars whereas purchases are principally denominated in HK dollars, US dollars and the Japanese Yen. Certain costs of the Group are denominated in Renminbi. Since the HK dollar is pegged to the US dollar, the Group's exposure to currency risk in US dollars has been minimal. Most of the Group's liquid fund was placed in principal guaranteed short-term dual currencies deposits in various banks during the six months ended 30 September 2010. The Renminbi has appreciated by more than 2% in recent years. To minimise exposure to Renminbi appreciation, the Group is maintaining a short-term deposit with 100% capital protection and a reasonable yield with its banker.

STAFF AND REMUNERATION POLICIES

As at 30 September 2010, the Group employed approximately 58 (30 September 2009: 65) staff members in Hong Kong, where the Group adopts a defined contribution pension scheme. The number of employees and seasonal hires of our factories in China was maintained at approximately 3,035 (30 September 2009: 3,369) during the six months ended 30 September 2010.

People are our most important assets and are indispensable to our success in this competitive marketplace. To make sure we have a high calibre workforce, we offer comprehensive remuneration packages and provide various fringe benefits, including training, medical and insurance coverage, and retirement benefits. During the period under review, the Group organised internal training courses at least once a month for staff at all levels and subsidised some senior executives enrolled in external training courses. Among the topics that the training courses cover, include business ethics, languages, and technical and management skills. The Group has also organised on-the-job training from time to time at its production plants in the PRC and principal office in Hong Kong.

The Group has in place a share option scheme for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of its operations. On 22 February 2010, the Company granted options to two Executive Directors for the subscription of a total of 0.79 million shares and five members of senior management for the subscription of a total of 12 million 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.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 March 2010, except for the deviation from the CG Code Provision A.2.1. Under this CG code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lam Wai Ming holds the position of Chairman currently and is deemed to be the Chief Executive Officer. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies and development plans. The Board believes that the balance of power and authority is adequately ensured.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2010.

AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal control and financial reporting matters and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2010.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.kenford.com.hk under "Results Announcement". The interim report will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board
Lam Wai Ming
Chairman

Hong Kong, 23 November 2010

As at the date hereof, the board of Directors comprises two executive Directors, namely Mr. Lam Wai Ming (Chairman) and Mr. Tam Chi Sang (Managing Director) and three Independent Non-executive Directors, namely Mr. Chiu Fan Wa, Mr. Li Chi Chung and Mr. Li Tat Wah.