



建福集團控股有限公司

KENFORD GROUP HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 464)**

**INTERIM RESULT ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

**Highlights**

	<b>Six months ended 30 September</b>		<b>Change increase/ (decrease)</b>
	<b>2008</b>	<b>2007</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Turnover	<b>399,335</b>	261,829	52.5%
Gross Profit	<b>76,147</b>	62,651	21.5%
Profit attributable to shareholders	<b>39,375</b>	32,378	21.6%
Earnings per share (Basic) (cents)	<b>9.086</b>	8.082	12.4%
Interim dividend per share (cents)	<b>2.7</b>	2.3	17.4%

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 (the “**Group**”) for the six months ended 30 September 2008, together with the comparative figures for the corresponding period in 2007 as follows.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>	3	<b>399,335</b>	261,829
Cost of sales		<b>(323,188)</b>	(199,178)
Gross profit		<b>76,147</b>	62,651
Other income and gains		<b>5,366</b>	4,311
Distribution costs		<b>(5,868)</b>	(3,493)
Administrative expenses		<b>(30,519)</b>	(24,409)
<b>Profit from operations</b>		<b>45,126</b>	39,060
Finance costs		<b>(2,079)</b>	(3,682)
<b>Profit before income tax expense</b>	5	<b>43,047</b>	35,378
Income tax expense	6	<b>(3,672)</b>	(3,000)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>39,375</b>	32,378
<b>Dividend</b>	7	<b>11,700</b>	9,276
<b>Earnings per share (cents)</b>	8		
– Basic		<b>9.086</b>	8.082
– Diluted		<b>9.086</b>	8.082

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	<i>Notes</i>	As at 30 September 2008 (Unaudited) <i>HK\$'000</i>	As at 31 March 2008 (Audited) <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	137,197	130,077
Payments for leasehold land held for own use under operating leases		4,064	4,067
Goodwill		1,403	1,403
<b>Total non-current assets</b>		<u>142,664</u>	<u>135,547</u>
<b>Current assets</b>			
Inventories		120,624	72,414
Trade and bills receivables	<i>11</i>	185,052	86,299
Deposits, prepayments and other receivables		10,386	8,075
Tax recoverable		–	1,104
Cash and cash equivalents		118,361	126,680
<b>Total current assets</b>		<u>434,423</u>	<u>294,572</u>
<b>Total assets</b>		<u>577,087</u>	<u>430,119</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and bills payables	<i>12</i>	151,459	70,068
Accruals and other payables		23,996	21,648
Borrowings-due within one year	<i>13</i>	119,621	91,693
Obligations under finance leases -due within one year		2,786	2,544
Tax payable		2,336	66
<b>Total current liabilities</b>		<u>300,198</u>	<u>186,019</u>

**CONDENSED CONSOLIDATED BALANCE SHEET – Continued**

*As at 30 September 2008*

	<i>Notes</i>	<b>As at 30 September 2008 (Unaudited) HK\$'000</b>	<b>As at 31 March 2008 (Audited) HK\$'000</b>
<b>Non-current liabilities</b>			
Borrowings due after one year	<i>13</i>	<b>28,412</b>	31,014
Obligations under finance leases			
-due after one year		<b>3,409</b>	2,611
Deferred tax liabilities		<b>9,754</b>	9,627
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>41,575</b>	43,252
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>341,773</b>	229,271
		<hr/>	<hr/>
<b>Net current assets</b>		<b>134,225</b>	108,553
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>276,889</b>	244,100
		<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>		<b>235,314</b>	200,848
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	<i>14</i>	<b>433</b>	433
Share premium		<b>55,496</b>	55,496
Merger reserve		<b>942</b>	942
Properties revaluation reserve		<b>28,015</b>	28,015
Exchange fluctuation reserve		<b>4,642</b>	3,051
Retained profits		<b>134,086</b>	106,411
Proposed dividend		<b>11,700</b>	6,500
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>235,314</b>	200,848
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(10,312)	33,555
Net cash used in investing activities	(9,397)	(4,064)
Net cash from/(used in) financing activities	10,678	(28,732)
Net (decrease)/increase in cash and cash equivalents	(9,031)	759
Cash and cash equivalents at beginning of period	126,680	116,841
Effect of foreign exchange rate changes	712	72
Cash and cash equivalents at end of period	<u>118,361</u>	<u>117,672</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>118,361</u>	<u>117,672</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

Attributable to equity holders of the Company

	Share capital <i>HK\$'000</i> (unaudited)	Share premium <i>HK\$'000</i> (unaudited)	Merger reserve <i>HK\$'000</i> (unaudited)	Properties revaluation reserve <i>HK\$'000</i> (unaudited)	Proposed dividend <i>HK\$'000</i> (unaudited)	Exchange fluctuation reserve <i>HK\$'000</i> (unaudited)	Retained profits <i>HK\$'000</i> (unaudited)	Total equity <i>HK\$'000</i> (unaudited)
At 1 April 2008	433	55,496	942	28,015	6,500	3,051	106,411	200,848
Profit for the period	-	-	-	-	-	-	39,375	39,375
Exchange realignments	-	-	-	-	-	1,591	-	1,591
Total recognised income and expenses	-	-	-	-	-	1,591	39,375	40,966
2008 final dividend paid	-	-	-	-	(6,500)	-	-	(6,500)
2009 proposed interim dividend	-	-	-	-	11,700	-	(11,700)	-
At 30 September 2008	<u>433</u>	<u>55,496</u>	<u>942</u>	<u>28,015</u>	<u>11,700</u>	<u>4,642</u>	<u>134,086</u>	<u>235,314</u>

	Share capital <i>HK\$'000</i> (unaudited)	Share premium <i>HK\$'000</i> (unaudited)	Merger reserve <i>HK\$'000</i> (unaudited)	Share-based compensation reserve <i>HK\$'000</i> (unaudited)	Properties revaluation reserve <i>HK\$'000</i> (unaudited)	Proposed dividend <i>HK\$'000</i> (unaudited)	Exchange fluctuation reserve <i>HK\$'000</i> (unaudited)	Retained profits <i>HK\$'000</i> (unaudited)	Total equity <i>HK\$'000</i> (unaudited)
At 1 April 2007	400	36,317	942	700	9,111	12,000	330	105,136	164,936
Profit for the period	-	-	-	-	-	-	-	32,378	32,378
Exchange realignments	-	-	-	-	-	-	495	-	495
Total recognised income and expenses	-	-	-	-	-	-	495	32,378	32,873
Lapse upon non-exercise of share options	-	-	-	(150)	-	-	-	150	-
Share issued under Option Scheme (Note 9)	1	550	-	(550)	-	-	-	-	1
Issue of share	2	1,072	-	-	-	-	-	-	1,074
2007 final and special final dividend paid	-	-	-	-	-	(12,000)	-	(100)	(12,100)
2008 proposed interim dividend	-	-	-	-	-	9,276	-	(9,276)	-
At 30 September 2007	<u>403</u>	<u>37,939</u>	<u>942</u>	<u>-</u>	<u>9,111</u>	<u>9,276</u>	<u>825</u>	<u>128,288</u>	<u>186,784</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2008*

## 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 were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 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.

The condensed consolidated interim financial statements should be read in conjunction with the financial statements of the Group for the year ended 31 March 2008.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2008.

The following new interpretations have been effective on or after 1 April 2008.

Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
HK(IFRIC) – Interpretation 12	Service Concession Arrangements
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above interpretations did not have any effect on the Group’s financial position or financial performance.

The Group has not yet adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 39 Amendment	Eligible Hedged Items <sup>4</sup>
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008

The directors of the Company anticipated that the adoption of the above new or revised HKFRSs does not result in substantial changes to the Group’s accounting policies except that there will be changes in disclosures required by HKAS 1 (Revised) and HKFRS 8 in future.

### 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. SEGMENT INFORMATION

Segment information is presented in respect of the Group’s business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

#### (a) Business segments

The Group has been operating in a single business segment, that is the design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances.



(b) *Geographical segments*

The Group's revenue is mainly derived from customers located in Europe, North and South America, Asia and Australia while the Group's business activities are conducted predominantly in Hong Kong and the People's Republic of China ("PRC").

The following is an analysis of the Group's sales by geographical location of customers:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Europe	<b>243,220</b>	177,700
North and South America	<b>77,687</b>	38,324
Asia	<b>66,736</b>	38,543
Australia	<b>8,592</b>	4,929
Africa	<b>3,100</b>	2,333
	<b>399,335</b>	<b>261,829</b>

**5. PROFIT BEFORE INCOME TAX EXPENSE**

Profit before income tax expense is arrived at after charging:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories recognised as an expense	<b>323,188</b>	199,178
Depreciation of property, plant and equipment	<b>7,608</b>	6,669
Amortisation of payments for leasehold land held for own use under operating leases	<b>46</b>	36
Interest on borrowings wholly repayable within five years	<b>2,079</b>	3,682
Loss on disposal of property, plant and equipment	<b>35</b>	266
Write down of inventories to net realisable value	<b>242</b>	1,149
Impairment loss on trade receivables	<b>58</b>	581
Net foreign exchange loss	<b>156</b>	–
	<b>–</b>	<b>–</b>
And after crediting:		
Interest income	<b>(292)</b>	(1,086)
Net foreign exchange gain	<b>–</b>	(144)

## 6. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated income statement represents:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax		
– Hong Kong Profits Tax	<b>3,620</b>	3,000
– PRC Enterprise Income Tax (“EIT”)	<b>52</b>	–
	<hr/>	<hr/>
Income tax expense	<b>3,672</b>	3,000
	<hr/> <hr/>	<hr/> <hr/>

No provision for income tax in the Cayman Islands or British Virgin Islands has been made as the Group had no income assessable for tax purpose in these jurisdictions.

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2007: 17.5%) of the estimated assessable profits for the year.

Pursuant to the PRC EIT law passed by the Tenth National People’s Congress on 16 March 2007, the EIT rates for domestic and foreign enterprises are unified at 25% and was effective from 1 January 2008. All the Group’s subsidiaries in PRC are subject to EIT at a rate of 25% (six months ended 30 September 2007: 27%).

## 7. DIVIDEND

The Board recommends the payment of interim dividend for the six months ended 30 September 2008 at the rate of HK2.7 cents per share, payable on 22 January 2009 to the shareholders of the Company (six months ended 30 September 2007: HK2.3 cents per share).

The amount of interim dividend is based on 433,336,000 shares (six months ended 30 September 2007: 403,320,500 shares) in issue as at 19 December 2008.

## 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Earnings for the purposes of basis and diluted earnings per share (Profit for the period attributable to equity holders of the Company)	<b>39,375</b>	32,378
	<u><u>39,375</u></u>	<u><u>32,378</u></u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>433,336</b>	400,644
	<u><u>433,336</u></u>	<u><u>400,644</u></u>

No diluted earnings per share is presented as there were no dilutive potential ordinary shares in existence for period ended 30 September 2008.

## 9. SHARE OPTIONS

The Company had a Pre-IPO Share Option Scheme (the "Option Scheme") for eligible employees of the Group. The Pre-IPO Share Option Scheme expired on 13 June 2008. There is no outstanding share option at the beginning and the end of the period.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$15,177,000 (six months ended 30 September 2007: HK\$5,550,000) on the acquisition of property, plant and equipment and disposed of property, plant and equipment with an aggregate carrying amount of approximately HK\$1,418,000 (six months ended 30 September 2007: HK\$666,000).

## 11. TRADE AND BILLS RECEIVABLES

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

	<b>30 September</b>	31 March
	<b>2008</b>	2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>170,799</b>	69,982
Bills receivables	<b>14,253</b>	16,317
	<u><u>185,052</u></u>	<u><u>86,299</u></u>

The aging analysis of trade receivables is as follows:

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Aged:		
Within 60 days	143,620	56,885
61-120 days	24,077	12,405
121 – 365 days	2,759	212
More than 365 days	343	480
	<u>170,799</u>	<u>69,982</u>

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

The Group transferred certain bills of exchange to banks with recourse in exchange for cash during the period. At 30 September 2008, the balance of bills transferred was approximately HK\$5,390,000 (31 March 2008: HK\$7,461,000). The transactions have been accounted for as collateralised bank advances included in borrowings (Note 13).

Included in trade and bills receivables are the following significant amounts denominated in a currency other than the functional currencies of the group entities to which they relate:

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
United States Dollar	<u>133,110</u>	<u>64,465</u>

## 12. TRADE AND BILLS PAYABLES

In general, the credit terms granted by suppliers range from 30 to 120 days. The aging analysis of trade and bills payables is as follows:

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Aged:		
Within 60 days	124,375	39,975
61-120 days	24,598	26,633
121-365 days	2,159	2,831
More than 365 days	327	629
	<u>151,459</u>	<u>70,068</u>

Included in trade and bills payables are the following significant amounts denominated in a currency other than the functional currencies of the group entities to which they relate:

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Renminbi	7,463	363
United States Dollar	17,007	7,182
Japanese Yen	63	118
	<u>          </u>	<u>          </u>

### 13. BORROWINGS

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Unsecured bank borrowings:		
Trust receipt loans	106,028	76,029
Bank advances for discounted bills	5,390	7,461
Other loans	36,615	39,217
	<u>          </u>	<u>          </u>
	<b>148,033</b>	122,707
	<u>          </u>	<u>          </u>

The maturity profile of the above borrowings is as follows:

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Within one year	119,621	91,693
More than one year, but not exceeding two years	5,203	5,203
More than two years, but not exceeding five years	15,610	15,610
More than five years	7,599	10,201
	<u>          </u>	<u>          </u>
	<b>148,033</b>	122,707
Amount due within one year included in current liabilities	<b>(119,621)</b>	(91,693)
	<u>          </u>	<u>          </u>
	<b>28,412</b>	31,014
	<u>          </u>	<u>          </u>

Included in borrowings is the following significant amount denominated in a currency other than the functional currencies of the group entities to which they relate:

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
United States Dollar	<u><u>23,274</u></u>	<u><u>17,940</u></u>

#### 14. SHARE CAPITAL

The Company's shares during the period ended 30 September 2008 were as follows:

	<b>30 September 2008 (Unaudited) HK\$</b>	31 March 2008 (Audited) HK\$
Authorised share capital 1,000,000,000 ordinary shares of HK\$ 0.001 each	<u><u>1,000,000</u></u>	<u><u>1,000,000</u></u>
	<b>Number of shares of HK\$0.001 each '000</b>	Nominal value HK\$
Issued and fully paid At 1 April 2008 and At 30 September 2008	<u><u>433,336</u></u>	<u><u>433,336</u></u>

#### 15. WARRANTS

On 16 June 2005, a total of 100,000,000 warrants were issued by the way of bonus issue to all shareholders whose names appeared on the register of members of the Company as at completion of the Share Offer and the Capitalisation Issue (as defined in the Prospectus dated 31 May 2005) in proportion of one warrant for every four shares, in unit(s) of HK\$0.30 of the subscription rights to the warrant holders. The subscription price of the warrants is HK\$0.60 per share with a subscription period from 16 June 2005 to 13 June 2008. During the six months ended 30 September 2008, no warrants have been converted into ordinary shares of the Company and all outstanding warrants expired on 13 June 2008.

#### 16. CONTINGENT LIABILITIES

- (a) A High Court action was commenced by WIK Far East Limited (“WIK”) against a subsidiary of the Company on 27 April 2004 in respect of alleged infringements of a patent in respect of retractable brushes.

The Directors have confirmed that no settlement has been reached by the parties and no judgment on the quantum of damages has been made against the Group in respect of the legal action. The Group has sought legal advice from its legal counsel on the merits of the claim.

According to the legal counsel, given that the trial has not yet commenced and the parties are still at a premature stage of the litigation, and in the absence of any indication as to how WIK would like to proceed with its claim, it would not be possible to quantify reliably the likely potential damages and cost to be incurred by the Group in the event that the subsidiary of the Company fails in its defence to the claim of patent infringement in the litigation. Assuming that WIK will claim for damages for loss of profits or for accounts of profits, the Directors are of the view that the quantum of the ultimate cost and damages (if any) to be incurred by the Group will not have a material adverse impact on the Group's financial position.

In the event that a liability has arisen from the litigation, the controlling shareholders of the Company have jointly and severally agreed and undertaken to indemnify the Group from and against any of such liability.

- (b) The Company has executed guarantees amounting to approximately HK\$203,600,000 (31 March 2008: HK\$242,000,000) with respect to banking facilities made available to its subsidiaries. As at 30 September 2008, the borrowings outstanding against the facilities amounted to approximately HK\$154,200,000 (31 March 2008: HK\$128,000,000).

## 17. COMMITMENTS

### a) Lease arrangements

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

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Not later than one year	1,899	2,073
Later than one year and not later than five years	3,713	4,478
	<u>5,612</u>	<u>6,551</u>

### b) Capital commitments

	<b>30 September 2008 (Unaudited) HK\$'000</b>	31 March 2008 (Audited) HK\$'000
Commitments for acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	3,692	8,016
	<u>3,692</u>	<u>8,016</u>

## 18. RELATED PARTY TRANSACTIONS

Key management personnel includes directors of the Company and other senior management of the Group. Remuneration of these key management personnel during the period was as follows:

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Key management compensation:		
Basic salaries and other allowances and benefits	9,032	9,851
Contributions to defined contribution plan	43	48
	<u>9,075</u>	<u>9,899</u>

## 19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Board on 19 December 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group had a good start in the first half of financial year 2008 as indicated by its commendable financial results. In the six months ended 30 September 2008, turnover increased notably to HK\$399.3 million from HK\$261.8 million and net profit also increased by 21.6% to HK\$39.4 million, from HK\$32.4 million of the same period last year. The surge in turnover was attributable to increased sales to existing customers and success of new products launched during the review period. On the other hand, the increase in raw materials and labour costs has exerted margin pressure on the Group. However, the management has put their best efforts in cost control, therefore, net profit still recorded a remarkable increase.

The global financial crisis sending economies around the world into recession and the changing business environment in Mainland China have brought severe challenges to manufacturers, especially the smaller ones. While an industry consolidation ousting weaker players quickly, for those competent players operating on solid foundation, their market presence and competitiveness will be enhanced significantly. Boasting high adaptability, an experienced management team and strong liquidity, the Group expects its market position to strengthen continually.



In the wake of a global economic downturn that some called the most severe in a century, the Group has set up a risk management committee comprising two Executive Directors and the financial controller to make sure that it is able to promptly respond to changes in the economic and market environment. Presently, the Group has no holding of quoted equity investments, bonds or debentures. It is also the Group's policy of maintaining adequate and stable cash and bank balances at around HK\$100 million anytime. The Group also has strong support from major bankers.

To expand production capacity, the Group is constructing a new plant in Changping, Dongguan, the PRC. The new plant is expected to be completed at the end of 2008 and boost the production capacity by approximately 30%. We are positive about our ability to cater for a bigger share of the market in the future and enjoy cost benefit from boosted economies of scale when the new plant begins operation.

The Group has strived to secure quality customers as a mean of maintaining stable revenue growth. To enhance competitiveness, it will continue to focus on strengthening its R&D capabilities for developing innovative products with strong value-added features to help improve its margin. The Group's strategy remains to be focusing on developing better lifestyle products in ODM, OEM and OBM modes instead of traditional electrical appliances. We will actively explore business opportunities in different new product categories and niche markets. To achieve strong organic growth, we will explore appropriate business opportunities that promise synergy with our business strategies to help us create greater value for our shareholders.

## **FINANCIAL REVIEW**

For the six months ended 30 September 2008, the Group recorded a turnover of HK\$399.3 million (six months ended 30 September 2007: HK\$261.8 million), representing a notable increase of approximately 52.5% against the same period last year. Turnover attributable to the sales of electrical hair care products accounted for approximately HK\$383.6 million, representing approximately 96.1% of the turnover of the Group. The increase in turnover of the Group was owed to the success of several new products launched in the first half of the financial year 2008 and the Group having secured bigger market shares in Europe, America and Asia. The turnover from Europe, America and Asia increased to HK\$243.2 million, HK\$77.7 million and HK\$66.7 million, up by 36.9%, 102.7% and 73.1%, respectively.

Gross profit margin of the Group was approximately 19.1% for the period versus 23.9% in the last corresponding period and net profit margin was 9.9%, a decrease from 12.4% in the same period last year. The narrower profit margins were the result of rise in raw material and labour costs. However, the rise in materials costs has slowed down towards the end of the review period and the management has been working hard on identifying alternative material sources to help cap material expenses.

The percentages of distribution costs and administrative expenses to turnover were about 1.5% and 7.6% respectively.

## **FUTURE PROSPECT**

The current financial crisis has undoubtedly affected every corporation in certain aspects, however, at Kenford, the management sees enormous business opportunities amidst the crisis. Endowed with over a decade of reputation and industry experience, the Group's products are well-known for their high-quality and competitive pricing. During bad times, demand for necessity products of high-quality and reasonable price will be increased. Therefore, the management is very confident in their business. Moreover, the rise in raw materials and labour costs has slowed down, which will help to stabilize the Group's expenditure and in turn, sustain the profit margin. Leveraging the strong customer base and solid foundation in Asia, the Group is well-prepared to penetrate into the newer markets with high growth potential, such as PRC. It is expected revenue from Asia will continue to grow at a rapid pace.

Looking ahead, the Group will continue to focus on developing high quality niche electrical hair-care products and looking for opportunities for geographical expansion. To further improve its competitiveness and boost its revenue, the Group will keep enriching its product portfolio and variety. With the new plant in Changping, Dongguan commences full operation in early 2009, our production capacity will be substantially increased. We will make use of the enhanced resources to create greater economies of scale and attain greater market share. Having made the many accomplishments and secured a number of sizable orders in the first half of the financial year and more progress since after, we remain prudently optimistic about our performance in the rest of the year.

## **CAPITAL STRUCTURE**

The market capitalisation of the Company as at 30 September 2008 was approximately HK\$82.3 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2008, the Group had approximately HK\$118.4 million cash and cash equivalents balances (31 March 2008: HK\$126.7 million). The Group's net current assets were approximately HK\$134.2 million (31 March 2008: HK\$108.6 million). The net debt to equity ratio (the interest bearing borrowings less cash over total equity) as at 30 September 2008 was 15.2% while that as at 31 March 2008 was 0.6 %. The current ratio as at 30 September 2008 maintained at 1.5 (31 March 2008: 1.6). The Group has been maintaining a healthy liquidity position and has sufficient financial resources to meet the requirements of its ordinary operation and capital expenditure.

As at 30 September 2008, the Group had aggregate banking facilities of HK\$203.6 million (31 March 2008: HK\$224.9 million), of which HK\$154.2 million (31 March 2008: HK\$127.9 million) was utilised. The decrease in banking facilities was due to the repayment of term loans and consolidation of the unused banking facilities. Actually, we still receive the strong support from the major bankers and maintain the reasonable amount of banking facilities during the six-months ended 30 September 2008.

## **CHARGES ON ASSETS**

The Group has no charges on assets as at 30 September 2008 (31 March 2008: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

The Group's sales are mainly denominated in US dollars while purchases are principally denominated in HK dollars, US dollars and Japanese Yen. Certain costs of the Group are denominated in Renminbi. Since HK dollars has been pegged to US dollars, the Group's exposure to the currency risk in US dollars was minimal. Most of the Group's liquid fund is placed in principal guaranteed short-term dual currencies deposits in various banks during six months ended 30 September 2008. Currently, our management takes a prudent approach in minimising our risks in Renminbi fluctuation exposure by maintaining 100% capital protection short-term deposit with the banker at a reasonable yield.

## **STAFF AND REMUNERATION POLICIES**

As at 30 September 2008, the Group employed approximately 63 (30 September 2007: 55) Hong Kong staff and operates a defined contribution pension scheme. The number of staff and seasonal workers employed by our factories in China was maintained at approximately 3,958 (30 September 2007: 3000) during the six months ended 30 September 2008. People are our most important assets and are indispensable to our success in the competitive marketplace. We offer comprehensive remuneration packages and provide various fringe benefits, including trainings, medical, insurance coverage as well as retirement benefits. The Group has adopted a share option scheme (details of which are set out under the heading "Share Option Scheme") for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations.

## **SUPPLEMENTARY INFORMATION**

### **SHARE CAPITAL**

During the six months ended 30 September 2008, the listed shares of HK\$0.001 each in the share capital of the Company (the "**Share**") was 433,336,000 Shares and the subscription rights attaching to the listed warrants issued by the Company by way of bonus issue on 16 June 2005 (the "**Warrants**") have expired.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed Shares or Warrants during the period.

## INTERIM DIVIDENDS

The directors of the Company (the “**Directors**”) are pleased to declare an interim dividend of HK2.7 cents per Share (30 September 2007: HK2.3 cents) for the six months ended 30 September 2008, to be paid to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 15 January 2009.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 January 2009 to Thursday, 15 January 2009, both days inclusive, during which period no transfers of Shares duly accompanied by the relevant Share certificates, and the appropriate transfer forms must be lodged for registration with the Company’s share register in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 9 January 2009. The record date will be on Thursday, 15 January 2009. The last day in Hong Kong of dealings in the Shares with entitlement to interim dividend will be on Wednesday, 7 January 2009. Shares will be traded ex-dividend as from Thursday, 8 January 2009. The interim dividend will be paid on Thursday, 22 January 2009.

## DIRECTORS AND CHIEF EXECUTIVES’ INTEREST AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2008, 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

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Total number of Shares</b>	<b>Percentage of issued Shares</b>
Mr. Lam Wai Ming	Corporate interest	244,800,000 (Note 1)	56.49%
Mr. Tam Chi Sang	Corporate interest	244,800,000 (Note 2)	56.49%

*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 as to:
- (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;
  - (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; and
- (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 as to:
- (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;
  - (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 shares in the associated corporation**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Class of shares</b>	<b>Nature of interest</b>	<b>Total number of shares held</b>
Mr. Lam Wai Ming	Beaute	Ordinary share	Corporate interest	2 <i>(Note)</i>
Mr. Tam Chi Sang	Beaute	Ordinary share	Corporate interest	2 <i>(Note)</i>

*Note:* Beaute 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. Both Mr. Lam Wai Ming and Mr. Tam Chi Sang were the directors of Beaute. Mr. Lam Wai Ming and Mr. Tam Chi Sang were therefore taken to be interested in the shares in Beaute through their respective interests in Apex Prima and Potentasia.

Save as disclosed above, as at 30 September 2008, none of the Directors or chief executive of the Company had or was deemed (or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code) to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 30 September 2008, 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 Securities of the Company**

<b>Name of substantial shareholder</b>	<b>Number of Shares held</b>	<b>Percentage of issued Shares</b>
Beaute	204,000,000	47.08%
Apex Prima ( <i>Note 1</i> )	204,000,000	47.08%
Potentasia ( <i>Note 2</i> )	204,000,000	47.08%
Achieve Best	40,800,000	9.42%
Realchamp	40,800,000	9.42%

#### **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 2008, 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.

### **SHARE OPTION SCHEME**

On 27 May 2005, the Company adopted a share option scheme (“**Share Option Scheme**”).

During the six months ended 30 September 2008, no options were granted by the Company under the Share Option Scheme.

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

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

## **CORPORATE GOVERNANCE**

### **Corporate Governance Practices**

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2008, except for the deviation from the CG Code Provision A.2.1 explained in the following relevant section.

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

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

The Company has adopted procedures governing Directors’ securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2008.

### **Board of Directors**

During the period, the composition of the Board of Directors remains the same as set out in the latest annual report of the Company, save that Mr. Chan Kwok Tung, Donny resigned as an Executive Director on 16 June 2008. After the resignation of Mr. Chan Kwok Tung, Donny, 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. Li Chi Chung and Mr. Li Tat Wah.



CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lam Wai Ming holds the position of Chairman currently and is deemed to be the Chief Executive Officer. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies and development plans. The Board believes that the balance of power and authority is adequately ensured.

Code Provision A.1.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the six months ended 30 September 2008, the Company had convened two Board meetings with the formal notice and agenda issued to all the Directors before the intended dates of the meetings. In view of good corporate governance practices, the Board has scheduled the meetings' calendar on a regular basis. It is expected that there will be at least four Board meetings to be convened for the financial year ending 31 March 2009.

### **Remuneration Committee**

The remuneration committee of the Company (the “**Remuneration Committee**”) was established to formulate remuneration policy for the Board's approval. It has adopted the terms of reference in line with the CG Code Provisions set out in the CG Code under Appendix 14 of the Listing Rules. The Remuneration Committee comprises three Independent Non-Executive Directors namely, Mr. Chiu Fan Wa, Mr. Li Chi Chung and Mr. Li Tat Wah. Mr. Li Tat Wah was appointed as chairman of the Remuneration Committee.

### **Nomination Committee**

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

### **Audit Committee**

The audit committee of the Company (the “**Audit Committee**”) was established on 29 April 2005 with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises 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 together with the management, has reviewed the accounting principles and practices adopted by the Group and has discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2008.

## **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 be available to the public for collection in the following places in late December 2008:

1. Principal Place of Business in Hong Kong: Rooms 1106-8, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong;
2. Websites: (a) [www.kenford.com.hk](http://www.kenford.com.hk); and  
(b) [www.equitynet.com.hk/0464](http://www.equitynet.com.hk/0464).

## **INTERNAL CONTROL AND RISK MANAGEMENT**

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

## **OTHER DISCLOSURE**

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

## **GENERAL**

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

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

Hong Kong, 19 December 2008