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 RESULTS FOR THE YEAR ENDED 31 MARCH 2011

The board of directors (the "Board") of Kenford Group Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	**2011** **HK$'000**	2010 *HK$'000*
Turnover	*4*	655,541	607,579
Cost of sales		(520,334)	(480,715)
Gross profit		135,207	126,864
Other income, gains and losses		15,326	9,400
Distribution costs		(11,537)	(8,894)
Administrative expenses		(60,305)	(62,335)
Finance costs		(1,280)	(1,414)
Profit before income tax expense	*6*	77,411	63,621
Income tax expense	*7*	(11,755)	(10,074)
Profit for the year, attributable to owners of the Company		65,656	53,547
Other comprehensive income			
Translation differences on translating foreign operations		4,904	888
Gain on revaluation of properties		8,598	10,602
Deferred tax arising from change in valuation of properties		(1,081)	(2,581)
Other comprehensive income for the year, net of tax		12,421	8,909
Total comprehensive income for the year, attributable to owners of the Company		78,077	62,456
Earnings per share (HK cent)			
- Basic	*9*	15.151	12.357
- Diluted	*9*	15.071	12.357

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	At 31 March **2011** *HK$'000*	At 31 March 2010 *HK$'000* *(Restated)*	At 1 April 2009 *HK$'000* *(Restated)*
Assets				
Non-current assets				
Property, plant and equipment		158,678	148,636	138,892
Payments for leasehold land held for own use under operating leases		3,944	3,933	3,996
Goodwill		1,403	1,403	1,403
Total non-current assets		164,025	153,972	144,291
Current assets				
Inventories		92,817	67,679	62,043
Trade and bills receivables	*10*	143,505	124,214	105,086
Deposits, prepayments and other receivables		10,782	10,455	9,512
Equity securities held for trading		8,426	-	-
Cash and cash equivalents		144,756	142,896	116,263
Total current assets		400,286	345,244	292,904
Total assets		564,311	499,216	437,195
Liabilities				
Current liabilities				
Trade payables	*11*	83,928	80,633	59,426
Accruals and other payables		29,513	28,018	25,547
Borrowings		91,325	88,508	95,477
Bank advances for discounted bills		-	-	2,802
Obligations under finance leases – due within one year		499	908	2,656
Current tax liabilities		10,192	7,140	5,890
Total current liabilities		215,457	205,207	191,798
Non-current liabilities				
Obligations under finance leases – due after one year		618	1,117	2,025
Deferred tax liabilities		13,166	11,633	9,265
Total non-current liabilities		13,784	12,750	11,290
Total liabilities		229,241	217,957	203,088
Net current assets		184,829	140,037	101,106
Total assets less current liabilities		348,854	294,009	245,397
NET ASSETS		335,070	281,259	234,107

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2011

	At 31 March		At 1 April
	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*
Capital and reserves attributable to owners of the Company			
Share capital	433	433	433
Share premium	55,496	55,496	55,496
Merger reserve	942	942	942
Properties revaluation reserve	43,553	36,036	28,015
Exchange fluctuation reserve	9,346	4,442	3,554
Share-based compensation reserve	1,162	1,162	-
Proposed dividends	17,333	15,166	9,966
Retained profits	206,805	167,582	135,701
TOTAL EQUITY	335,070	281,259	234,107

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 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs - effective 1 April 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
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
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Revised) – Business Combinations and HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

<u>HKAS 17 (Amendments) – Leases</u>

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group has concluded that the classification of such lease as operating leases continues to be appropriate and therefore the application of the amendments to HKAS 17 has had no impact on the consolidated financial statements.

<u>HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</u>

The Interpretation is a clarification of an existing standard, HKAS 1 - Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 April 2009, with consequential reclassification adjustments to comparatives for the year ended 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of HK Interpretation 5 on the consolidated statement of financial position:

	At 31 March		At 1 April
	2011	**2010**	**2009**
	HK$'000	**HK$'000**	**HK$'000**
Increase/(decrease) in			
Current liabilities			
Borrowings – due within one year	21,703	29,255	25,811
Non-current liabilities			
Borrowings – due after one year	(21,703)	(29,255)	(25,811)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1&2]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for leasehold land and buildings in Hong Kong, buildings in the People's Republic of China (the "PRC") and certain financial instruments, which are measured at revalued amounts or fair values as appropriate.

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. 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, which is also the Group's revenue, represents the net invoiced value of goods sold during the year.

5. SEGMENT REPORTING

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

The Group has one reportable segment, which is the design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances.

(a) Information about products

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

	2011	2010
	HK$'000	*HK$'000*
Electrical hair care products	635,531	588,322
Electrical health care products and other small household electrical appliances	20,010	19,257
	655,541	607,579

(b) Geographical information

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

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

	2011	2010
	HK$'000	*HK$'000*
Europe	345,707	289,426
North and South America	78,148	113,241
Asia	194,004	172,501
Australia	20,321	20,300
Africa	17,361	12,111
	655,541	607,579

The following is an analysis of the Group's non-current assets by their geographical location:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	25,754	20,790
PRC (excluding Hong Kong)	138,271	133,182
	164,025	153,972

(c) Information about major customers

The followings are the Group's major external customers, who contributed 10% or more to the Group's revenue:

	2011	2010
	HK$'000	*HK$'000*
Customer A	223,556	213,076
Customer B	142,056	87,701
Customer C (Note)	N/A	82,193
Customer D (Note)	N/A	76,158

Note:

Customers contributed less than 10% of the Group's total revenue for the year.

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	2011	2010
	HK$'000	*HK$'000*
Auditor's remuneration	659	653
Cost of inventories recognised as an expense	520,334	480,715
Depreciation of property, plant and equipment	14,974	16,083
Amortisation of payments for leasehold land held for own use under operating leases	93	92
Exchange losses, net	133	106
Loss on disposal of property, plant and equipment	154	77
Net losses on equity securities held for trading	210	-
Reversal of impairment of trade receivables	(367)	(571)
Impairment loss on property, plant and equipment	1,026	-
Minimum lease payments under operating leases	1,171	1,207
Research and development costs *(Note)*	4,854	4,374
(Reversal of)/write-down of inventories	(976)	976

Note:

Research and development costs comprised mainly salaries paid to engineers who are responsible for the research and development functions.

7. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
- tax for the year	5,251	3,598
- over provision in respect of prior years	(164)	(262)
Current tax – PRC Enterprise Income Tax ("EIT")		
- tax for the year	6,642	7,037
	11,729	10,373
Deferred tax		
- current year	26	(299)
Income tax expense	11,755	10,074

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

8. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim, paid HK$0.021 (2010: HK$0.015) per share	9,100	6,500
Final, proposed HK$0.028 (2010: HK$0.025) per share	12,133	10,833
Special, proposed HK$0.012 (2010: HK$ 0.010) per share	5,200	4,333
	26,433	21,666

The directors recommended a final dividend of HK$0.028 per share and a special final dividend of HK$0.012 per share, totalling HK$17,333,000 (2010: a final dividend of HK$0.025 per share and a special final dividend of HK$0.010 per share, totalling HK$15,166,000). These proposed dividends are not recognised as a liability at the end of reporting period.

9. 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:

	2011	2010
Profit for the year *(HK$'000)*	65,656	53,547
Weighted average number of ordinary shares for the purposes of basic earnings per share *(thousands)*	433,336	433,336
Effect of dilutive potential ordinary shares *(thousands)* - options	2,302	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share *(thousands)*	435,638	433,336
Basic earnings per share *(HK cent)*	15.151	12.357
Diluted earnings per share *(HK cent) (Note)*	15.071	12.357

Note:

The computation of the diluted earnings per share for the year 2010 does not assume the exercise of the share options outstanding during the year as the exercise price of the Company's options was higher than the average market price for shares from date of grant to year end. Accordingly, the diluted earnings per share is presented as the same as basic earnings per share in 2010.

10. TRADE AND BILLS RECEIVABLES

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

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	125,868	110,608
Bills receivables	17,637	13,606
	143,505	124,214

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

	2011	2010
	HK$'000	*HK$'000*
Aged:		
Within 60 days	82,392	79,109
61 - 120 days	43,476	31,444
121 - 365 days	-	55
	125,868	110,608

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

11. TRADE PAYABLES

In general, the credit terms granted by suppliers ranged from 30 to 120 days. The aging analysis of trade payables prepared based on delivery date is as follows:

	2011	2010
	HK$'000	*HK$'000*
Aged:		
Within 60 days	76,938	73,733
61 - 120 days	5,461	5,843
121 - 365 days	1,167	759
More than 365 days	362	298
	83,928	80,633

DIVIDEND

The Board recommends the payment of a final dividend of HK2.8 cents per share and a special final dividend of HK1.2 cents per share (2010: a final dividend of HK2.5 cents per share and a special final dividend of HK1.0 cent per share) for the year ended 31 March 2011. This amounts to approximately HK$17.3 million (2010: HK$15.2 million), payable to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 12 August 2011. Together with the interim dividend of HK2.1 cents per share, paid on Monday, 3 January 2011 (2010: HK1.5 cents per share) amounting to approximately HK$9.1 million (2010: HK$6.5 million), the total dividends for the year ended 31 March 2011 will be HK6.1 cents per share (2010: HK5.0 cents per share) amounting to approximately HK$26.4 million (2010: HK$21.7 million). Subject to the approval of shareholders with regard to the proposed payment of the final dividend and special final dividend at the forthcoming annual general meeting, the dividend warrants will be dispatched to shareholders on or about Monday, 22 August 2011.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 28 July 2011 to Thursday, 4 August 2011, both days inclusive, during which period no transfer of shares of the Company will be registered. Members whose names appear on the register of members of the Company at the close of business on 27 July 2011 will be entitled to attend and vote at the annual general meeting. In order to ascertain the entitlement to the final and special final dividend to be approved at the annual general meeting, the register of members of the Company will be closed from Wednesday, 10 August 2011 to Friday, 12 August 2011, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 27 July 2011 in respect of the entitlement to attend and vote at the annual general meeting and not later than 4:30 p.m. on Tuesday, 9 August 2011 in respect of the entitlement to the final and special final dividend. The record date for the final dividend and special final dividend will be on Friday, 12 August 2011. The last day in Hong Kong of dealings in the Shares with entitlement to final dividend and special final dividend will be on Friday, 5 August 2011. Shares will be traded ex-dividend as from Monday, 8 August 2011. It is expected that the final dividend and special final dividend will be paid on Monday, 22 August 2011.

BUSINESS REVIEW

The Group designs, manufactures and sells electrical hair care products, electrical health care products and other small household electrical appliances. During the year under review, it has achieved satisfactory business performance. For the year ended 31 March 2011, the turnover and net profit of the Group were HK$655,541,000 and HK$65,656,000 respectively, an increase of 7.9% and 22.6% compared to HK$607,579,000 and HK$53,547,000 in the last financial year.

The Group is now marketing our products in about 43 countries. Hair care products including hairdryers, hair straighteners, air brushes, curling irons, drop tongs, split tongs and hair crimpers accounted for 96.9% of our total turnover. The remaining 3.1% of the total turnover was from health/personal products and kitchen appliances, including electric massagers, footbaths, facial saunas, hot sterilisers, 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. Currently, our five major customers accounted for approximately 75% of our total turnover. Moreover, we have participated in the Hong Kong Electronics Fair Spring Edition in April and Autumn Edition in October 2010 organised by the Hong Kong Trade Development Council and also the Exhibition of Cosmoprof Asia in November 2010 to further promote our products.

As a product manufacturer in China, the business of the Company has been challenging for the year. The inflation in the PRC has caused an increase in production costs especially the sharp rise in the price of raw materials and labour cost. To cope with inflationary pressures, the Group has put further emphasis on cost rationalisation programs. We joined the Cleaner Production Programme sponsored by Hong Kong Productivity Council in August 2010 and expect to reduce costs by a certain percentage and achieve our target of environmental protection support. The Lean Programme is another arrangement for accomplishing a cost-saving objective and increasing production efficiency. We have engaged a professional consultant and Lean Manager to direct our efforts within the Lean Programme. We have adopted the principle of "Spend Less, Be More Award" to reduce the seven wastage areas during the production and operation of the factories. A Production Line Model has been set up for testing and practice in October 2010 in order to achieve the pre-set production target. We expect that the production costs will decrease after executing the Lean Programme for approximately ten months. Also, the program meets the conditions for the changes in the sales pattern of customers in shortening the lead-time for delivery.

Labour shortages remained as a serious issue in China which have resulted in substantial increases in labour costs and have inevitably exerted a heavy burden on the manufacturing process. Fortunately, the Group did not encounter the problem of workforce recruitment for the year of 2010. To avoid the sustained labour shortage problems in Dongguan from which most manufacturers suffered, the Group is striving to increase efficiency and maximise productivity through assessing the feasibility of adding more automation facilities. Moreover, the Group plans to periodically hold forums for staff to exchange their ideas with management. In March 2011, the Group successfully hosted a Sports Day with the staff from different departments joining together to participate in sports competitions. Through organising different outside activities for the staff and management, the Group aimed at strengthening staff cohesion and enhancing the staff's sense of belonging to the Group, with the ultimate goal of staff retention.

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 2011.

PROSPECTS

The Group is optimistic about its future operations and performance in the financial year of 2011/12. In order to cope with the uncertain difficulties and unexpected change of the economy, the Group intends to continuously review its business strategy and operations and will focus on high quality products with competitive prices.

The year of 2011/12 is expected to be a challenging year for manufacturers in China, but the Group will be well prepared in facing both challenges and opportunities. In order to prevail in this uncertain business environment and exploit available opportunities, the Group will periodically review and evaluate its control policies in both production and financial management. Even though unexpected and prolonged inflationary pressures are expected to affect the Group's overall profitability, the Group will continue its effort to strengthen its core business, improve production efficiency and productivity by developing automated processes and simplify operational procedures without sacrificing quality.

The continuous development of our lifestyle products for ODM, OEM and OBM modes of production is a key objective of the Group. The Group is also enhancing its "one-stop" production model, embracing product design and development, manufacturing, quality assurance, and international standards compliance, export and to provide other supporting services in the management of its supply chain. To further increase annual turnover, much more effort is to be directed in widening the customer base and developing research and design of innovative electrical hair care products. During the year under review, the Group has introduced more than 20 brand new hair care products.

As a leading hair care product manufacturer in the market with a strong financial position, outstanding operational strategies and high calibre management team, the Group is confident that we will drive our performance by improving our profit margin and providing stable business returns.

FINANCIAL REVIEW

For the year ended 31 March 2011, the Group recorded a turnover of HK$655,541,000 (2010: HK$607,579,000), an increase of 7.9% over the last financial year. Turnover attributable to the sales of electrical hair care products accounted for approximately HK$635,531,000, representing about 96.9% of the turnover of the Group. The increase in the turnover of the Group was attributable to the revival of demand in mature markets such as Europe and Asia. Turnover from Europe, Asia and North and South America was HK$345,707,000, HK$194,004,000 and HK$78,148,000, up by 19.4%, 12.5%, and down by 31.0% respectively.

The gross profit margin of the Group was approximately 20.6% for the year versus 20.9% for the previous financial year and net profit margin was 10.0% against 8.8% for that financial year. The slight decrease in gross profit margin was the result of the increase of material prices and labour costs during the year under review. We expect that the gross profit margin will be narrower in 2011/12 owing to further increase in material prices and labour costs. The Group will try to increase labour productivity to solve the potential problem presented by increasing production costs.

The percentage of distribution costs and administrative expenses to turnover were about 1.8% and 9.2% respectively against 1.5% and 10.3 % in the last financial year.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2011, the Group had approximately HK$144,756,000 cash and cash equivalents balances (2010: HK$142,896,000). The Group's net current assets were approximately HK$184,829,000 (2010 (restated): HK$140,037,000). The net debt to equity ratio (the interest bearing borrowings less cash over total equity) as at 31 March 2011 was net cash while that as at 31 March 2010 was also net cash. The current ratio of the Group as at 31 March 2011 was maintained at 1.9 (2010 (restated): 1.7). The Group is in a healthy liquidity position and has sufficient financial resources to meet the requirements of its ordinary operations and capital expenditure. As at 31 March 2011, the Group had aggregate banking facilities of HK$214,549,000 (2010: HK$198,265,000), of which HK$92,442,000 (2010: HK$90,533,000) was used. The interest rate varies from HIBOR/LIBOR plus 0.4% to 1.5% or 1% below the best lending rate. The Group has continued to enjoy strong support from major bankers and to maintain a reasonable amount of banking facilities during the year under review.

The market capitalisation of the Company as at 31 March 2011 was approximately HK$333,669,000.

CHARGES ON ASSETS

The Group had no charges on assets as at 31 March 2011 (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 while purchases are principally denominated in HK dollars, US dollars and Euro dollars. Certain costs of the Group are denominated in Renminbi. Since the HK dollar has been pegged to the US dollar, the Group's exposure to the currency exchange risk of the US dollar has been minimal. Most of the Group's liquid funds have been placed in principal guaranteed short-term dual currencies deposits in various banks during the year under review.

The management takes a prudent approach in minimising risks from exposure to Renminbi fluctuation by maintaining 100% capital protection short-term deposits with banks at a reasonable yield.

STAFF AND REMUNERATION POLICIES

As at 31 March 2011, the Group had approximately 57 employees (2010: 58) in Hong Kong. It operates a defined contribution pension scheme. The number of full-time and seasonal workers employed by its factories in China has been maintained at approximately 2,355 (2010: 3,305) during the year under review.

People are our most important asset and are indispensable to our success in the competitive marketplace. We thus offer a comprehensive remuneration package and provide various fringe benefits, including training, medical and insurance coverage, as well as retirement benefits. During the year under review, the Group has organised internal training courses at least once a month for staff at all levels and has provided external training courses to some senior executives. Topics of these courses included ethics, languages and technical and management skills. The Group has also organised hundreds of on-the-job training programmes at its production plants in the PRC and headquarters 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.

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 year ended 31 March 2011.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 March 2011, except for the deviation from the CG Code Provision A.1.1 and A.2.1. Code Provision A.1.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly Intervals. There were totally 8 Board meetings held during the financial year ended 31 March 2011, out of which there were only 3 regular meetings with formal notice and agenda. The Board believes that the fairness and effectiveness for the decision making on the business needs are adequately ensured. In view of good corporate governance practices, the Board will use its endeavors to meet regularly and hold at least four regular Board meetings in the forthcoming years. Under A.2.1 CG code, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the directors of the Company (the "Directors") have confirmed that they fully complied with the required standards as set out in the Model Code throughout the financial year ended 31 March 2011.

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, Mr. Li Tat Wah and two Executive Directors namely, Mr. Lam Wai Ming and Mr. Tam Chi Sang. Mr. Li Tat Wah was appointed as the chairman of the Remuneration Committee.

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 under Appendix 14 of the Listing Rules. The Nomination 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 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 has reviewed with the management the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2011.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 10:30 a.m. on Thursday, 4 August 2011 at The Ballroom Four, 18th Floor, The Mira Hong Kong, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong and the Notice of the Annual General Meeting will be published and dispatched to shareholders in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 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 annual report for the year ended 31 March 2011 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board
Kenford Group Holding Limited
Lam Wai Ming
Chairman

Hong Kong, 21 June 2011.

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.