



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) (Warrant Code: 452)

2007 INTERIM REPORT





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# Corporate Information

## DIRECTORS

### Executive Directors

Lam Wai Ming (*Chairman*)

Tam Chi Sang (*Managing Director*)

Chan Kwok Tung, Donny *FCIS, FCS, ACIB, AHKIB*

### Independent Non-Executive Directors

Chiu Fan Wa, *FCCA, FCPA (Practising), ACA, ACIS, ACS*

Li Chi Chung

Li Tat Wah

## COMPANY SECRETARY

Chan Kwok Tung, Donny, *FCIS, FCS, ACIB, AHKIB*

## QUALIFIED ACCOUNTANT

Chan Tsz Ping, *CPA, FCCA*

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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88 Lei Muk Road, Kwai Chung

New Territories, Hong Kong

## AUDITORS

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25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

## WEBSITE

<http://www.kenford.com.hk>

**STOCK CODE: 464**

**WARRANT CODE: 452**

## LEGAL ADVISER

Sit, Fung, Kwong & Shum

18th Floor, Gloucester Tower

The Landmark

11 Pedder Street

Central

Hong Kong

## COMPLIANCE ADVISER

Partners Capital International Limited

Unit 3906, 39th Floor, COSCO Tower

183 Queen's Road Central

Hong Kong

## PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited

Butterfield House

68 Fort Street, P.O. Box 705

George Town, Grand Cayman

Cayman Islands

## BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking

Corporation Limited

1 Queen's Road Central

Hong Kong

Hang Seng Bank Limited

83 Des Voeux Road Central

Hong Kong

Dah Sing Bank Limited

Dah Sing Financial Centre

108 Gloucester Road

Hong Kong

# 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 (the “Group”) for the six months ended 30 September 2006, together with the comparative figures for the corresponding period in 2005 as follows. These interim financial statements have not been audited but have been reviewed by the Company’s Audit Committee.

## Condensed Consolidated Income Statement

For the six months ended 30 September 2006

		For the six months ended 30 September	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>	4	264,902	198,764
Cost of sales		(220,345)	(179,518)
Gross profit		44,557	19,246
Other revenue		5,334	3,938
Distribution costs		(3,748)	(3,614)
Administrative expenses		(22,760)	(16,165)
<b>Profit from operations</b>		23,383	3,405
Finance costs		(3,531)	(2,134)
<b>Profit before tax</b>	6	19,852	1,271
Tax expense	7	(1,729)	(237)
<b>Net profit for the period attributable to equity holders of the Company</b>		18,123	1,034
<b>Dividends</b>	8	6,000	4,000
<b>Earnings per share (cents)</b>			
Basic	9	4.531	0.289
Diluted	9	4.525	0.287

# Condensed Consolidated Balance Sheet

As at 30 September 2006

	<i>Notes</i>	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	94,853	91,461
Interests in leasehold land held for own use under operating leases		3,211	3,247
Goodwill		1,403	1,403
<b>Total non-current assets</b>		<b>99,467</b>	<b>96,111</b>
<b>Current assets</b>			
Inventories		72,079	54,207
Trade and bills receivables	12	124,247	69,363
Deposits, prepayments and other receivables		8,256	8,479
Tax recoverable		137	1,866
Cash and cash equivalents		70,811	63,334
<b>Total current assets</b>		<b>275,530</b>	<b>197,249</b>
<b>Current liabilities</b>			
Trade and bills payables	13	80,867	46,291
Accruals and other payables		16,871	15,461
Bank advances for discounted bills	12	16,714	18,534
Borrowings – due within one year	14	101,697	69,204
Obligations under finance leases – due within one year		290	457
Tax payable		23	48
<b>Total current liabilities</b>		<b>216,462</b>	<b>149,995</b>
<b>Net current assets</b>		<b>59,068</b>	<b>47,254</b>
<b>Total assets less current liabilities</b>		<b>158,535</b>	<b>143,365</b>
<b>Non-current liabilities</b>			
Borrowings – due after one year	14	9,987	11,607
Obligations under finance leases – due after one year		22	155
Deferred tax liabilities		6,100	6,100
<b>Net assets</b>		<b>142,426</b>	<b>125,503</b>
<b>Capital and reserves</b>			
Share capital	15	400	400
Share premium		36,317	36,317
Merger reserve		942	942
Share-based compensation reserve		700	1,000
Properties revaluation reserve		9,111	9,111
Exchange fluctuation reserve		12	12
Retained profits		88,944	76,521
Proposed dividend		6,000	1,200
<b>Equity attributable to equity holders of the Company</b>		<b>142,426</b>	<b>125,503</b>

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2006

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Net cash outflow from operating activities	(10,986)	(5,844)
Net cash (outflow)/ inflow from investing activities	(9,089)	1,913
Net cash inflow/(outflow) from financing activities	27,552	(4,755)
Net increase/(decrease) in cash and cash equivalents	7,477	(8,686)
Cash and cash equivalents at beginning of the period	63,334	77,176
Cash and cash equivalents at end of the period	70,811	68,490
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	70,811	68,490

# Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30 September 2006

## Attributable to equity holders of the Company

	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Merger Reserve HK\$'000 (Unaudited)	Share-based compensation reserve HK\$'000 (Unaudited)	Properties revaluation reserve HK\$'000 (Unaudited)	Proposed dividend HK\$'000 (Unaudited)	Exchange fluctuation reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 April 2006	400	36,317	942	1,000	9,111	1,200	12	76,521	125,503
Profit for the period	-	-	-	-	-	-	-	18,123	18,123
Lapse upon non-exercise of share options	-	-	-	(300)	-	-	-	300	-
2006 final dividend paid	-	-	-	-	-	(1,200)	-	-	(1,200)
2007 proposed interim dividend	-	-	-	-	-	6,000	-	(6,000)	-
<b>At 30 September 2006</b>	<b>400</b>	<b>36,317</b>	<b>942</b>	<b>700</b>	<b>9,111</b>	<b>6,000</b>	<b>12</b>	<b>88,944</b>	<b>142,426</b>

	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Merger Reserve HK\$'000 (Unaudited)	Share-based compensation reserve HK\$'000 (Unaudited)	Properties revaluation reserve HK\$'000 (Unaudited)	Proposed dividend HK\$'000 (Unaudited)	Exchange fluctuation reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 April 2005	100	-	942	-	-	-	-	77,574	78,616
Exchange realignments	-	-	-	-	-	-	123	-	123
Profit for the period	-	-	-	-	-	-	-	1,034	1,034
Placing and public offer of share at premium	100	54,900	-	-	-	-	-	-	55,000
Issue of share by capitalisation of share premium account	200	(200)	-	-	-	-	-	-	-
Share issue expenses	-	(18,383)	-	-	-	-	-	-	(18,383)
Recognition of equity settled share based payments	-	-	-	584	-	-	-	-	584
2006 proposed interim dividend	-	-	-	-	-	4,000	-	(4,000)	-
<b>At 30 September 2005</b>	<b>400</b>	<b>36,317</b>	<b>942</b>	<b>584</b>	<b>-</b>	<b>4,000</b>	<b>123</b>	<b>74,608</b>	<b>116,974</b>

# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 1. GENERAL INFORMATION

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. 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 shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 16 June 2005.

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.

The financial statements have been presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION

The Board is responsible for the preparation of the Group’s unaudited condensed interim financial statements. These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), and the Hong Kong Accounting Standard (“**HKAS**”) No.34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2006.

The condensed financial statements have been prepared under the historical cost convention except for certain leasehold land and buildings in Hong Kong and buildings in the PRC and financial instruments, which are measured at revaluated amounts or fair values, as appropriate.

## 3. CHANGES IN ACCOUNTING POLICIES

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006 except for adoption of the new and revised Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes HKASs and interpretations) that are mandatory for the year ending 31 March 2007. The Group has adopted these new standards and interpretation where considered appropriate and relevant to its operations. Management considers that the adoption of the below has no material impact on the Group’s condensed consolidated interim balance sheet and income statement.



# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 3. CHANGES IN ACCOUNTING POLICIES (Continued)

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK (IFRIC)-Int 4	Determining Whether an Arrangement contains a lease

No early adoption of the following new standards, interpretations or amendments that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK (IFRIC)-Int 8	Scope of HKFRS 2 <sup>4</sup>
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>3</sup>
HK (IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 May 2006

The Group is in the process of assessing the impact to the Group's accounting policies on the adoption of the above standards and interpretations in future periods, but is not in a position to state whether these new standards and interpretations would have a significant impact on its results of operations and financial position.

## 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 represents the net invoiced value of goods sold.

## 5. 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.

# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 5. SEGMENT INFORMATION (Continued)

### (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:

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Europe	164,321	135,283
North and South America	56,432	42,580
Asia	26,948	17,197
Australia	11,013	2,467
Africa	6,188	1,237
	<b>264,902</b>	<b>198,764</b>

## 6. PROFIT BEFORE TAX

Profit before tax is stated after charging:

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as an expense	220,345	179,518
Depreciation of property, plant and equipment	6,240	5,063
Amortisation on interests in leasehold land held for own use under operating leases	36	139
Interest expense	3,531	2,134
Loss on disposal of property, plant and equipment	86	-
Impairment of obsolete inventories	1,649	-
Impairment of trade receivables	2,083	-
And after crediting:		
Interest income	629	78

# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 7. TAX EXPENSE

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

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Current tax – provision for Hong Kong Profit Tax		
– Tax for the year	1,729	172
	<hr/>	<hr/>
	1,729	172
Deferred tax		
– Current year	–	65
	<hr/>	<hr/>
	1,729	237
	<hr/>	<hr/>

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

Hong Kong profits tax is calculated at 17.5% (six months ended 30 September 2005: 17.5%) of the estimated assessable profits for the year.

Pursuant to the relevant laws and regulations in the PRC, Dongguan Kario Electrical Appliance Co., Ltd. (“**DG Kario**”), a wholly owned subsidiary acquired by the Group on 23 March 2005, being a foreign investment enterprise, is subject to income tax rate of 24%. DG Kario is also exempted from foreign enterprise income tax for two years starting from the first year of profitable operations in 2003 after off-setting prior year tax losses, followed by a 50% reduction in the applicable tax rate for the next three years.

As at 30 September 2006, no provision for deferred tax has been made in the financial statements as tax effect of movement in temporary differences is immaterial to the Group.

## 8. DIVIDENDS

The Board has resolved to declare the payment of interim dividend for the six months ended 30 September 2006 at the rate of HK1.5 cents per share, payable on 18 January 2007 to the shareholders of the Company (six months ended 30 September 2005: HK1 cent).

# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 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:

	<b>Six months ended 30 September 2006</b>	
	<b>(Unaudited) HK\$'000</b>	<b>2005 (Unaudited) HK\$'000</b>
<b>Earnings:</b>		
Earnings for the purposes of basic and diluted earnings per share (Net profit for the period attributable to equity holders of the Company)	<b>18,123</b>	1,034
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>400,000</b>	358,242
<b>Effect of dilutive potential ordinary shares:</b>		
Share options	<b>496</b>	2,166
Weighted average number of ordinary shares for the purpose of diluted earning per share	<b>400,496</b>	360,408

## 10. SHARE OPTIONS

The Company has a Pre-IPO Share Option Scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	<b>Number of share options</b>
Outstanding at the beginning of the period	4,000,000
Granted during the period	–
Lapse upon non-exercise of share options	(1,200,000)
Outstanding at the end of the period	<b>2,800,000</b>

In accordance with HKFRS 2, 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 Group's share option reserve. In the period, an amount of approximately HK\$300,000, in respect of vested options, has been reversed from the share-based compensation reserve and transferred to retained earnings as a result of lapse of non-exercise share option.

Share options were granted on 28 May 2005. The fair value of the option determined at the date of grant using the Binomial Option Pricing Model was approximately HK\$ 0.2501 per share option.

# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 10. SHARE OPTIONS (Continued)

The following assumptions were used to calculate the fair values of share options:

Share price (Note a)	HK\$0.55
Strike price (Note b)	HK\$0.1833
Minimum exercise price (Note c)	HK\$0.6875
Expected life of option (Note d)	3 years
Expected volatility	34.8%
Expected dividend yield	10.57%
Risk free rate	4.96%

For the purposes of calculating of fair value, no adjustment has been made in respect of expected to be forfeited, due to lack of historical data.

The Binomial Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share price. The changes in subjective input assumptions can materially affect the fair value estimate.

Notes:

- (a) The share price of the Company's shares at the date of grant of the options was estimated to be HK\$0.55 per share, which is equal to the offer price.
- (b) The strike price is one third of the offer price.
- (c) The minimum exercise price is 1.25 times of the offer price.
- (d) The options life is 3 years from the date of listing.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$9,991,000 (six months ended 30 September 2005: HK\$3,770,000) on the acquisition of property, plant and equipment.

## 12. TRADE AND BILLS RECEIVABLES

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

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Trade receivables	87,986	42,640
Bills receivables	36,261	26,723
	<hr/> <b>124,247</b>	<hr/> <b>69,363</b>

# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 12. TRADE AND BILLS RECEIVABLES (Continued)

The aging analysis of trade receivable is as follows:

	<b>30 September 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
Aged:		
Within 60 days	<b>61,062</b>	26,458
61-120 days	<b>16,937</b>	8,264
121-365 days	<b>9,974</b>	5,252
More than 365 days	<b>13</b>	2,666
	<b>87,986</b>	42,640

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

The Group transferred certain bills of exchange amounting to HK\$16,714,000 (31 March 2006: HK\$18,534,000) to banks with recourse in exchange for cash during the year. The transactions have been accounted for as collateralised bank advances.

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

	<b>30 September 2006 (Unaudited) '000</b>	31 March 2006 (Audited) '000
Renminbi	<b>RMB8,512</b>	RMB3,879
United States Dollars	<b>USD15,143</b>	USD8,465
Euro	<b>EUR4</b>	-

The directors consider that the carrying amount of trade and bills receivables approximates their fair value.

# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 13. TRADE AND BILLS PAYABLES

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

	<b>30 September 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
Aged:		
Within 60 days	<b>62,319</b>	36,888
61-120 days	<b>17,742</b>	7,054
121-365 days	<b>426</b>	1,862
More than 365 days	<b>380</b>	487
	<b>80,867</b>	46,291

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

	<b>30 September 2006 (Unaudited) '000</b>	31 March 2006 (Audited) '000
Renminbi	<b>RMB4,086</b>	RMB4,281
United States Dollars	<b>USD1,291</b>	USD198
Euro	<b>EUR4</b>	-
Japanese Yen	<b>JPY525</b>	-

The directors consider that the carrying amount of trade and bills payables approximates their fair value.

## 14. BORROWINGS

	<b>30 September 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
Borrowings comprise:		
Trust receipt loans	<b>91,457</b>	57,964
Bank loan	<b>20,227</b>	22,847
	<b>111,684</b>	80,811

# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 14. BORROWINGS (Continued)

The maturity profile of the above borrowings is as follows:

	<b>30 September 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
Within one year	<b>101,697</b>	69,204
In the second year	<b>3,990</b>	4,030
In the third to fifth years, inclusive	<b>5,997</b>	7,577
	<b>111,684</b>	80,811
Amount due within one year included in current liabilities	<b>(101,697)</b>	(69,204)
	<b>9,987</b>	11,607

Included in borrowings are the following significant amounts denominated in a currency other than the functional currency of the entity to which they relate:

	<b>30 September 2006 (Unaudited) '000</b>	31 March 2006 (Audited) '000
United States Dollars	<b>USD2,015</b>	USD699



# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 15. SHARE CAPITAL

The Company's shares during the period ended 30 September 2006 were as follows:

	<b>30 September 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
<b>Authorised share capital</b>		
1,000,000,000 ordinary shares of HK\$ 0.001 each	<b>1,000</b>	1,000
	<hr/> <hr/>	<hr/> <hr/>
	<b>30 September 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
<b>Issued share capital</b>		
400,000,000 ordinary shares of HK\$ 0.001 each	<b>400</b>	400
	<hr/> <hr/>	<hr/> <hr/>

## 16. CONTINGENT LIABILITIES

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

The Board has confirmed that no settlement had been reached by the parties and no judgements on the quantum of damages had 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 Group 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 Board is 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 have jointly and severally agreed and undertaken to indemnify the Group from and against any of such liability.

# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 17. COMMITMENTS

### (a) Operating lease commitments

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 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
Not later than one year	959	1,073
Later than one year and not later than five years	3,336	3,928
	<b>4,295</b>	<b>5,001</b>

### (b) Capital commitments

	<b>30 September 2006 (Unaudited) HK\$'000</b>	31 March 2006 (Audited) HK\$'000
Commitment for acquisition of plant and equipment: Contracted for but not provided in the financial statements	<b>3,176</b>	4,826

# Notes To The Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 18. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions:

*Purchases, commissions and reimbursement of expenses*

		Six months ended 30 September	
	Notes	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Purchases from:			
<b>Kario Company Limited ("Kario HK")</b>	(a)	–	5
Commissions received from:			
<b>DG Kario</b>	(a)	–	282
Reimbursement of electricity and wages expenses:			
<b>DG Kario</b>	(a)	–	1,208
Key management compensation:			
Basic salaries		4,581	3,910
Other allowances and benefits		812	–
Contribution to defined contribution plan		48	48
Share-based compensation		–	584
		<b>5,441</b>	<b>4,542</b>

Note:

- (a) Following the acquisition of equity interests in Kario HK and DG Kario on 23 March 2005, Kario HK and DG Kario became wholly owned subsidiaries of the Group. Accordingly, the transactions with Kario HK and DG Kario as at 30 September 2006 were eliminated at the consolidation level.

In the opinion of the directors, the above related party transactions were conducted in normal commercial terms in the ordinary course of the Group's business.

## 19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Board on 18 December 2006.

# Management Discussion and Analysis

## BUSINESS REVIEW

After undergoing a hard time last year, we witnessed a remarkable improvement on the performance of the Group for the first half of financial year ending 31 March 2007. For the six months ended 30 September 2006, turnover and net profit recorded HK\$264.9 million and HK\$18.1 million, respectively, representing an increase of 33.2% and 1,710% as compared to HK\$198.8 million and HK\$1.0 million for the same period of last year.

## PROSPECTS

Despite severe competition in the small household electrical appliance industry, the Group's performance in the six-months period ended 30 September 2006 recorded an encouraging result. We are well-prepared for the new requirements in electrical and electronic equipment (the WEEE and RoHS Directives), and we deliver quality products to our customers to further enhance our market position.

Looking ahead, the rises of the raw material costs, the surges of wages in the Dongguan region, the instability in electricity supply and the strength of Renminbi pose as challenges to the industry. In response, the Group has been implementing prudent cost control measures to cope with the challenging effects on its business. We have passed part of the cost increase to our customers, re-engineered our manufacturing processes and improved our supply chain processes for cost saving purpose. Our management has realized the importance of shifting towards semi-automation in order to reduce the reliance on intensive labour. We have upgraded our ERP system to deliver a more powerful data analysis at the back office. At the same time, our management is considering appropriate solutions to minimize its risks in foreign exchange exposure.

The construction of our new plant is expected to be completed by the third to forth quarter in 2007. Our production capacity is expected to be increased by approximately one-fourth to one-third thereafter. With the increased production capacity, we are positive to cope with future increase in market shares.

The Group has been continuing in focus on developing new innovative products and expanding its markets. We will explore business opportunities in other new products categories and other niche markets. To stay in line with our future organic and/ or generic growth in the market, we will explore appropriate acquisition opportunities in synergy with our business strategies to help us create greater value for our shareholders.

# Management Discussion and Analysis

## FINANCIAL REVIEW

For the six months ended 30 September 2006, the Group recorded a turnover of HK\$264.9 million (2005: HK\$198.8 million), representing an increase of approximately 33.2% over that in the same period of last year. The turnover attributable to the sale of electrical hair care products accounted for approximately HK\$254.3 million, representing approximately 96.0% of the turnover of the Group. The increase was due to the successful launch of several new products in the first half of the financial year ending 31 March 2007 and the expansion of market shares in Europe. Our preparation for the new requirements in electrical and electronic equipment (the WEEE and RoHS Directives) made us distinctive from the other market players. Turnover to Europe increased by 21.4% to HK\$164.3 million whereas turnover to North America increased by 16.2% to HK\$42.7 million. The other geographical area also recorded an increase by 116.4% in total.

Our gross profit margin restored to approximately 16.8% (2005: 9.7%). The significant improvement was due to the more than proportionate increase in sales over the increase in cost of sales. The soaring in material costs had slowed down and our Group had been working hard on alternate sourcing of materials.

Our net profit margin recorded a significant improvement, 6.8% while that in the last period was 0.5%. Distribution cost was 1.4% of turnover while administrative expenses increased by 40.8% over that in the same period of last year. The increase in administrative expenses was due to the increase in staff costs and a new policy of provision for doubtful debts has been adopted during the period.

## CAPITAL STRUCTURE

The net proceeds from our initial public offering (“IPO”) completed in June 2005 further strengthen our capital structure and we expect our cash to be sufficient for meeting our operating and capital expenditure requirements in the foreseeable future. The market capitalization of the Company as at 30 September 2006 was approximately HK\$80.0 million.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group had approximately HK\$70.8 million cash and cash equivalents balances (31 March 2006: HK\$63.3 million). The Group’s net current assets were approximately HK\$59.1 million (31 March 2006: HK\$47.3 million). The gearing ratio as at 30 September 2006 was 34.3% while that as at 31 March 2006 was 34.1%. The current ratio as at 30 September 2006 maintained at 1.3 (31 March 2006: 1.3). 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 2006, the Group had aggregate banking facilities of HK\$177.0 million (31 March 2006: HK\$164.0 million), of which HK\$133.8 million (31 March 2006: HK\$81.4 million) was utilized.

# Management Discussion and Analysis

## USE OF THE PROCEEDS FROM THE IPO

In June 2005, the Company issued 100,000,000 ordinary shares pursuant to the IPO, raising net proceeds of approximately HK\$36,500,000. The proceeds were used up to 30 September 2006 in the following manner:

	Per prospectus HK\$ million	Amount utilised HK\$ million	Balance as at 30 Sep 2006 HK\$ million
- construction of new plant	20	0	20
- installation of machinery and equipment	9	8	1
- research and development of electrical hair care products	2	2	0
- penetration and expansion into new and existing markets	2	1.5	0.5
- Group's general working capital	1	1	0
	<hr/>	<hr/>	<hr/>
	34	12.5	21.5

The remaining portion of the net proceeds was placed with banks in Hong Kong as short-term deposits.

Up to the date of this announcement, no subscription rights attaching to the Warrants have been exercised and hence no cash proceeds have been raised therefrom by the Company.

## CONTINGENT LIABILITIES

A High Court action was commenced by WIK Far East Limited (the "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 Board has confirmed that no settlement has been reached by the parties and no judgements on the quantum of damages had 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's opinion, given that the trial has not yet commenced and the parties are still at a pre-mature 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 Group fails in its defense 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 Board is 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.

# Management Discussion and Analysis

## **CONTINGENT LIABILITIES (Continued)**

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.

## **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. The Group's certain costs are denominated in Renminbi. Since HK dollar has been pegged to US dollar, 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 the six months ended 30 September 2006. Since Renminbi has been appreciating against US dollar, the Group has structured a financial arrangement to minimize our potential risk exposure.

## **STAFF AND REMUNERATION POLICIES**

As at 30 September 2006, the Group employed approximately 59 Hong Kong staff and operates a defined contribution pension scheme. The number of staff and seasonal workers employed by our factories in China maintained at approximately 2,900 during the six months ended 30 September 2006.

People are our most important assets and are indispensable to our success in the competitive marketplace. We offer comprehensive remuneration packages level and provide various fringe benefits, including trainings, medical, insurance coverage as well as retirement benefits.

The Group has adopted a pre-IPO share option scheme and a share option scheme (details 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

## 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 Company's listed shares of HK\$0.001 each in the share capital the Company (the "Shares") or the 100,000,000 listed warrants issued by the Company, in units of HK\$0.30 of the subscription rights to subscribe for up to 50,000,000 Shares at the initial subscription price of HK\$0.60 per Share at any time from 16 June 2005 to 13 June 2008 (both days inclusive) (the "Warrants"), (together with the Shares, the "Securities") during the period.

## INTERIM DIVIDENDS

The directors of the Company (the "Directors") are pleased to declare an interim dividend of HK 1.5 cents per Share (2005: HK1 cent) for the six months ended 30 September 2006, to be paid to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 January 2007. The dividend warrants will be dispatched to the entitled shareholders on or about Thursday, 18 January 2007.

## CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF WARRANTHOLDERS

The register of members and the register of warrantholders of the Company will be closed from Wednesday, 10 January 2007 to Friday, 12 January 2007, both days inclusive, during which period no transfer of Shares/Warrants and no Share of the Company to be issued upon exercise of any subscription rights attaching to the outstanding Warrants issued by the Company will be registered. In order to qualify for the interim dividend, all transfers of Shares and/or exercise of the subscription rights of the outstanding Warrants, duly accompanied by the relevant share certificates, and the appropriate transfer forms and/or in the case of warrantholders, all duly completed subscription forms accompanied by the relevant Warrant certificates and the appropriate subscription monies, must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 9 January 2007. The last day in Hong Kong of dealings in the Shares with entitlement to interim dividend will be on Friday, 5 January 2007. The Shares will be traded ex-dividend as from Monday, 8 January 2007.



# Supplementary Information

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in the Listing Rules were as follows:

### Long position in the Securities of the Company

Name of Director	Nature of interest	Total number of Shares	Percentage of issued Shares
Mr Lam Wai Ming	Corporate interest	275,400,000 <i>(Note 1)</i>	68.85%
Mr Tam Chi Sang	Corporate interest	275,400,000 <i>(Note 2)</i>	68.85%
Mr Chan Kwok Tung, Donny	Corporate interest	16,200,000 <i>(Note 3)</i>	4.05%

#### Notes:

- (1) Mr Lam Wai Ming was taken to be interested in an aggregate of 275,400,000 Shares as follows:
  - (i) 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 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 204,000,000 Shares that Beaute was interested; and
  - (ii) Mr Lam Wai Ming was taken to be interested in an aggregate of 30,600,000 Shares upon the exercise of the subscription rights attached to the 61,200,000 Warrants held by Achieve Best and Beaute.

# Supplementary Information

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

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

Notes: (Continued)

- (2) Mr Tam Chi Sang was taken to be interested in an aggregate of 275,400,000 Shares as follows:
- (i) 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 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 204,000,000 Shares that Beaute was interested; and
  - (ii) Mr Tam Chi Sang was taken to be interested in an aggregate of 30,600,000 Shares upon the exercise of the subscription rights attached to the 61,200,000 Warrants held by Realchamp and Beaute.
- (3) Mr Chan Kwok Tung, Donny was taken to be interested in an aggregate of 16,200,000 Shares as follows:
- (i) Mr Chan Kwok Tung, Donny was taken to be interested in an aggregate of 14,400,000 Shares held by Champion Sight Investments Inc (“**Champion Sight**”). Champion Sight was wholly-owned by Mr Chan Kwok Tung, Donny and he was the sole director of Champion Sight; and
  - (ii) Mr Chan Kwok Tung, Donny was taken to be interested in an aggregate of 1,800,000 Shares upon the exercise of the subscription rights attached to the 3,600,000 Warrants held by Champion Sight.

### Long position in the shares in the associated corporation

Name of Director	Name of associated corporation	Class of shares	Nature of interest	Total number of shares held	Approximate percentage of interests
Mr Lam Wai Ming	Beaute	Ordinary share	Corporate interest	2 (Note)	100%
Mr Tam Chi Sang	Beaute	Ordinary share	Corporate interest	2 (Note)	100%

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 2006, none of the Directors or chief executive of the Company had or was deemed 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) or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Supplementary Information

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

As at 30 September 2006, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

### Long position in the Securities of the Company

Name of substantial shareholder	Number of Shares held (other than under equity derivatives)	Number of Shares held under equity derivatives	Total number of Shares held	Percentage of issued Shares
				<i>(Note 1)</i>
Beaute	204,000,000	25,500,000	229,500,000	57.38%
Apex Prima <i>(Note 2)</i>	204,000,000	25,500,000	229,500,000	57.38%
Potentasia <i>(Note 3)</i>	204,000,000	25,500,000	229,500,000	57.38%
Achieve Best	40,800,000	5,100,000	45,900,000	11.48%
Realchamp	40,800,000	5,100,000	45,900,000	11.48%

#### Notes:

1. The Warrants were issued by 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 capitalization issue in the 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. As at 30 September 2006, there was no conversion of the Warrants.
2. 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.
3. 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.

Save as disclosed above, as at 30 September 2006, 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”) and a pre-IPO share option scheme (“Pre-IPO Share Option Scheme”).

### 1) Share Option Scheme

As at 30 September 2006, no option was granted by the Company under the Share Option Scheme.

# Supplementary Information

## SHARE OPTION SCHEME (Continued)

### II) Pre-IPO Share Option Scheme

Particulars of outstanding options under Pre-IPO Share Option Scheme at the beginning and at the end of the financial period for the six months ended 30 September 2006 and the details of share options granted, exercised, cancelled and lapsed during the period were as follows:

Name of grantee	Date of grant	Exercise period of share option	Exercise price of share option HK\$	No. of shares options held as at 1 April 2006	No. of shares options granted during the period	No. of shares options exercised during the period	No. of shares options cancelled/lapsed during the period	No. of share options held as at 30 September 2006
<b>Senior management</b>								
Mr Kwong Pak Chuen, Patrick Senior Engineering Manager	28 May 2005	16 December 2005 to 13 June 2008*	One third of 0.55	1,200,000	-	-	-	1,200,000
Mr Law Tak Wai Former Operation Manager†	28 May 2005	16 December 2005 to 13 June 2008*	One third of 0.55	1,200,000	-	-	(1,200,000)	-
Mr Wong Siu Man Senior Materials Manager	28 May 2005	16 December 2005 to 13 June 2008*	One third of 0.55	600,000	-	-	-	600,000
Mr Lam Wai Hung Administration Manager	28 May 2005	16 December 2005 to 13 June 2008*	One third of 0.55	1,000,000	-	-	-	1,000,000
<b>Total:</b>				<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>(1,200,000)</b>	<b>2,800,000</b>

\* The closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of exercise of the option shall not be less than 1.25 times of HK\$0.55.

† Mr Law Tak Wai resigned as the Operation Manager of the Group during the financial period ended 30 September 2006.

Save as disclosed above, no option was granted by the Company under the Pre-IPO Share Option Scheme.

# Supplementary Information

## SHARE OPTION SCHEME (Continued)

### Fair Value of the Pre-IPO Share Options

For the determination of the fair value of the Pre-IPO Share Options granted, reference was made to the Binomial Option Pricing Model. A number of factors such as the exercise price and the life of the options, the market price and volatility of the underlying shares, and the risk-free interest rate for the life of the options were taken in account. In addition, it requires input of assumptions that have significant sensitivity effects, including the approximation of the stock price at the date of grant of the Pre-IPO Share Options, expected stock price volatility, expected dividend, etc. Any change in the subjectivity input assumptions may materially affect the estimation of the fair value of an option. The fair value of the Pre-IPO Share Options granted by using Binomial Option Pricing Model was approximately HK\$0.2501 per share option.

## 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 acquisition of securities of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## 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 2006, except for the deviation from the CG Code Provision A.2.1 explained in the following relevant section.

The Company is committed to the establishment of three committees of the Board, namely Remuneration Committee, Nomination Committee and Audit Committee with the terms of reference adopted by the Board set out separately. The Board believes that pursuit of a high standard of corporate governance practices and procedures could provide a sound framework and solid foundation to achieve a high standard of accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders. The Company is dedicated to maintain a credible framework of corporate governance and continue to review and improve our corporate governance and internal control system from time to time.

### Directors’ Securities Transactions

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 2006.

# Supplementary Information

## CORPORATE GOVERNANCE (Continued)

### 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. The Board of Directors of the Company comprises six Directors, of which three are Executive Directors, namely, Mr Lam Wai Ming (Chairman), Mr Tam Chi Sang (Managing Director), Mr Chan Kwok Tung, Donny; 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.

### 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 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 was appointed as the chairman of the Audit Committee who is a qualified accountant with appropriate professional qualification and experience in financial matters. None of the Audit Committee members are members of the former or existing auditors of the Company.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of our unaudited condensed consolidated financial statements for the six months ended 30 September 2006.

# Supplementary Information

## CORPORATE GOVERNANCE (Continued)

### Investor Relations and Shareholders' Right

During the period, the articles and association of the Company had been amended to reflect the changes brought by the Listing Rules. Following the shareholders' approval at the annual general meeting of the Company held at Plaza V, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 8 September 2006 at 10:30 a.m., the ordinary resolutions in relation to (i) the receipt and adoption of the audited consolidated financial statements and the reports of the Directors and auditors for the year ended 31 March 2006; (ii) the declaration of a final dividend; (iii) the re-election of Directors and the authorization to the Board of Directors to fix the Directors' remuneration; (iv) the re-appointment of the auditors of the Company and the authorization of the Board of Directors to fix the auditors' remuneration; (v) the grant of the proposal of the general mandates to the Directors to exercise the powers of the Company to issue Shares and to repurchase Shares and Warrants respectively; and the special resolution in relation to the amendments to the articles of association of the Company had been passed.

## OTHER DISCLOSURE

Save as disclosed, the Group either has had no material change 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 three Executive Directors, namely Mr Lam Wai Ming (Chairman), Mr Tam Chi Sang (Managing Director), Mr Chan Kwok Tung, Donny 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, 18 December 2006