



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)



2008 Interim Report

# CONTENTS

	Page
1. Corporate Information	2
2. Highlights	3
3. Condensed Consolidated Income Statement	4
4. Condensed Consolidated Balance Sheet	5
5. Condensed Consolidated Cash Flow Statement	7
6. Condensed Consolidated Statement of Changes in Equity	8
7. Notes to the Condensed Consolidated Financial Statements	9
8. Management Discussion and Analysis	26
9. Supplementary Information	31

# 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

Rooms 1106-8, Riley House  
88 Lei Muk Road, Kwai Chung  
New Territories, Hong Kong

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

## WEBSITES

[www.kenford.com.hk](http://www.kenford.com.hk)  
[www.equitynet.com.hk/0464](http://www.equitynet.com.hk/0464)

**STOCK CODE:** 464

**WARRANT CODE:** 452

## AUDITORS

BDO McCabe Lo Limited  
25<sup>th</sup> Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## LEGAL ADVISER

Sit, Fung, Kwong & Shum  
18<sup>th</sup> Floor, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central, Hong Kong

## PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman)  
Limited  
Butterfield House  
68 Fort Street, P.O. Box 705  
George Tower, Grand Cayman  
Cayman Islands

## BRANCH SHARE REGISTRAR

Computershare Hong Kong  
Investor Services Limited  
46<sup>th</sup> Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai  
Banking Corporation Limited

Hang Seng Bank Limited

Dah Sing Bank Limited

## HIGHLIGHTS

	Six months ended 30 September		Change
	2007	2006	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Gross Profit	<b>62,651</b>	44,557	41%
Profit attributable to shareholders	<b>32,378</b>	18,123	79%
Earnings per share (Basic) (cents)	<b>8.082</b>	4.531	78%
Interim dividend per share (cents)	<b>2.3</b>	1.5	53%

- Gross profit was HK\$62.7 million, representing a 41% up
- Profit attributable to shareholders recorded a double digit growth by 79% to HK\$32.4 million
- Basic earnings per share increased from 4.5 Hong Kong cents to 8.1 Hong Kong cents
- Interim dividend per share was 2.3 Hong Kong cents

# CONDENSED CONSOLIDATED INCOME STATEMENT

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 2007, together with the comparative figures for the corresponding period in 2006 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 2007

	<i>Notes</i>	<b>For the six months ended 30 September</b>	
		<b>2007 (Unaudited) HK\$’000</b>	<b>2006 (Unaudited) HK\$’000</b>
<b>Turnover</b>	4	<b>261,829</b>	264,902
Cost of sales		<b>(199,178)</b>	(220,345)
Gross profit		<b>62,651</b>	44,557
Other income and gains		<b>4,311</b>	5,334
Distribution costs		<b>(3,493)</b>	(3,748)
Administrative expenses		<b>(24,409)</b>	(22,760)
<b>Profit from operations</b>		<b>39,060</b>	23,383
Finance costs		<b>(3,682)</b>	(3,531)
<b>Profit before income tax expense</b>	6	<b>35,378</b>	19,852
Income tax expense	7	<b>(3,000)</b>	(1,729)
<b>Net profit for the period attributable to equity holders of the Company</b>		<b>32,378</b>	18,123
<b>Dividend</b>	8	<b>9,276</b>	6,000
<b>Earnings per share (cents)</b>	9		
– Basic		<b>8.082</b>	4.531
– Diluted		<b>N/A</b>	4.525

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

		As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	94,847	96,167
Payments for leasehold land held for own use under operating leases		3,246	3,236
Goodwill		1,403	1,403
<b>Total non-current assets</b>		<b>99,496</b>	100,806
<b>Current assets</b>			
Inventories		76,644	55,853
Trade and bills receivables	12	99,969	94,719
Deposits, prepayments and other receivables		9,734	7,940
Cash and cash equivalents		117,672	116,841
<b>Total current assets</b>		<b>304,019</b>	275,353
<b>Total assets</b>		<b>403,515</b>	376,159
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and bills payables	13	71,327	55,430
Accruals and other payables		19,920	15,690
Bank advances for discounted bills	12	16,821	31,466
Borrowings – due within one year	14	84,994	84,779
Obligations under finance leases – due within one year		1,876	1,973
Tax payable		6,583	3,583
<b>Total current liabilities</b>		<b>201,521</b>	192,921

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

	<i>Notes</i>	<b>As at 30 September 2007 (Unaudited) HK\$'000</b>	As at 31 March 2007 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Borrowings – due after one year	14	6,117	8,367
Obligations under finance leases – due after one year		2,571	3,501
Deferred tax liabilities		6,522	6,434
<b>Total non-current liabilities</b>		<b>15,210</b>	18,302
<b>Total liabilities</b>		<b>216,731</b>	211,223
<b>Net current assets</b>		<b>102,498</b>	82,432
<b>Total assets less current liabilities</b>		<b>201,994</b>	183,238
<b>TOTAL NET ASSETS</b>		<b>186,784</b>	164,936
<b>Capital and reserves</b>			
Share capital	15	403	400
Share premium		37,939	36,317
Merger reserve		942	942
Share-based compensation reserve		–	700
Properties revaluation reserve		9,111	9,111
Exchange fluctuation reserve		825	330
Retained profits		128,288	105,136
Proposed dividend		9,276	12,000
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>186,784</b>	164,936

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	<b>For the six months ended 30 September</b>	
	<b>2007 (Unaudited) HK\$'000</b>	2006 (Unaudited) HK\$'000
Net cash generated from /(used in) operating activities	<b>33,555</b>	(10,986)
Net cash outflow from used in investing activities	<b>(4,064)</b>	(9,089)
Net cash (used in)/generated from financing activities	<b>(28,732)</b>	27,552
Net increase in cash and cash equivalents	<b>759</b>	7,477
Cash and cash equivalents at beginning of the period	<b>116,841</b>	63,334
Effect of foreign exchange rate changes	<b>72</b>	–
Cash and cash equivalents at end of the period	<b>117,672</b>	70,811
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	<b>117,672</b>	70,811



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

## Attributable to equity holders of the Company

	Share capital	Share premium	Share-based Merger Reserve	compensation reserve	Properties revaluation reserve	Proposed dividend	Exchange fluctuation reserve	Retained profits	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2007	400	36,317	942	700	9,111	12,000	330	105,136	164,936
Profit for the period	-	-	-	-	-	-	-	32,378	32,378
Exchange realignments	-	-	-	-	-	-	495	-	495
Total recognised income and expenses	-	-	-	-	-	-	495	32,378	32,873
Lapse upon non-exercise of share options	-	-	-	(150)	-	-	-	150	-
Share issued under Option Scheme (note 10)	1	550	-	(550)	-	-	-	-	1
Issue of share capital	2	1,072	-	-	-	-	-	-	1,074
2007 final and special final dividend paid	-	-	-	-	-	(12,000)	-	(100)	(12,100)
2008 proposed interim dividend	-	-	-	-	-	9,276	-	(9,276)	-
At 30 September 2007	403	37,939	942	-	9,111	9,276	825	128,288	186,784

	Share capital	Share premium	Share-based Merger Reserve	compensation reserve	Properties revaluation reserve	Proposed dividend	Exchange fluctuation reserve	Retained profits	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(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
Total recognised income and expenses	-	-	-	-	-	-	-	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)	-
At 30 September 2006	400	36,317	942	700	9,111	6,000	12	88,944	142,426

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 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. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is at Rooms 1106-8, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

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

## 2. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2007.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 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 2007 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 2008. The Group has adopted these new standards and interpretations where considered appropriate and relevant to its operations. Management considers that the adoption of the below new and revised HKFRSs has no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Interpretation 11	Group and Treasury Share transactions

The Group is in the process of assessing the impact to the Group's accounting policies on the adoption of the below new 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.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Interpretation 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes <sup>2</sup>
HK(IFRIC) – Interpretation 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2008

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 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.

### (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	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Europe	177,700	164,321
North and South America	38,324	56,432
Asia	38,543	26,948
Australia	4,929	11,013
Africa	2,333	6,188
	<b>261,829</b>	<b>264,902</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 6. PROFIT BEFORE INCOME TAX EXPENSE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories recognised as an expense	<b>199,178</b>	220,345
Depreciation of property, plant and equipment	<b>6,669</b>	6,240
Amortisation on payments for leasehold land held for own use under operating leases	<b>36</b>	36
Interest on borrowings wholly repayable within five years	<b>3,682</b>	3,531
Loss on disposal of property, plant and equipment	<b>266</b>	86
Impairment of obsolete inventories	<b>1,149</b>	1,649
Impairment loss on trade receivables	<b>581</b>	2,083
Net foreign exchange loss	–	613
	<hr/> <hr/>	<hr/> <hr/>
And after crediting:		
Interest income	<b>(1,086)</b>	(629)
Net foreign exchange gain	<b>(144)</b>	–
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 7. INCOME TAX EXPENSE

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

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HKS'000</b>	HKS'000
Current tax – provision for Hong Kong Profit Tax	<b>3,000</b>	1,729

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 2006: 17.5%) of the estimated assessable profits for the period.

Pursuant to the relevant laws and regulations in the PRC, Dongguan Kario Electrical Appliance Co., Ltd. (“DG Kario”), being a foreign investment enterprise, is subject to income tax rate of 24%, together with the local income tax rate of 3%, DG Kario is subject to the aggregate enterprise income tax (“EIT”) at a rate of 27%. DG Kario is also exempted from foreign EIT 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 7. INCOME TAX EXPENSE (Continued)

Pursuant to the PRC EIT law passed by the Tenth National People's Congress on 16 March 2007, the new EIT rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. The impact of this change in EIT rates on the Group's consolidated financial statements will depend on detailed implementation pronouncements that are to be issued subsequently. The Group is currently assessing the impact on the Group's results of operations and financial position of this change in EIT rates.

As at 30 September 2007, 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. DIVIDEND

The Board recommends the payment of interim dividend for the six months ended 30 September 2007 at the rate of HK2.3 cents per share, payable on 30 January 2008 to the shareholders of the Company (six months ended 30 September 2006: HK1.5 cents per share).

The amount of interim dividend is based on 403,320,500 shares (six months ended 30 September 2006: 400,000,000 shares) in issue as at 21 December 2007. This calculation of interim dividend excluded any interim dividend which may be payable for the Subscription Shares as defined in note 20.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 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</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<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>32,378</b>	18,123
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>400,644</b>	400,000
<b>Effect of dilutive potential ordinary shares:</b>		
Share options	–	496
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>400,644</b>	400,496

No diluted earnings per share is presented as there were no dilutive potential ordinary shares in existence for period ended 30 September 2007.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 10. SHARE OPTIONS

The Company has a Pre-IPO Share Option Scheme (the “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	2,800,000
Exercise of share options	(2,200,000)
Lapse upon non-exercise of share options	(600,000)
	<hr/>
Outstanding at the end of the period	–
	<hr/> <hr/>

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-based compensation reserve. In the period, an amount of approximately HK\$150,000, in respect of vested options, has been reversed from the share-based compensation reserve and transferred to retained profits as a result of cancellation 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 10. SHARE OPTIONS (Continued)

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

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

For the purposes of calculating the fair value, no adjustment has been made in respect of expected forfeitures, 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\$5,550,000 (six months ended 30 September 2006: HK\$9,991,000) on the acquisition of property, plant and equipment.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 12. TRADE AND BILLS RECEIVABLES

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

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Trade receivables	<b>80,052</b>	62,868
Bills receivables	<b>19,917</b>	31,851
	<b>99,969</b>	94,719

The aging analysis of trade receivables is as follows:

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Aged:		
Within 60 days	<b>65,863</b>	50,168
61–120 days	<b>13,911</b>	9,625
121 – 365 days	<b>278</b>	3,022
More than 365 days	–	53
	<b>80,052</b>	62,868

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 12. TRADE AND BILLS RECEIVABLES (Continued)

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

The Group transferred certain bills of exchange amounting to HK\$16,821,000 (31 March 2007: HK\$31,466,000) to banks with recourse in exchange for cash during the period. 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 2007 (Unaudited) '000</b>	31 March 2007 (Audited) '000
Renminbi	<b>RMB10,825</b>	RMB16,812
United States Dollar	<b>USD11,386</b>	USD10,004

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 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 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Aged:		
Within 60 days	<b>57,448</b>	47,446
61-120 days	<b>12,580</b>	4,594
121 - 365 days	<b>926</b>	3,049
More than 365 days	<b>373</b>	341
	<b>71,327</b>	55,430

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 2007 (Unaudited) '000</b>	31 March 2007 (Audited) '000
Renminbi	<b>RMB6,003</b>	RMB8,091
United States Dollar	<b>USD1,363</b>	USD708
Euro	<b>EUR71</b>	EUR112
Japanese Yen	<b>JPY535</b>	JPY138

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 14. BORROWINGS

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Borrowings comprise:		
Trust receipt loans	<b>78,124</b>	78,539
Bank loans	<b>12,987</b>	14,607
	<b>91,111</b>	93,146

The maturity profile of the above borrowings is as follows:

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Within one year	<b>84,994</b>	84,779
In the second year	<b>4,320</b>	4,740
In the third to fifth years	<b>1,797</b>	3,627
	<b>91,111</b>	93,146
Amount due within one year included in current liabilities	<b>(84,994)</b>	(84,779)
	<b>6,117</b>	8,367

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 14. BORROWINGS (Continued)

	<b>30 September 2007 (Unaudited) '000</b>	31 March 2007 (Audited) '000
United States Dollar	<b>USD1,849</b>	USD1,658
Euro	–	EUR21

## 15. SHARE CAPITAL

The Company's shares during the period ended 30 September 2007 were as follows:

<b>Authorised share capital</b>	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
1,000,000,000 ordinary shares of HK\$ 0.001 each	<b>1,000</b>	1,000

<b>Issued and fully paid</b>	<b>Number of shares of HK\$0.001 each '000</b>	<b>Nominal value HK\$</b>
At 1 April 2007	400,000	400,000
Exercise of share options ( <i>note i</i> )	2,200	2,200
Exercise of warrants ( <i>note ii</i> )	1,121	1,121
At 30 September 2007	<b>403,321</b>	<b>403,321</b>

### Notes

- (i) During the period, 2,200,000 ordinary shares of HK\$0.001 were issued in respect of the share options exercised under the Option Scheme at exercise price of HK\$0.1833 each.
- (ii) During the period, the subscription rights attached to 2,241,000 warrants were exercised and 1,120,500 ordinary shares of HK\$0.001 were issued in respect of such exercise. The subscription price under the warrants is HK\$0.60 per share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 16. WARRANTS

On 16 June 2005, a total of 100,000,000 warrants were issued by the way of bonus issue to all shareholders whose names appeared on the register of members of the Company as at completion of the Share Offer and the Capitalisation Issue (as defined in the Prospectus) in proportion of one warrant for every four shares, in unit(s) of HK\$0.30 of the subscription rights to the warrant holders. The subscription price under the warrants is HK\$0.60 per share with a subscription period from 16 June 2005 to 13 June 2008. During the period ended 30 September 2007 and before the report date, the subscription rights attached to 2,241,000 warrants have been exercised to subscribe for 1,120,500 ordinary shares and hence HK\$672,300 cash proceeds have been raised therefrom by the Company.

## 17. CONTINGENT LIABILITIES

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

The Directors have confirmed that no settlement had been reached by the parties and no judgement on quantum of damages had been made against that subsidiary 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 Directors are of the view that the quantum of the ultimate cost and damages (if any) to be incurred by the Group will not have a material adverse impact on the Group’s financial position.

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 18. COMMITMENTS

### a) Lease arrangements

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

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Not later than one year	<b>1,399</b>	1,007
Later than one year and not later than five years	<b>2,823</b>	3,057
	<b>4,222</b>	4,064

### b) Capital commitments

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Commitments for acquisition of plant and equipment: Contracted for but not provided in the financial statements	<b>12,602</b>	12,184

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

## 19. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Key management compensation:		
Basic salaries and other allowances and benefits	<b>9,851</b>	5,393
Contributions to defined contribution plan	<b>48</b>	48
	<b>9,899</b>	5,441

## 20. POST BALANCE SHEET EVENT

The Company entered into two subscription agreements dated 13 December 2007 (“Subscription Agreements”) with Classics Fund Ltd – Special Situations Fund-USD and CorporActive Fund Ltd (“Subscribers”) respectively. Pursuant to the Subscription Agreements, the Company conditionally agreed to issue 30,000,000 new shares (“Subscription Shares”) and the Subscribers conditionally agreed to subscribe for the Subscription Shares at an aggregate amount of HK\$18,000,000. The price for the Subscription Shares was HK\$0.6 per Subscription Share. The Subscription Shares, when issued, will rank pari passu among themselves and with shares in issue save for any right or entitlement the record date for which precedes the closing date of the Subscription Agreements.

## 21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Board on 21 December 2007.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The first half of financial year 2008 was a good start for the Group. Our financial results indicated good progress and net profit increased by 79% from HK\$18.1 million to HK\$32.4 million. For the six months ended 30 September 2007, turnover recorded a slight drop from HK\$264.9 million to HK\$261.8 million. The growth in profitability was due to the successful launch of new products with high profit margin and efficient running in cost control.

## PROSPECTS

Facing the on-going changing business environment in Mainland China, many small-scale factories are experiencing obstacles in running their business. This adverse factor, in turn helps us become more competitive by knocking out the weak market players in an accelerating manner. With high adaptability, experienced management team and high financial liquidity, our market position could further be enhanced.

Looking ahead, the persistent market fluctuation of raw material costs, the surges of labour cost in the Dongguan region, the instability in power supply and the strength of Renminbi pose as challenges to the industry. In response, the Group has been implementing prudent cost control measures as well as business models to cope with the challenging effects on its business. We have been re-engineering our manufacturing processes and our supply chain processes for cost saving purpose. An internal mould making unit has been developing since early 2007 and we expect our cost in mould making will be reduced substantially after a few years. Our management has realized the importance of shifting towards semi-automation in order to reduce the reliance on intensive labour. At the same time, our management took appropriate solutions to minimize its risks in foreign exchange exposure.

The production of our new plant is expected to commence by early to mid 2008. 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 cater for the future increase in market shares and strengthen cost control by economies of scale.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS (Continued)

The Group will continue to enhance our competitiveness by focusing on developing our R&D capabilities so as to bring more differentiated products with value added features to the market to improve our margin. 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 business opportunities in synergy with our business strategies to help us create greater value for our shareholders. Looking forward to the second half of the financial year, we have every confidence in demand in the markets.

## FINANCIAL REVIEW

For the six months ended 30 September 2007, the Group recorded a turnover of HK\$261.8 million (six months ended 30 September 2006: HK\$264.9 million), representing a slight drop of approximately 1% over that in the same period of last year. The turnover attributable to the sale of electrical hair care products accounted for approximately HK\$254.8 million, representing approximately 97% of the turnover of the Group. Steady turnover was due to the successful launch of several new products in the first half of the financial year ending 31 March 2008 and the expansion of market shares in Europe and Asia. Turnover to Europe increased by 8% to HK\$177.7 million whereas turnover to Asia increased by 43% to HK\$38.5 million. Sales to the Asian market increased significantly although from a relatively low level.

Gross profit margin reached approximately 23.9% whereas that of last period was 16.8%. The significant improvement was due to the high acceptance of our high profit margin products by the markets and efficient running of cost control. The soaring in material costs had slowed down and our Group had been working hard on alternate sourcing of materials.

Net profit margin recorded a significant improvement and reached 12.4% while that in the last period was 6.8%. Distribution cost was 1.3% of turnover while administrative expenses increased by 7% over that in the same period of last year. The increase in administrative expenses was mainly due to the increase in staff costs and distribution of a substantial performance bonus during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE

The market capitalisation of the Company as at 30 September 2007 was approximately HK\$242.0 million.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2007, the Group had approximately HK\$117.7 million cash and cash equivalents balances (31 March 2007: HK\$116.8 million). The Group's net current assets were approximately HK\$102.5 million (31 March 2007: HK\$82.4 million). The gearing ratio as at 30 September 2007 was 27.8% while that as at 31 March 2007 was 34.6%. The current ratio as at 30 September 2007 maintained at 1.5 (31 March 2007: 1.4). 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 2007, the Group had aggregate banking facilities of HK\$194.9 million (31 March 2007: HK\$211.0 million), of which HK\$112.2 million (31 March 2007: HK\$130.3 million) was utilised.

## USE OF THE PROCEEDS FROM THE IPO

In June 2005, the Company issued 100 million ordinary shares pursuant to the IPO, raising net proceeds of approximately HK\$36.5 million. The proceeds were used up to 30 September 2007 in the following manner:

	Per prospectus	Amount utilised	Balance as at
	HK\$ million	HK\$ million	30 Sep 2007
			HK\$ million
– construction of new plant	20	1.8	18.2
– installation of machinery and equipment	9	9	–
– research and development of electrical hair care products	2	2	–
– penetration and expansion into new and existing markets	2	2	–
– Group's general working capital	1	1	–
	34	15.8	18.2

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF THE PROCEEDS FROM THE IPO (Continued)

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

Up to the date of this report, the subscription rights attached to 2.2 million warrants issued by the Company have been exercised to subscribe for 1.1 million shares and hence HK\$0.7 million 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 infringement of a patent in respect of a retractable brush.

The Board has confirmed that no settlement has been reached by the parties and no judgement on quantum of damages had been made against that subsidiary 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.

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN EXCHANGE EXPOSURE

The Group's sales are mainly denominated in US dollar while purchases are principally denominated in HK dollar, US dollar, Euro 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 dollar 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 2007. Since Renminbi has been appreciating against US dollar, the Group has structured a financial arrangement to minimize our potential foreign exchange risk exposure.

## STAFF AND REMUNERATION POLICIES

As at 30 September 2007, the Group employed approximately 55 (30 September 2006: 59) Hong Kong staff and operates a defined contribution pension scheme. The number of staff and seasonal workers employed by our factories in China was maintained at approximately 3,000 (six months ended 30 September 2006: 2900) during the six months ended 30 September 2007.

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

The Group has adopted a pre-IPO share option scheme and a share option scheme (details of which are set out under the heading "Share Option Schemes") for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations.

## SUPPLEMENTARY INFORMATION

### SHARE CAPITAL AND WARRANTS

During the six months ended 30 September 2007, the listed shares of HK\$0.001 each in the share capital of the Company (the “**Shares**”) was increased by 3,320,500 Shares. As at 30 September 2007, there were 403,320,500 Shares and 97,759,000 listed warrants issued by the Company, in units of HK\$0.30 of the subscription rights to subscribe for up to 48,879,500 Shares at the initial subscription price of HK\$0.60 per Share at any time from 16 June 2005 to 13 June 2008 (both dates inclusive) (the “**Warrants**”) (together with the Shares, the “**Securities**”).

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

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

### INTERIM DIVIDENDS

The directors of the Company (the “**Directors**”) are pleased to declare an interim dividend of HK2.3 cents per Share (six months ended 30 September 2006: HK1.5 cents) for the six months ended 30 September 2007, to be paid to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 23 January 2008. The dividend warrants will be dispatched to the entitled shareholders on or about Wednesday, 30 January 2008.



## SUPPLEMENTARY INFORMATION

### **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 Monday, 21 January 2008 to Wednesday, 23 January 2008, both days inclusive, during which period no transfer of Shares/Warrants and no Share 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 duly accompanied by the relevant Share certificates, and the appropriate transfer forms must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 18 January 2008. Warrantholders who wish to exercise the subscription rights of the outstanding Warrants in order to qualify for the interim dividend, must lodge the duly completed subscription form together with the relevant Warrant certificates accompanied by the appropriate subscription monies to the Company's branch registrar not later than 4:00 p.m. on Friday, 18 January 2008. The last day in Hong Kong of dealings in the Shares with entitlement to interim dividend will be on Wednesday, 16 January 2008. Shares will be traded ex-dividend as from Thursday, 17 January 2008.

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

As at 30 September 2007, 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:

## 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

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>	68.28%
Mr Tam Chi Sang	Corporate interest	275,400,000 <i>(Note 2)</i>	68.28%
Mr Chan Kwok Tung, Donny	Corporate interest	16,200,000 <i>(Note 3)</i>	4.02%

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

## 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 shares in the associated corporation

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

*Note:* Beaute was owned as to 50% by Apex Prima and 50% by Potentasia. Apex Prima was wholly-owned by Mr Lam Wai Ming and Potentasia was wholly-owned by Mr Tam Chi Sang. Both Mr Lam Wai Ming and Mr Tam Chi Sang were the directors of Beaute. Mr Lam Wai Ming and Mr Tam Chi Sang were therefore taken to be interested in the shares in Beaute through their respective interests in Apex Prima and Potentasia.

Save as disclosed above, as at 30 September 2007, none of the Directors or chief executive of the Company had or was deemed (or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code) to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## SUPPLEMENTARY INFORMATION

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

As at 30 September 2007, 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 (Note 1)	Total number of Shares held	Percentage of issued Shares
Beaute	204,000,000	25,500,000	229,500,000	56.90%
Apex Prima (Note 2)	204,000,000	25,500,000	229,500,000	56.90%
Potentasia (Note 3)	204,000,000	25,500,000	229,500,000	56.90%
Achieve Best	40,800,000	5,100,000	45,900,000	11.38%
Realchamp	40,800,000	5,100,000	45,900,000	11.38%

## SUPPLEMENTARY INFORMATION

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

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

*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 under the Warrants is HK\$0.60 per Share with a subscription period from 16 June 2005 to 13 June 2008. During the six months ended 30 September 2007, there were 1,120,500 Shares issued as a result of the exercise of subscription rights attached to 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 2007, 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 SCHEMES

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**”).

##### I) Share Option Scheme

During the six months ended 30 September 2007, no options were 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 2007 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 held at 1 April 2007	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 at 30 September 2007
<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 Wong Siu Man Former Senior Materials Manager <sup>@</sup>	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>2,800,000</b>	<b>-</b>	<b>(2,200,000)</b>	<b>(600,000)</b>	<b>-</b>

# SUPPLEMENTARY INFORMATION

## SHARE OPTION SCHEME (Continued)

### II) Pre-IPO Share Option Scheme (Continued)

\* *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.*

@ *Due to the resignation of Mr Wong Siu Man as the Senior Materials Manager of the Group, the outstanding 600,000 share options granted to Mr Wong Siu Man were automatically lapsed under the Pre-IPO Share Option Scheme during the six months ended 30 September 2007.*

Save as disclosed above, no options were granted, exercised, cancelled and lapsed by the Company under the Pre-IPO Share Option Scheme during the six months ended 30 September 2007.

### FAIR VALUE OF THE PRE-IPO SHARE OPTIONS

For the determination of the fair value of the share options granted under the Pre-IPO Share Options Scheme (the “**Pre-IPO Share Options**”), 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 changes 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 the acquisition of securities of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them; nor was the Company, its holding company, its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.



# SUPPLEMENTARY INFORMATION

## 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 2007, except for the deviation from the CG Code Provision A.2.1 explained in the following relevant section.

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

### 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 2007.

## **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.

### **Board meetings**

Code Provision A.1.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the six months ended 30 September 2007, the Company had convened two Board meetings with the formal notice and agenda issued to all the Directors before the intended dates of the meetings. In view of good corporate governance practices, the Board has scheduled the meetings' calendar on a regular basis. It is expected that there will be at least four Board meetings to be convened for the financial year ending 31 March 2008.

# SUPPLEMENTARY INFORMATION

## CORPORATE GOVERNANCE (Continued)

### Remuneration Committee

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

### Nomination Committee

The nomination committee of the Company (the “**Nomination Committee**”) was established to formulate nomination policy for consideration by the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference in line with the CG Code Provisions set out in the CG Code under Appendix 14 of the Listing Rules. The Nomination Committee comprises three Independent Non-Executive Directors namely, Mr Chiu Fan Wah, Mr Li Chi Chung and Mr Li Tat 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 together with the management, has reviewed the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2007.

## **CORPORATE GOVERNANCE (Continued)**

### **Investor Relations and Shareholders' Right**

The annual general meeting of the Company was held on 7 September 2007. It gave the Board valuable opportunity to meet and communicate with the shareholders of the Company.

To strengthen the investors' relationship, the Company provides different ways for investors to access the soft and hard copies of the Company's information. The printed copies of this interim report in both English and Chinese languages will be dispatched to the Shareholders of the Company in late December 2007. Shareholders can obtain corporate communications free of charge by notice in writing to the Company Secretary of the Company. This interim report in both English and Chinese language is also available on the following websites:-

- (a) [www.hkex.com.hk](http://www.hkex.com.hk);
- (b) [www.kenford.com.hk](http://www.kenford.com.hk); and
- (c) [www.equitynet.com.hk/0464](http://www.equitynet.com.hk/0464).

### **Environment**

The Company takes environmental protection as our responsibility. New environmental friendly machines were introduced for production during the period. It is estimated that energy will be saved by approximately 20% to 40%.

### **OTHER DISCLOSURE**

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

## SUPPLEMENTARY INFORMATION

### 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, 21 December 2007