



Interim Report 2014



建福集團控股有限公司
KENFORD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00464

Contents

	Page
1. Corporate Information	2
2. Highlights	3
3. Management Discussion and Analysis	4
4. Supplementary Information	9
5. Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
6. Condensed Consolidated Statement of Financial Position	20
7. Condensed Consolidated Statement of Changes in Equity	22
8. Condensed Consolidated Statement of Cash Flows	23
9. Notes to the Condensed Consolidated Financial Statements	24

Corporate Information

BOARDS OF DIRECTORS

Executive Directors

Lam Wai Ming (*Chairman*)

Tam Chi Sang (*Managing Director*)

Independent Non-Executive Directors

Chiu Fan Wa

Choi Hon Keung

Li Chi Chung

Li Tat Wah

COMPANY SECRETARY

Pang Kit Teng

AUDIT COMMITTEE

Chiu Fan Wa (*Chairman*)

Choi Hon Keung

Li Chi Chung

Li Tat Wah

NOMINATION COMMITTEE

Chiu Fan Wa (*Chairman*)

Choi Hon Keung

Li Chi Chung

Li Tat Wah

REMUNERATION COMMITTEE

Li Tat Wah (*Chairman*)

Chiu Fan Wa

Choi Hon Keung

Lam Wai Ming

Li Chi Chung

Tam Chi Sang

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Caymen Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong

Investor Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

Sit, Fung, Kwong & Shum

PRINCIPAL BANKERS

Hang Seng Bank Limited

The Hongkong and Shanghai

Banking Corporation Limited

Dah Sing Bank Limited

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited

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CORPORATE WEBSITE

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STOCK CODE: 00464

Highlights

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Operating results		
Revenue	324,741	299,360
Gross profit	39,891	49,382
EBITDA	8,865	22,651
Net profit	1,666	11,250
Per share data	HK cents	HK cents
Earnings per share (Basic)	0.380	2.563
Earnings per share (Diluted)	0.380	2.563
Interim dividend per share	–	0.78
Net assets per share	86.7	81.5
Financial position	HK\$'000	HK\$'000
Cash and bank deposits	115,146	120,554
Net cash (Cash and bank deposits less interest bearing borrowings)	46,737	62,156
Total assets	601,672	576,650
Net assets	380,603	357,912
Financial ratio		
Gross profit margin	12.3%	16.5%
EBITDA to revenue	2.7%	7.6%
Net profit to revenue	0.5%	3.8%
Return on equity	0.4%	3.1%
Net cash to equity	12.3%	17.4%

Management Discussion and Analysis

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2013 (the "current period") was HK\$324,741,000, an increase of 8.5% from HK\$299,360,000 during the corresponding period last year (the "last corresponding period"). The increase was contributed by the recovery of demand from both the European and the American markets partly offset by a decrease in turnover from Asia, especially the Mainland China and Thailand markets.

Gross profit for the current period amounted to HK\$39,891,000, a decrease of 19.2% from HK\$49,382,000 in the last corresponding period. Gross profit over revenue ("gross profit margin") during the current period was 12.3% compared to 16.5% in the last corresponding period. The decline was mainly contributed by the rise in components cost and operating expenses as a result of the appreciation of the Renminbi and the increase in statutory minimum wages in the People's Republic of China during the financial period.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") dropped to HK\$8,865,000, a decrease of 60.9% from HK\$22,651,000 in the last corresponding period. Affected by the increase in operating expenses, EBITDA over revenue ("EBITDA Margin") was 2.7% compared to 7.6% during the last corresponding period.

Net profit for the current period dropped to HK\$1,666,000, a decrease of 85.2% from net profit of HK\$11,250,000 in the last corresponding period.

Basic earnings per share amounted to HK0.380 cents, representing a decrease of 85.2% from earnings per share of HK2.563 cents in the last corresponding period.

The Board of Directors ("The Board") have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: HK0.78 cents).

Management Discussion and Analysis

BUSINESS REVIEW

Market Review

The Group is principally engaged in the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small electrical household appliances. The Group's manufacturing base is in Dongguan, the PRC, with its products mainly sold on Original Design Manufacturing (ODM), Original Equipment Manufacturing (OEM) and Original Brand Manufacturing (OBM) bases.

During the current period, we observed a trend of moderate growth in demand from developed countries resulting from the clearance of inventories in the distribution channels. Unfortunately, less-than-expected turnover due to the slowdown in Mainland China's economic growth and the completion of promotional orders for the Thailand market dampened the Group's overall sales performance. This trend and shift has increased the turnover contribution from the European market and American market to 50.5% and 14.1% during the current period from 47.3% and 9.4%, respectively, over the last corresponding period. At the same time, the slowdown in the Mainland China market and Thailand market led to a decrease in the turnover contribution from Asia to 31.4% during the current period from 38.1% over the last corresponding period. The Group believes that the European and Asian Markets will still be the major revenue geographies in the coming years.

During the current period, electrical haircare products was still overwhelmingly the Group's main revenue stream accounting for approximately 99% of total turnover. Within this product category, hair dryers led the way followed by hair straighteners, airbrushes, curling tongs and spilt tongs. Other products such as footbaths, juicers, coffee makers and spare parts contributed the remaining 1%.

Most of the Group's customers are renowned global brands. Its five major customers accounted for approximately 82% and 73% of the Group's total turnover during the current period and the last corresponding period, respectively.

Management Discussion and Analysis

Operation Review

Mainland China remains the Group's major production centre. Similar to other manufacturers in Mainland China, the Group has faced a series of operating challenges, such as the appreciating Renminbi, high price of components, difficulties in recruiting production line operators and increased operation costs and general expenses. The Group's gross profit margin was seriously hit by these factors, as it was very difficult to pass the higher expenses on to customers.

In order to sustain our industry competitiveness, the Group is allocating more resources to the research and development ("R&D") of new innovative and value-added applications for haircare products especially in the areas of hair nutrition, over-heating indicators, quiet performance and all-in-one multi-functionality. This direction aims to address the increasing concern of today's consumers' about grooming their hair in additional to styling. Consumers are looking for a hair dryer that can promise softer, shiner and healthier hair, a hair straightener that can leave the hair straight, shiny and smooth and curling tongs that can curve the hair just right for that perfect hairstyle.

The Group can meet their demands as most of our products provide a wide range of features including ionising, ceramic coating, self-heat regulating, convenient cool-shot button (to cool hair quickly and hold a hair style), diffusing and removable air filters (to prevent overheating and breakdown) and are lightweight for ease of use.

In view of the increasing manufacturing and labour costs in Mainland China, the Group continues to enhance its production efficiency with automation, streamlining manufacturing processes while tightening control over the manufacturing overheads. Moreover, the Group continues to adjust its product mix by phasing out low-margin products and is working hard to enhance its overall competitiveness against major competitors and its product profitability in the years to come.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2013, the Group had approximately HK\$115,146,000 in cash and bank deposits (31 March 2013: HK\$126,939,000). The Group's net current assets were approximately HK\$215,352,000 (31 March 2013: HK\$210,773,000). The current ratio was 2.0 (31 March 2013: 2.1). The net cash position after deducting all interest-bearing borrowings was HK\$46,737,000 (31 March 2013: HK\$62,349,000) and the net cash to equity ratio was 12.3% (31 March 2013: 16.4%).

As at 30 September 2013, the Group's outstanding interest-bearing borrowings amounted to HK\$68,409,000 (31 March 2013: HK\$64,590,000). Such borrowings comprised bank loan facilities of HK\$10,195,000 and trade finance facilities of HK\$58,214,000. The maturity profile of the Group's bank borrowings falling due within one year and in the second to the fifth year amounted to HK\$66,013,000 and HK\$2,396,000 respectively (31 March 2013: HK\$58,282,000 and HK\$6,308,000, respectively).

The Group has maintained a healthy liquidity position and has continuously monitored financial resources to ensure sufficient funding to meet working capital and capital expenditure requirements.

FOREIGN EXCHANGE EXPOSURE

The Group's financial statements are denominated in United States dollars. The Group carried out its business transactions mainly in United States dollars, Hong Kong dollars, Renminbi and Japanese yen. As the Hong Kong dollar has remained pegged to the United States dollar, there was no material exchange risk in this respect. To manage the appreciation of the Renminbi, the Group had successfully diversified its revenue sources in Mainland China in order to hedge Renminbi receipts and Renminbi payments on an ongoing basis. All of the Group's bank loan facilities were denominated in Hong Kong dollars and carried interests at floating rates. Interest rate exposure was low.

Management Discussion and Analysis

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2013, the Group employed 54 employees in Hong Kong (six months ended 30 September 2012: 57) and a total work force of approximately 2,627 (six months ended 30 September 2012: 2,384) inclusive of all its staff and workers in China. The Group's remuneration policy is built on the principle of equitable, incentive-based where applicable, performance-oriented and market-competitive remuneration packages to employees. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

OUTLOOK AND PROSPECTS

The operating environment in the manufacturing sector is expected to remain challenging in the coming years. The slow recovery of the global economy and the slowdown of domestic economic growth in Mainland China are continuing to suppress the Group's business growth. The key challenges in the coming year would be the shortage of labour, rising manufacturing and labour costs, volatile commodity prices and appreciation of the Renminbi.

The overall performance of the Group in the first half of the financial year has been very unsatisfactory – particularly in terms of profitability. Further progress has been made to streamline the operational flow and overlapping of manpower so as to reduce operational cost.

As one of the key global suppliers of stylish haircare products, the Group will continue to align its strategic direction reinforcing its position as a major ODM supplier to the world's leading brand owners. It will strive to improve the net profit margins and liquidity position by adjusting the product mix and also exerting more stringent controls over manufacturing overheads. The Group's strategic focus on developing lifestyle haircare products superior to traditional items will remain unchanged.

Supplementary Information

SHARE CAPITAL

During the six months ended 30 September 2013, the listed shares of HK\$0.001 each in the share capital of the Company (the “Share”) was 438,926,000 Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of HK\$0.001 each in the share capital of the Company during the period.

INTERIM DIVIDENDS

The directors of the Company (the “Directors”) have resolved not to declare payment of an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: HK0.78 cents).

Supplementary Information

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 30 September 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in the Shares of the Company

Name of Director	Nature of interest	Total number of Shares	Approximate percentage of issued shares
Mr. Lam Wai Ming	Corporate interest	244,800,000 <i>(Note 1)</i>	55.78%
	Personal	395,000	0.09%
Mr. Tam Chi Sang	Corporate interest	244,800,000 <i>(Note 2)</i>	55.78%
	Personal	395,000	0.09%

Supplementary Information

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SHARES OF THE COMPANY (Continued)

Long position in the Shares of the Company (Continued)

Notes:

- (1) Mr. Lam Wai Ming was taken to be interested in an aggregate of 244,800,000 Shares held by Achieve Best Limited ("**Achieve Best**") and Beaute Inc ("**Beaute**") respectively, of which
 - (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; and
 - (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.
- (2) Mr. Tam Chi Sang was taken to be interested in an aggregate of 244,800,000 Shares held by Realchamp International Inc ("**Realchamp**") and Beaute respectively, of which
 - (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; and
 - (b) 204,000,000 Shares were held by Beaute which was owned as to 50% by Apex Prima and 50% by Potentasia. Apex Prima was wholly-owned by Mr. Lam Wai Ming and Potentasia was wholly-owned by Mr. Tam Chi Sang. Mr. Tam Chi Sang was also a director of Beaute and the sole director of Potentasia. Mr. Tam Chi Sang was therefore taken to be interested in the 204,000,000 Shares that Beaute was interested.

Long position in the underlying shares of the Company

Details are set out in the section headed "SHARE OPTION SCHEME" below.

Supplementary Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 30 September 2013, 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 shares of the Company

Name of substantial shareholder	Number of Shares held	Approximate percentage of issued Shares
Beaute	204,000,000	46.48%
Apex Prima (<i>Note 1</i>)	204,000,000	46.48%
Potentasia (<i>Note 2</i>)	204,000,000	46.48%
Achieve Best	40,800,000	9.30%
Realchamp	40,800,000	9.30%

Notes:

1. Apex Prima was taken to be interested in an aggregate of 204,000,000 Shares held by Beaute which was owned as to 50% by Mr. Lam Wai Ming and 50% by Mr. Tam Chi Sang through their respective interests in Apex Prima and Potentasia.
2. Potentasia was taken to be interested in an aggregate of 204,000,000 Shares held by Beaute which was owned as to 50% by Mr. Lam Wai Ming and 50% by Mr. Tam Chi Sang through their respective interests in Apex Prima and Potentasia.

Save as disclosed above, as at 30 September 2013, 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.

Supplementary Information

SHARE OPTION SCHEME

On 27 May 2005, the Company adopted the Share Option Scheme which will remain in force for a period of ten (10) years.

Particulars of outstanding options under Share Option Scheme at the beginning and at the end of the financial period for the six months ended 30 September 2013 and the details of shares options granted exercised, cancelled and lapsed during the period were as follows:

Category of grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	Outstanding at beginning of the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period
Senior Management	22 February 2010	2012.02.22 – 2015.05.26 (Note 1(i))	0.5	3,360,000	0	0	3,360,000
Senior Management	22 February 2010	2013.02.22 – 2015.05.26 (Note 1(ii))	0.6	3,360,000	0	0	3,360,000
Total				6,720,000	0	0	6,720,000

Notes:

- These options are exercisable from 22 February 2012 to 26 May 2015 (both days inclusive) subject to the following exercisable periods:
 - will be exercisable from 22 February 2012 at an exercise price of HK\$0.5 per share; and
 - will be exercisable from 22 February 2013 at an exercise price of HK\$0.6 per share.

Save as disclosed above, no options were granted, cancelled and lapsed by the Company under the Share Options Scheme during the six months ended 30 September 2013.

Supplementary Information

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

CORPORATE GOVERNANCE

Corporate Governance Practices

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2013, except for the deviation from the CG Code Provision A.2.1 explained in the following relevant section.

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

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted procedures governing Directors’ securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2013.

Supplementary Information

Board of Directors

The Board of Directors of the Company comprises six Directors, of which two are Executive Directors, namely, Mr. Lam Wai Ming (Chairman) and Mr. Tam Chi Sang (Managing Director) and four are Independent Non-Executive Directors, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung, and Mr. Li Tat Wah.

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

Code Provision A.1.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the six months ended 30 September 2013, the Company had convened one 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 2014.

Remuneration Committee

The remuneration committee of the Company (the “**Remuneration Committee**”) was established for the purpose of (i) to review and give comment to the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; (ii) to make recommendations to the board of the remuneration of non-executive Directors; and (iii) to establish a transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises four Independent Non-Executive Directors namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung, and Mr. Li Tat Wah and two Executive Directors namely, Mr. Lam Wai Ming and Mr. Tam Chi Sang. Mr. Li Tat Wah was appointed as chairman of the Remuneration Committee.

Supplementary Information

Nomination Committee

The nomination committee of the Company (the “**Nomination Committee**”) was established to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. The Nomination Committee comprises four Independent Non- Executive Directors namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, 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 comprises four Independent Non-Executive Directors, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung, and Mr. Li Tat Wah. Mr. Chiu Fan Wa, who is a qualified accountant with appropriate professional qualification and experience in financial matters, was appointed as the chairman of the Audit Committee. None of the Audit Committee members are members of the former or existing auditors of the Company.

The Audit Committee together with the management, has reviewed the accounting principles and practices adopted by the Group and has discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2013.

Supplementary Information

PUBLICATION OF INTERIM RESULTS

All details on the financial and related information of the Company containing all information as required by paragraph 46(1) to 46(9) of Appendix 16 to the Listing Rules are published on the website of the Stock Exchange. It will also be dispatched to shareholders and available to the public for collection in the following places in early December 2013:

1. Principal Place of Business in Hong Kong: Room 1106-8, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong;
2. Website: www.kenford.com.hk

INTERNAL CONTROL AND RISK MANAGEMENT

The Company has set up an internal audit department in February 2008 to provide assurance to the Board and management on the effectiveness of internal controls. The Board undertakes to periodically review the internal control including financial, operational and compliance control and risk management systems of the Group to ensure their effectiveness and efficiency and is responsible for maintaining effective internal control system of the Group.

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

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all members of the staff for their dedication and commitment and the continuing support from our customers, suppliers, banks and shareholders.

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

Hong Kong, 29 November 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		For the six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	<i>Notes</i>		
Revenue	3	324,741	299,360
Cost of sales		(284,850)	(249,978)
Gross profit		39,891	49,382
Other income, gains and losses		5,350	6,734
Distribution costs		(6,450)	(5,841)
Administrative expenses		(37,887)	(35,865)
Finance income	6	70	75
Finance costs	6	(880)	(689)
Profit before taxation	6	94	13,796
Income tax credit/(expense)	7	1,572	(2,546)
Profit for the period attributable to owners of the Company		1,666	11,250
Other comprehensive income/ (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		3,356	(2,401)
Total comprehensive income for the period attributable to owners of the Company		5,022	8,849
Earnings per share (HK cents)	8		
– Basic		0.380	2.563
– Diluted		0.380	2.563

Condensed Consolidated Statement of Financial Position

		As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	169,978	171,080
Prepaid lease payments		3,875	3,850
Deposits paid for acquisition of property, plant and equipment		3,770	5,662
Goodwill		1,403	1,403
		179,026	181,995
Current assets			
Inventories		141,631	111,992
Trade and bills receivables	11	148,269	151,308
Deposits, prepayments and other receivables		17,600	14,482
Investments held for trading		–	495
Bank deposits		8,207	3,716
Bank balances and cash		106,939	123,223
		422,646	405,216
Current liabilities			
Trade payables	12	116,736	101,331
Accruals and other payables		17,653	20,726
Bank borrowings		68,409	64,590
Tax liabilities		4,496	7,796
		207,294	194,443
Net current assets		215,352	210,773
Total assets less current liabilities		394,378	392,768

Condensed Consolidated Statement of Financial Position

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
	<i>Notes</i>	
Non-current liabilities		
Deferred tax liabilities	13,775	13,588
	380,603	379,180
Capital and reserves		
Share capital	439	439
Share premium and reserves	380,164	378,741
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	380,603	379,180

Condensed Consolidated Statement of Changes in Equity

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Properties Revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	439	58,873	942	57,107	15,067	536	246,216	379,180
Profit for the period	-	-	-	-	-	-	1,666	1,666
Other comprehensive income								
- Exchange differences arising on translation of foreign operations	-	-	-	-	3,356	-	-	3,356
Total comprehensive income for the period	-	-	-	-	3,356	-	1,666	5,022
Dividend paid (note 9)	-	-	-	-	-	-	(3,599)	(3,599)
At 30 September 2013 (unaudited)	439	58,873	942	57,107	18,423	536	244,283	380,603

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Properties Revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2012 (audited)	439	58,873	942	46,109	13,807	536	231,429	352,135
Profit for the period	-	-	-	-	-	-	11,250	11,250
Other comprehensive expense								
- Exchange differences arising on translation of foreign operations	-	-	-	-	(2,401)	-	-	(2,401)
Total comprehensive (expense)/income for the period	-	-	-	-	(2,401)	-	11,250	8,849
Dividend paid (note 9)	-	-	-	-	-	-	(3,072)	(3,072)
At 30 September 2012 (unaudited)	439	58,873	942	46,109	11,406	536	239,607	357,912

Condensed Consolidated Statement of Cash Flows

		For the six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	<i>Notes</i>		
Net cash (used in)/from operating activities		(10,300)	26,030
Investing activities			
New bank deposits placed		(4,491)	–
Purchase of property, plant and equipment	10	(4,963)	(10,938)
Deposits paid for acquisition of property, plant and equipment		1,892	–
Other investing cash flows		370	556
Net cash used in investing activities		(7,192)	(10,382)
Financing activities			
New bank borrowings raised		86,939	55,626
Repayment of bank borrowings		(83,120)	(80,035)
Dividend paid	9	(3,599)	(3,072)
Other financing cash flows		(880)	(945)
Net cash used in financing activities		(660)	(28,426)
Net decrease in cash and cash equivalents		(18,152)	(12,778)
Cash and cash equivalents at beginning of period		123,223	132,547
Effect of foreign exchange rate changes		1,868	785
Cash and cash equivalents at end of period, represented by bank balances and cash		106,939	120,554

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

1. GENERAL INFORMATION

Kenford Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 June 2005. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is at Room 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 haircare products, electrical healthcare products and other small household electrical appliances.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to nearest thousand unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

The condensed consolidated financial statements have been prepared on the historical cost basis except for land and buildings and investments held for trading, which are measured at revalued amounts and fair value respectively.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards. The additional disclosure will be included in the Group's annual consolidated financial statements for the year ending 31 March 2014.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 13 Fair value measurement (Continued)

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The application of HKFRS 13 has had no material impact on the reported amount in these condensed consolidated financial statements. Disclosures of fair value information in accordance with the consequential amendments to HKAS 34 in accordance with HKFRS 13 will be disclosed in the Group's annual consolidated financial statements for the year ending 31 March 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. In addition, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

The Group is principally engaged in the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances. Revenue represents the sales value of goods supplied to customers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

4. SEASONALITY OF OPERATIONS

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

5. SEGMENT INFORMATION

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

The Group has one reportable segment, which is design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances.

The Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods is as follows:

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Europe	163,879	141,651
Asia	102,000	113,986
North and South America	45,851	28,261
Africa	7,946	8,727
Australia	5,065	6,735
	324,741	299,360

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Cost of inventories recognised as expenses	285,874	250,188
Depreciation of property, plant and equipment	7,623	8,193
Amortisation of prepaid lease payments	49	48
Interest on:		
– bank borrowings wholly repayable within five years	94	285
– trust receipt loans	786	384
– finance leases	–	20
	880	689
Gain on disposal of property, plant and equipment	(257)	(228)
Reversal of allowance for inventories	(1,024)	(210)
Net foreign exchange (gain)/loss	(107)	54
Change in fair value of investments held for trading	–	(151)
Interest income	(70)	(75)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

7. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	–	(130)
– The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	(781)	(2,416)
	(781)	(2,546)
Overprovision in prior years		
– EIT	2,353	–
Income tax credit/(expense)	1,572	(2,546)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2012: 16.5%) of the estimated assessable profits for the period.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT" Law) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 September 2012: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit for the purposes of calculating basic and diluted earnings per share	1,666	11,250
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	438,926	438,926
Basic earnings per share (HK cents)	0.380	2.563
Diluted earnings per share (HK cents)	0.380	2.563

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the six months ended 30 September 2013 and 2012.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

9. DIVIDENDS

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: HK0.78 cents per share).

During the current interim period, a final dividend of HK0.82 cent per share in respect of the year ended 31 March 2013 (six months ended September 2012: a final dividend of HK0.7 cents per share in respect of year ended 31 March 2012) was declared and paid to the owners of the Company. The aggregate amount of the dividend declared and paid in the interim period amounted to HK\$3,599,000 (six months ended 30 September 2012: HK\$3,072,000).

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK\$4,963,000 (six months ended 30 September 2012: HK\$10,938,000).

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's leasehold land and buildings as at the end of the current period is carried at revalued amounts does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

11. TRADE AND BILLS RECEIVABLES

The credit terms granted by the Group ranged from 14 to 90 days. For those major customers, a credit term up to 120 days from the invoice date is allowed.

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Trade receivables	145,624	149,930
Bills receivables	2,645	1,378
	148,269	151,308

The aging analysis of trade and bills receivables, net of allowance for bad and doubtful debts, presented based on invoice date, which approximates to the date of revenue recognition, is as follows:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Within 60 days	127,111	115,385
61 – 120 days	19,820	33,372
121 – 365 days	1,145	2,380
Over 365 days	193	171
	148,269	151,308

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

12. TRADE PAYABLES

The credit terms on purchases of goods ranged from 30 to 120 days. The aging analysis of trade payables presented based on the invoice date is as follows:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Within 60 days	107,612	88,458
61 – 120 days	6,592	10,127
121 – 365 days	2,054	2,746
Over 365 days	478	–
	116,736	101,331

13. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised:		
At 1 April 2012, 30 September 2012, 1 April 2013 and 30 September 2013	1,000,000	1,000
Issued and fully paid:		
At 1 April 2012, 30 September 2012, 1 April 2013 and 30 September 2013	438,926	439

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

14. SHARE-BASED PAYMENTS

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to a resolution passed on 27 May 2005 for the primary purpose of providing incentives to directors and eligible employees, and will remain in force for a period of ten years.

At 30 September 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 6,720,000 (31 March 2013: 6,720,000). The weighted average exercise price of options outstanding at the end of reporting period was HK\$0.55 (31 March 2013: HK\$0.55).

15. CAPITAL COMMITMENTS

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Commitments for acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	3,296	5,761

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

16. RELATED PARTY TRANSACTIONS

In addition to the transactions set out in note 14 above, the Group has the following material related party transactions during the period:

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Key management personnel compensation:		
– basic salaries and other allowances and benefits	10,337	9,363
– contributions to defined contribution plan	60	56
	10,397	9,419

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, including directors and other senior management, totalling 8 individuals (six months ended 30 September 2012: 8 individuals).

17. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were authorised for issue by the Board on 29 November 2013.