

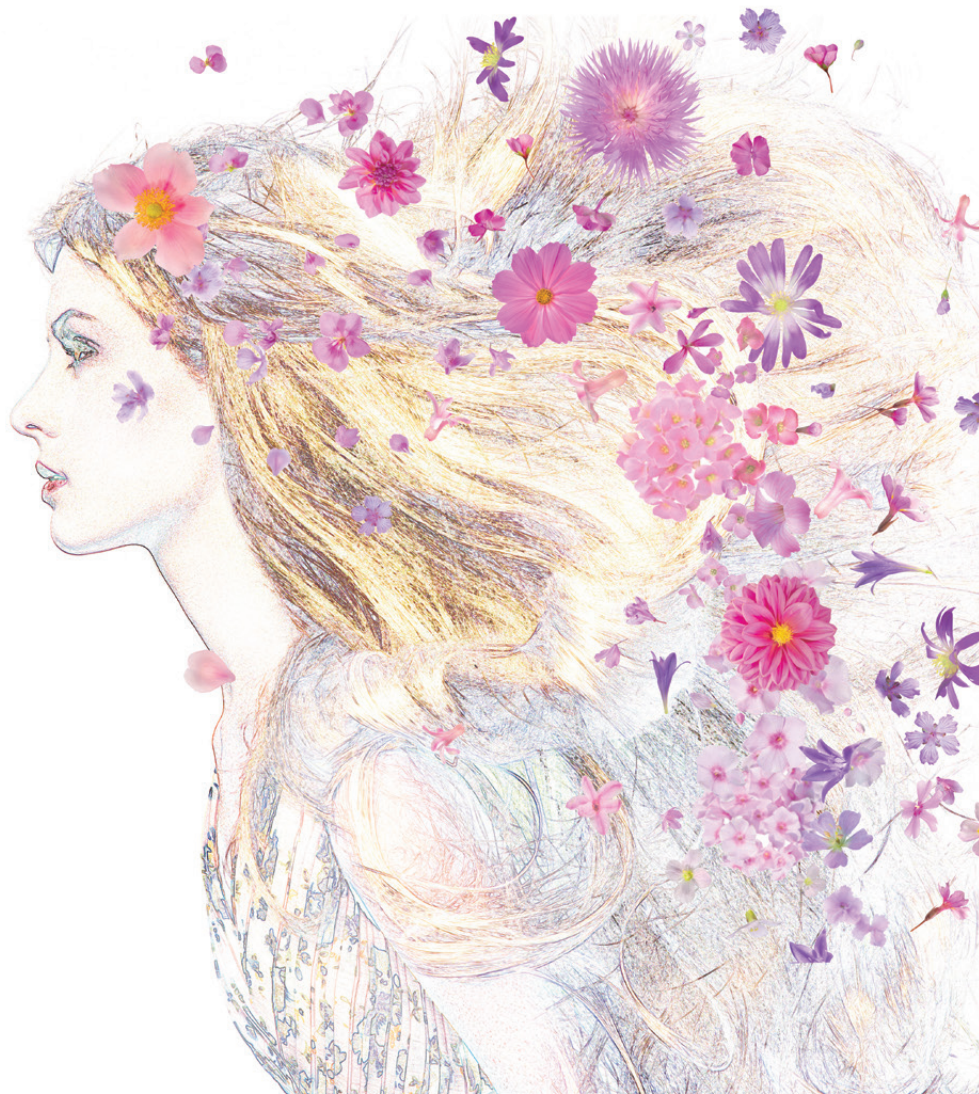


建福集團控股有限公司
KENFORD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00464

2016
Interim Report





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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

COMPANY SECRETARY

Pang Kit Teng

AUDIT COMMITTEE

Chiu Fan Wa (*Chairman*)
Choi Hon Keung
Li Chi Chung

NOMINATION COMMITTEE

Chiu Fan Wa (*Chairman*)
Choi Hon Keung
Li Chi Chung

REMUNERATION COMMITTEE

Choi Hon Keung (*Chairman*)
Chiu Fan Wa
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

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

Telephone: (852) 2422 8198
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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
Cayman 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

www.kenford.com.hk

STOCK CODE: 00464

Highlights

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Operating results		
Revenue	272,680	309,187
Gross profit	36,024	45,593
EBITDA	3,982	17,171
Net (loss) profit	(5,296)	6,670
Per share data	HK cents	HK cents
Basic and diluted (loss) earnings per share	(1.188)	1.520
Net assets per share	81.9	84.3
Financial position	HK\$'000	HK\$'000
Cash and structured deposits	114,184	109,675
Net cash (Cash and bank deposits less interest bearing borrowings)	59,309	43,405
Total assets	536,475	549,575
Net assets	364,827	369,934
Financial ratio		
Gross profit margin	13.2%	14.7%
EBITDA to revenue	1.5%	5.6%
Net (loss) profit to revenue	(1.9%)	2.2%
Return on equity	(1.5%)	1.8%
Net cash to equity	16.3%	11.7%



Management Discussion and Analysis

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2015 (the "**current period**") was HK\$272,680,000, a decrease of 11.8% from HK\$309,187,000 during the corresponding period last year (the "**last corresponding period**"). The decline was mainly contributed by the decrease in turnover from the European and Asian markets partly offset by the recovery of demand from the American market.

Gross profit for the current period amounted to HK\$36,024,000, a decrease of 21.0% from HK\$45,593,000 in the last corresponding period. Gross profit over revenue ("**gross profit margin**") during the current period was 13.2% compared to 14.7% in the last corresponding period. The decrease was mainly contributed by the increase in statutory minimum wages of approximately 15% in the Mainland China.

During the period, the Group recognised an unrealised loss, net of realized gain, arising from changes in fair value of equity securities held for trading of HK\$1,601,000 (six months ended September 2014: Nil). As a result of the temporary surge in market volatility immediately prior to 30 September 2015, fair value of these securities dropped significantly. Accordingly, the Group had to account for this drop in fair value in profit or loss. This item did not affect the cash flow of the Group for the financial period under review.

Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") dropped to HK\$3,982,000, a decrease of 76.8% from HK\$17,171,000 in the last corresponding period. Affected by the increase in operating expenses, EBITDA over revenue ("**EBITDA Margin**") was 1.5% compared to 5.6% during the last corresponding period.

Net loss for the current period was HK\$5,296,000, a decrease of 179.4% from net profit of HK\$6,670,000 in the last corresponding period.

Basic loss per share was HK1.188 cents, representing a decrease of 178.2% from earnings per share of HK1.520 cents in the last corresponding period.



Management Discussion and Analysis

The Board of Directors (“**The Board**”) has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

BUSINESS REVIEW

Market Review

The Group is principally engaged in the design, manufacture and sale of electrical haircare and 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, the positive 39.8% growth in demand from the American market had increased the turnover contribution from that geography to 14.7% from 9.3% over the last corresponding period. Unfortunately, a less-than-expected turnover due to the struggling economy in Europe and the decrease in promotion orders from Thailand dampened the Group’s overall sales performance. This shift has decreased the turnover contribution from the European market to 51.7% during the current period from 56.6% over the last corresponding period. At the same time, there was a minor increase in turnover contribution from the Asian market to 32.0% during the current period from 31.4% over the last corresponding period, as the slowdown in the Thailand market was offset by the rises in contributions from the Mainland China and Korea markets. The Group believes that the European and Asian markets will remain the major geographic revenue contributors in the coming years.

During the current period, electrical haircare products formed the Group’s predominant revenue stream with hair dryers leading the way followed by hair straighteners, airbrushes, curling tongs and curling brushes.

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



Management Discussion and Analysis

Operation Review

Mainland China remains the Group's major production center. Similar to other manufacturers in Mainland China, the Group has faced a series of operating challenges, such as the slow recovery in export markets, declining growth in Mainland China's domestic market, the difficulties in recruiting production line operators and increased operation costs and general expenses. The monthly minimum wage in Dongguan has increased from RMB1,310 to RMB1,510 effective from May 2015. But amidst the macroeconomic uncertainty, prices of metal commodities, such as copper and lead, are stabilising, which could provide some relief to the cost pressures on the Group. Though the Group's gross profit margin has been seriously hit by most of these factors, it has been very difficult to pass all of the higher expenses on to customers.

The labour shortage remains serious in China, leading to significant increases in labour costs which have inevitably placed a heavier burden on the whole manufacturing process and operational efficiency. The Group is strategically coping with this issue, by transforming itself from a labour-intensive operation into a more capital-intensive enterprise through continuing to allocate more resources to upgrade and automate its manufacturing. Towards this end, it has strived to improve production efficiency, eliminating waste and, ultimately, reducing costs.

The immediate priority of the Group is to monitor the progress of on-going initiatives to both improve operational efficiency and invest in people and processes to support its long-term development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2015, the Group had approximately HK\$114,184,000 in cash and bank deposits (31 March 2015: HK\$99,444,000). The Group's net current assets were approximately HK\$184,223,000 (31 March 2015: HK\$184,096,000). The current ratio was 2.2 (31 March 2015: 2.3). The net cash position after deducting all interest-bearing borrowings was HK\$59,309,000 (31 March 2015: HK\$54,968,000) and the net cash to equity ratio was 16.3% (31 March 2015: 14.7%).



Management Discussion and Analysis

As at 30 September 2015, the Group's outstanding interest-bearing borrowings amounted to HK\$54,875,000 (31 March 2015: HK\$44,476,000) exclusively comprising trade finance facilities with maturity due within one year.

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 Hong Kong dollars. The Group conducts its business transactions mainly in Hong Kong dollars, United States dollars and Renminbi. As the Hong Kong dollar remains pegged to the United States dollar, there is no material exchange risk in this respect. To manage the fluctuation of the Renminbi exchange rate, the Group has successfully generated revenue in Mainland China to hedge Renminbi receipts and Renminbi payments on an ongoing basis. All of the Group's bank loan facilities have been denominated in Hong Kong dollars and carry interest at floating rates.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2015, the Group employed 45 employees in Hong Kong (six months ended 30 September 2014: 50) and a total work force of approximately 1,795 (six months ended 30 September 2014: 2,187) inclusive of all its staff and workers in China. The Group's remuneration policy is built on the principle of remuneration packages to employees which are equitable, incentive-based where applicable, performance-oriented and market-competitive. 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.



Management Discussion and Analysis

OUTLOOK AND PROSPECTS

The Group expects to face new challenges in the coming year as the minimum wage is expected to further increase, concurrent with a shortage of skilled labour in Mainland China, the climbing taxes and fees of Mainland China's government, the continuous increase of manufacturing costs, the shorter product life cycles of consumer electronic products as well as volatile capital markets and currency fluctuations. At the same time, the visibility of sales orders received is comparatively low which presents difficulties in resources planning.

Despite the anticipated unfavourable macroeconomic environment for the ODM manufacturing sector, the Group continues to invest in new technology providing the capability to roll out new and innovative products, enhance product diversification and automate manufacturing while allocating considerably more resources to developing higher margin products and brand building.

As one of the key global haircare product manufacturers, the Group will continue to set its strategic direction aimed at reinforcing its position as a major ODM supplier to the world's leading brand owners. Our strength in advanced and innovative product design and development should drive sales growth momentum in the years to come. Moreover, our bolstered R&D capabilities will provide a solid platform for the Group to expand into the haircare manufacturing sector, which is currently undergoing consolidation, as the global economy revives in the near future.



Supplementary Information

SHARE CAPITAL

During the six months ended 30 September 2015, the listed shares of HK\$0.001 each in the share capital of the Company (the “**Share**”) was 445,646,000 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 2015 (six months ended 30 September 2014: Nil).

Supplementary Information

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

As at 30 September 2015, 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 (Note 1)	54.94%
	Personal	395,000	0.09%
Mr. Tam Chi Sang	Corporate interest	244,800,000 (Note 2)	54.94%
	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 2015, 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 shareholders	Number of Shares held	Approximate percentage of issued Shares
Beaute	204,000,000	45.78%
Apex Prima (<i>Note 1</i>)	204,000,000	45.78%
Potentasia (<i>Note 2</i>)	204,000,000	45.78%
Achieve Best	40,800,000	9.16%
Realchamp	40,800,000	9.16%

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 2015, 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 a Share Option Scheme (“**2005 Share Option Scheme**”) which was matured on 26 May 2015. Pursuant to a resolution passed on 6 August 2015, the Company adopted a new 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 2015 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	3,360,000	–	–
Senior Management	22 February 2010	2013.02.22 – 2015.05.26 (Note 1(ii))	0.6	3,360,000	3,360,000	–	–
Total				6,720,000	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, all options were fully exercised under the 2005 Share Option Scheme and there was no option granted under the new Share Option Scheme during the six months ended 30 September 2015.



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 Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2015, except for the deviation from the CG Code 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 reviewing and improving the corporate governance practices and procedures from time to time to ensure its commitment to the corporate governance standard and strive 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the directors of the Company (the “**Directors**”) have confirmed that they fully complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2015.

Board of Directors

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

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

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 2015, 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 2016.



Supplementary Information

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 overall remuneration policy and remuneration packages of the Group; (ii) to review and give comment to the basic salary of the Executive Directors and senior management of the Group; (iii) to review and give comment to the performance bonus of the Executive Directors of the Company; (iv) to note the fact that no compensation had been paid to the Executive Directors and senior management of the Group in relation to their resignation, if any; and (v) to recommend the remuneration packages of the Executive Directors and senior management of the Group for each financial year prior to recommending them to the Board for determination.

The Remuneration Committee comprises three Independent Non-Executive Directors namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung and two Executive Directors namely, Mr. Lam Wai Ming and Mr. Tam Chi Sang. Mr. Choi Hon Keung 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 of the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference, which are in line with the CG Code under Appendix 14 of the Listing Rules.

The Nomination Committee comprises three Independent Non-Executive Directors namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung. 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 published on both the websites of the Stock Exchange and the Company. They are available for inspection by the shareholders of the Company upon request made to the company secretary. The primary duties of the Audit Committee are, inter alia, to review and supervise the financial reporting process and internal control system of the Group, to review the financial statements focusing particularly on (i) any changes in accounting policies and practices of the Group; (ii) the compliance with accounting standards and (iii) the compliance with the legal requirements, as well as to review the Company’s annual reports and interim reports.

The audit committee has the responsibilities and powers set forth in the terms of reference of the audit committee. Committee members shall meet at least twice to consider the interim and final results prepared by the Board.

The Audit Committee comprises three Independent Non-Executive Directors, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung. 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.



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 2015:

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, 26 November 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		For the six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	<i>Notes</i>		
Revenue	3	272,680	309,187
Cost of sales		(236,656)	(263,594)
Gross profit		36,024	45,593
Other income, gains and losses		(23)	4,926
Distribution costs		(3,325)	(5,269)
Administrative expenses		(37,186)	(36,642)
Finance income		441	272
Finance costs	6	(584)	(861)
(Loss) profit before taxation	6	(4,653)	8,019
Income tax expenses	7	(643)	(1,349)
(Loss) profit for the period attributable to owners of the Company		(5,296)	6,670
Other comprehensive expenses			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(6,655)	(416)
Total comprehensive (expense) income for the period attributable to owners of the Company		(11,951)	6,254
Basic and diluted (loss) earnings per share (HK cents)	8	(1.188)	1.520

Condensed Consolidated Statement of Financial Position

		As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	185,207	194,197
Prepaid lease payments		3,544	3,726
Deposits paid for acquisition of property, plant and equipment		5,807	5,842
Goodwill		1,403	1,403
		195,961	205,168
Current assets			
Inventories		86,763	89,605
Trade and bills receivables	11	112,462	117,177
Deposits, prepayments and other receivables		19,161	17,640
Tax recoverable		2,242	2,325
Investments held for trading		5,702	–
Short-term bank deposit		–	2,524
Bank balances and cash		114,184	96,920
		340,514	326,191
Current liabilities			
Trade payables	12	75,311	71,607
Accruals and other payables		19,600	19,921
Provision for onerous contract		710	710
Bank borrowings		54,875	44,476
Tax liabilities		5,795	5,381
		156,291	142,095
Net current assets		184,223	184,096
Total assets less current liabilities		380,184	389,264

Condensed Consolidated Statement of Financial Position

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
	<i>Notes</i>	
Non-current liabilities		
Provision for onerous contract	8	363
Deferred tax liabilities	15,349	15,820
	15,357	16,183
Net assets	364,827	373,081
Capital and reserves		
Share capital	446	439
Share premium and reserves	364,381	372,642
TOTAL EQUITY	364,827	373,081

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 2015 (audited)	439	58,873	942	81,606	18,889	536	211,796	373,081
Loss for the period	-	-	-	-	-	-	(5,296)	(5,296)
Other comprehensive expenses for the period	-	-	-	-	(6,655)	-	-	(6,655)
Total comprehensive expenses for the period	-	-	-	-	(6,655)	-	(5,296)	(11,951)
Issue of shares upon exercise of share options	7	3,690	-	-	-	-	-	3,697
At 30 September 2015 (unaudited)	446	62,563	942	81,606	12,234	536	206,500	364,827

	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 2014 (audited)	439	58,873	942	72,899	18,988	536	211,003	363,680
Profit for the period	-	-	-	-	-	-	6,670	6,670
Other comprehensive expenses for the period	-	-	-	-	(416)	-	-	(416)
Total comprehensive (expenses) income for the period	-	-	-	-	(416)	-	6,670	6,254
At 30 September 2014 (unaudited)	439	58,873	942	72,899	18,572	536	217,673	369,934

Condensed Consolidated Statement of Cash Flows

		For the six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	<i>Notes</i>		
Net cash from operating activities		8,341	7,294
Investing activities			
New bank deposits placed		–	(2,520)
Withdrawal of bank deposits		2,524	–
Withdrawal of structured deposits		–	4,414
Proceeds from disposal of property, plant and equipment		658	–
Purchase of property, plant and equipment	10	(3,778)	(2,668)
Deposits paid for acquisition of property, plant and equipment		(1,943)	(1,980)
Other investing cash flows		441	272
Net cash used in investing activities		(2,098)	(2,482)
Financing activities			
New bank borrowings raised		75,823	87,527
Repayment of bank borrowings		(65,423)	(83,328)
Proceeds from exercise of share options		3,697	–
Other financing cash flows		(584)	(861)
Net cash from in financing activities		13,513	3,338
Net increase in cash and cash equivalents		19,756	8,150
Cash and cash equivalents at beginning of period		96,920	93,667
Effect of foreign exchange rate changes		(2,492)	(338)
Cash and cash equivalents at end of period, represented by bank balances and cash		114,184	101,479



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

1. GENERAL INFORMATION

Kenford Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 June 2005. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its ultimate holding company is Beaute Inc., a company incorporated in the British Virgin Islands, which is jointly controlled by Mr. Lam Wai Ming, the Executive Director and the Chairman of the Company, and Mr. Tam Chi Sang, the Executive Director and Managing Director of the Company. The registered office and principal place of business of the Company is 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 the 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 2015

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 which are measured at revalued amounts.

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 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions

The application of the above new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

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 net amounts received and receivable for goods sold in the normal course of business, net of discounts.

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

Information reported to the executive directors of the Company, being the chief operating decision maker for the purposes of resources allocation and assessment of performance of a single reportable and operating segment, which is the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

5. SEGMENT INFORMATION (Continued)

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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Europe	141,082	174,865
Asia	87,179	97,132
North and South America	40,157	28,725
Africa	967	4,629
Australia	3,295	3,836
	272,680	309,187

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

6. (LOSS) PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of inventories recognised as expenses	235,863	263,860
Depreciation of property, plant and equipment	8,002	8,242
Amortisation of prepaid lease payments	49	49
Interests on:		
– bank borrowings wholly repayable within five years	7	28
– trust receipt loans	577	833
	584	861
Loss on disposal of property, plant and equipment	1,109	–
Allowance (reversal of allowance) for inventories	793	(266)
Net foreign exchange gain	(345)	(394)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	(470)	(920)
– The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	(173)	(429)
Income tax expenses	(643)	(1,349)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2014: 16.5%) of the estimated assessable profits for the period.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 September 2014: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
(Loss) profit for the purposes of calculating basic and diluted (loss) earnings per share (Loss) profit for the period attributable to owners of the Company)	(5,296)	6,670
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	445,646	438,926
Basic and diluted (loss) earnings per share (HK cents)	(1.188)	1.520

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 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

9. DIVIDENDS

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK\$5,756,000 (six months ended 30 September 2014: HK\$4,007,000).

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 interim period that 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 interim period.

11. TRADE AND BILLS RECEIVABLES

The credit periods 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 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Trade receivables	108,658	116,897
Bills receivables	3,804	280
	112,462	117,177

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

11. TRADE AND BILLS RECEIVABLES (Continued)

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

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 60 days	80,790	67,272
61 – 120 days	26,280	46,137
121 – 365 days	5,258	3,640
Over 365 days	134	128
	112,462	117,177

12. TRADE PAYABLES

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

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 60 days	68,902	62,896
61 – 120 days	3,576	7,100
121 – 365 days	2,178	800
Over 365 days	655	811
	75,311	71,607

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

13. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised: At 1 April 2014, 30 September 2014, 1 April 2015 and 30 September 2015	1,000,000	1,000
Issued and fully paid: At 1 April 2014, 30 September 2014 and 1 April 2015	438,926	439
Issue of shares upon exercise of share options (note)	6,720	7
At 30 September 2015	445,646	446

Note: On 26 May 2015, 3,360,000 and 3,360,000 ordinary shares of HK\$0.001 each were issued at exercise price of HK\$0.5 and HK\$0.6 each respectively upon exercise of share options.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

14. SHARE-BASED PAYMENTS

On 27 May 2005, the Company adopted a share option scheme (“**2005 Share Option Scheme**”) which was matured on 26 May 2015. Pursuant to a resolution passed on 6 August 2015, the Company adopted a new Share Option Scheme which will remain in force for a period of ten (10) years.

Details and movements of the share options are as follows:

	30 September 2015 (Unaudited)		31 March 2015 (Audited)	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
Outstanding at beginning of the period/year	0.55	6,720,000	0.55	6,720,000
Exercised during the period/year	0.55	(6,720,000)	–	–
Outstanding at end of period/year	–	–	0.55	6,720,000

15. CAPITAL COMMITMENTS

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	2,946	4,851

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2015

16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Key management personnel compensation:		
– salaries and other allowances and benefits	9,461	7,720
– contributions to defined contribution plan	63	60
	9,524	7,780

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 7 individuals (six months ended 30 September 2014: 7 individuals).

17. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were authorised for issue by the Board on 26 November 2015.