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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00464)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

RESULTS 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%

INTERIM RESULTS

On behalf of the Board of Directors (the “Board”), I am pleased to present the unaudited interim results of Kenford Group Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2013 (the “current period”) together with the comparative figures for the corresponding period last year (the “last corresponding period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	324,741	299,360
Cost of sales		<u>(284,850)</u>	<u>(249,978)</u>
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 cost	6	<u>(880)</u>	<u>(689)</u>
Profit before taxation	6	94	13,796
Income tax credit/(expense)	7	<u>1,572</u>	<u>(2,546)</u>
Profit for the period attributable to owners of the Company		1,666	11,250
Other comprehensive income/(expenses)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>3,356</u>	<u>(2,401)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>5,022</u>	<u>8,849</u>
Earnings per share (HK cents)	8		
- Basic		<u>0.380</u>	<u>2.563</u>
- Diluted		<u>0.380</u>	<u>2.563</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
	Notes		
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		<u>1,403</u>	<u>1,403</u>
		<u>179,026</u>	<u>181,995</u>
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
Investment held for trading		-	495
Bank deposits		8,207	3,716
Bank balances and cash		<u>106,939</u>	<u>123,223</u>
		<u>422,646</u>	<u>405,216</u>
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		<u>4,496</u>	<u>7,796</u>
		<u>207,294</u>	<u>194,443</u>
Net current assets		<u>215,352</u>	<u>210,773</u>
Total assets less current liabilities		<u>394,378</u>	<u>392,768</u>
Non-current liabilities			
Deferred tax liabilities		<u>13,775</u>	<u>13,588</u>
		<u>380,603</u>	<u>379,180</u>
Capital and reserves			
Share capital	13	439	439
Share premium and reserves		<u>380,164</u>	<u>378,741</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>380,603</u>	<u>379,180</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 interim 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 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”).

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continue)

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.

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. Turnover represents the sales value of goods supplied to customers.

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 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	2012
	(Unaudited)	(Unaudited)
	HK\$'000	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
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	324,741	299,360
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6. PROFIT BEFORE TAXATION

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

	Six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as an expense	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)
Finance income	(70)	(75)
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7. INCOME TAX CREDIT/(EXPENSE)

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

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%).

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

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.

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 interim 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.

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	<u>2,645</u>	<u>1,378</u>
	<u>148,269</u>	<u>151,308</u>

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	<u>193</u>	<u>171</u>
	<u>148,269</u>	<u>151,308</u>

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

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
More than 365 days	478	-
	<u>116,736</u>	<u>101,331</u>

13. SHARE CAPITAL

	Number of share '000	Normal 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	<u>1,000,000</u>	<u>1,000</u>
Issued and fully paid:		
At 1 April 2012, 30 September 2012, 1 April 2013 and 30 September 2013	<u>438,926</u>	<u>439</u>

14. SHARE-BASE PAYMENT

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).

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).

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.

Operations 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 addition 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.

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.

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.

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.

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. Under this CG code, 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.

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.

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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.kenford.com.hk under “Results Announcement”. The interim report will be dispatched to the shareholders and published on the above websites in due course.

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
Lam Wai Ming
Chairman

Hong Kong, 29 November 2013

As at the date hereof, the board of Directors comprises two executive Directors, namely Mr. Lam Wai Ming (Chairman) and Mr. Tam Chi Sang (Managing Director) and four Independent Non-executive Directors, namely Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung and Mr. Li Tat Wah.