



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

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2005

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Lam Wai Ming (*Chairman*)

Tam Chi Sang (*Managing Director*)

Chan Kwok Tung, Donny

Independent Non-Executive Directors:

Chiu Fan Wa

Li Chi Chung

Li Tat Wah

COMPANY SECRETARY

Chan Kwok Tung, Donny, *FCIS, FCS*

QUALIFIED ACCOUNTANT

Chan Tsz Ping, *CPA, ACCA*

REGISTERED OFFICE

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town, Grand Cayman

British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1106-8, Riley House

88 Lei Muk Road, Kwai Chung

New Territories, Hong Kong

AUDITORS

BDO McCabe Lo & Company

Certified Public Accountants

8th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

WEBSITE

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

COMPLIANCE ADVISER

Partners Capital International Limited

Room 1305, 13th Floor

9 Queen's Road Central

Hong Kong

BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Bank (Cayman) Limited

Butterfield House

68 Fort Street, P.O. Box. 705

George Town, Grand Cayman

Cayman Islands

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation
Limited

1 Queen's Road Central

Hong Kong

Hang Seng Bank Limited

83 Des Voeux Road Central

Hong Kong

Dah Sing Bank Limited

Dah Sing Financial Centre

108 Gloucester Road

Hong Kong

The Bank of East Asia Limited

10 Des Voeux Road Central

Hong Kong

CHAIRMAN'S STATEMENT

On behalf of the board of directors (“**Board**”) of Kenford Group Holdings Limited (“**Company**”) and its subsidiaries (together, the “**Group**”), I am pleased to report that the shares and warrants of the Company have been successfully listed and commenced trading on the Main Board of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) from 16 June 2005 onwards. A total of 400,000,000 new shares and a total of 100,000,000 bonus warrants (convertible into 50,000,000 new shares) were issued, raising net proceeds of approximately HK\$36.5 million (after accounting for an overprovision of IPO expenses of about HK\$2.5 million, against a provision of HK\$21.0 million as stated in the prospectus of the Company dated 31 May 2005). The over-provided HK\$2.5 million will be used to strengthen the engineering, research and development capability of the Group. The successful listing marks the recognition and support of the Group by the professionals and public investors, and the growth of the Group's business is projected to grow thereafter.

I am also pleased to report to our shareholders that the overall business performance of the Group has achieved rewarding results for the year ended 31 March 2005. The Group recorded a turnover of approximately HK\$464.9 million for the year ended 31 March 2005, representing an increase of approximately 54% as compared with that of 2004. The Group's net profit attributable to shareholders was approximately HK\$57.4 million representing an increase of approximately 85% as compared with that of 2004.

BUSINESS REVIEW AND PROSPECTS

Founded in 1984, our business had grown from a small business to a corporation listed on the Main Board of the Stock Exchange. Leveraging on our strong marketing sense and innovative ideas, we will continue to keep ourselves abreast of market changes and developing design, research and trendy array of products. We see potential business opportunities to grow, especially in the Mainland China and the USA. The listing enabled us to have better resources and a solid platform for the growth of the business.

ACKNOWLEDGEMENT

Lastly, I would like to take this opportunity to extend my sincere thanks to our shareholders, business partners, customers and suppliers for their continuing support and trust. I would also like to thank all the management and staff of the Group for their hard work and contributions in the past years.

The Group will continue to adopt prudent yet aggressive strategies, get well prepared in capturing every opportunity for further expansion and in achieving the best possible returns for its shareholders.

By Order of the Board
Lam Wai Ming
Chairman

Hong Kong, 22 July 2005

MANAGEMENT DISCUSSION AND ANALYSIS

Financial year 2005 was a remarkable year for the Group. We achieved significant growth in both our turnover as well as net profit attributable to shareholders. We experienced rapid growth through enhancing our products' quality and our services to our customers. The excellent financial results in 2005 were mainly attributable to the growth in sales volume and relatively stable selling and distribution costs and general and administrative expenses.

The satisfactory results of the placing and public offer reflected the confidence of investors in the prospects of our business as well as in the electrical appliances manufacture industry. The listing is a new milestone in the Group's development, laying the foundation for our further growth in the industry.

TURNOVER

The Group's turnover for the year ended 31 March 2005 was approximately HK\$464.9 million, of which approximately HK\$433.6 million was contributed by the sales of hair care products, representing approximately 93% of the turnover of the Group. The Group's turnover for the year ended 31 March 2005 was increased by approximately 54% when comparing with the year ended 31 March 2004. The sharp increase was mainly attributed to the further increase in demand for the Group's electrical hair care products in the European market, including the acceptance of the Group's innovative products (new kind of hair straighteners) by the market.

COST OF SALES

Our cost of sales for the financial year ended 31 March 2005 increased by approximately 59% to approximately HK\$370.7 million. Such increase was principally a result of the increase in our business volume, turnover and increase in cost of raw materials, like plastic-related and metal-related materials.

GROSS PROFIT

Our gross profit for the year ended 31 March 2005 was approximately HK\$94.2 million, representing an increase of approximately 37%, as compared with the year ended 31 March 2004. Our overall gross profit margin was decreased from approximately 22.8% to approximately 20.3%. The deterioration was due to the increase in cost of raw materials like plastic-related and metal-related materials and the increase in factory overhead cost such as labour cost in the Dongguan region.

OTHER REVENUE

Our other revenues were approximately HK\$12.2 million for the year ended 31 March 2005, as compared with approximately HK\$6.8 million for the year ended 31 March 2004. Such increase was principally attributable to the reimbursement of mould costs (including the sale of our design and concept). The Group has been developing series of new and innovative products as well as general electrical hair care, health care and other small appliances during the year. The new series of products are scheduled to be launched in the year ending 31 March 2006.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 March 2005, selling and distribution expenses of the Group was approximately HK\$8.0 million, representing approximately 1.7% of the total turnover for the same period. This ratio was lower than that of approximately 2.8% recorded for the year ended 31 March 2004 (as a result of more usage of PRC based ports which were cheaper in cost).

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 March 2005, administrative expenses of the Group was approximately HK\$31.7 million which was increased by approximately HK\$3.8 million as compared with the year ended 31 March 2004. The increase was mainly due to the increase in depreciation as a result of the addition of property, plant and equipment during the year, the increase in bank charges which were resulted from the increase in usage of trust receipt loans and the distribution of staff performance bonus for the year.

FINANCE COSTS

For the year ended 31 March 2005, finance cost of the Group was approximately HK\$3.9 million which was increased by approximately HK\$0.4 million as compared with the year ended 31 March 2004. The increase was mainly due to the increase in usage of trust receipt loans.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2005, the Group had approximately HK\$77.2 million cash and cash equivalents balances (31 March 2004: HK\$30.0 million). The Group's net current assets were approximately HK\$6.7 million (31 March 2004: net current liabilities HK\$4.9 million). The gearing ratio as at 31 March 2004 was approximately 35% while that as at 31 March 2005 was approximately 35%. The Group has sufficient financial resources to meet the requirements of its ordinary operation and capital expenditure.

PLEDGE OF ASSETS

As at the balance sheet date, the Group pledged leasehold land and buildings having a net book value of approximately HK\$11.8 million (2004: HK\$ 12.2 million) and fixed deposits placed with banks to the amount totaling approximately HK\$6.0 million (2004: HK\$6.0 million) to secure general banking facilities granted to the Group.

Subsequent to the balance sheet date, the personal guarantees provided by Mr. Lam Wai Ming and Mr. Tam Chi Sang were released and replaced by a corporate guarantee of the Company.

CAPITAL COMMITMENTS

As at the balance sheet date, the Group had capital commitment in respect of acquisition of plant and equipment of approximately HK\$3.7 million which are authorized but not contracted for (2004: HK\$2.7 million).

CONTINGENT LIABILITIES

- (a) As at the balance sheet date, the Group had contingent liabilities in respect of bills discounted to banks with recourse amounting to approximately HK\$14.3 million (2004: HK\$9.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Directors have confirmed that no settlement had been reached by the parties and no judgement on the quantum of damages has been made against the Group in respect of the legal action. The Group has sought legal advice from its legal counsel on the merits of the claim.

According to the legal counsel’s opinion, given that the trial has not yet commenced and the parties are still at a pre-mature stage of the litigation, and in the absence of any indication as to how WIK would like to proceed with its claim, it would not be possible to quantify reliably the likely potential damages and cost to be incurred by the Group in the event that the subsidiary of the Group fails in its defense to the claim of patent infringement in the litigation. Assuming that WIK will claim for damages for loss of profits or for accounts of profits, the Directors are of the view that the quantum of the ultimate cost and damages (if any) to be incurred by the Group will not have a material adverse impact on the Group’s financial position.

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

STAFF AND REMUNERATION POLICIES

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

The Group has adopted a pre-IPO share option scheme on 27 May 2005 for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS

A. Executive Directors

1. **Mr. Lam Wai Ming**, aged 46, joined the Group in January 1989. Mr. Lam has over 20 years of experience in the trading and manufacturing of electrical appliances. He is currently the Chairman and an Executive Director of the Company. Mr. Lam is responsible for supervision and management of the sales and marketing affairs of the Group.

Mr. Lam is the brother of Mr. Lam Wai Hung, being the Administration Manager of the Group.

2. **Mr. Tam Chi Sang**, aged 45, joined the Group in July 1991. Mr. Tam has over 20 years of experience in the trading and manufacturing of electrical appliances. He is currently the Managing Director and an Executive Director of the Company and is responsible for supervision and management of the production, quality control, engineering and design affairs of the Group. Mr. Tam is also the marketing and promotion director of Hong Kong Electrical Appliances Manufacturers Association.
3. **Mr. Chan Kwok Tung, Donny**, *FCIS, FCS, ACIB, AHKIB*, aged 42, joined the Group in October 2001. Mr. Chan is currently an Executive Director and the company secretary of the Company and is responsible for supervision and management of the daily operation and the financial affairs of the Group, with particular focus on corporate governance (including regulatory compliance) and financial risk control (including credit assessment).

Prior to joining the Company, Mr. Chan has extensive experience in the banking and finance industry. Mr. Chan was awarded a Master of Professional Accounting from The Hong Kong Polytechnic University in November 2000 and a MBA from The Henley Management College, UK in 1993. Mr. Chan is an associate member of both The Chartered Institute of Bankers (UK) and The Hong Kong Institute of Bankers. Mr. Chan is also a fellow member of both The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators, United Kingdom. He was a council member of The Hong Kong Institute of Company Secretaries from August 2000 to July 2002.

B. Independent Non-Executive Directors

4. **Mr. Chiu Fan Wa**, *FCCA, FCPA (Practising), ACIS, ACS*, aged 40, was appointed as the Independent Non-executive Director on 23 March 2005. He is a founder and the managing director of Chiu, Choy & Chung C.P.A. Limited, a local audit firm and a partner of F. S. Li & Co, a local audit firm. He graduated from The City University of Hong Kong and obtained a Bachelor of Arts (Honours) degree with major in accountancy in 1992 and was awarded a Master of Professional Accounting from The Hong Kong Polytechnic University in 2002. He is a Certified Public Accountant (Practising) in Hong Kong, a fellow of The Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants, a member of The Society of Chinese Accountants & Auditors, an associate of The Hong Kong Institute of Company Secretaries and an associate of The Institute of Chartered Secretaries and Administrators, United Kingdom.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

5. **Mr. Li Chi Chung**, aged 36, was appointed as the Independent Non-executive Director on 23 March 2005. He is currently a solicitor practising in Hong Kong. He obtained a bachelor degree in laws from The University of Sheffield in England in 1990. Mr. Li was admitted as a solicitor of The Supreme Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. He is also an independent non-executive director of PINE Technology Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and an independent non-executive director of Eagle Nice (International) Holdings Limited, a company listed on the Main Board of the Stock Exchange.
6. **Mr. Li Tat Wah**, aged 35, was appointed as the Independent Non-executive Director on 23 March 2005. He has extensive experience in information technology. Mr. Li holds a master degree of business administration from The University of Surrey (U.K.). He is currently the project manager of a group company of a multinational communication equipment company listed on the New York Stock Exchange of the United States.

SENIOR MANAGEMENT

1. **Mr. Kwong Pak Chuen, Patrick**, aged 44, joined the Group in June 1999 and is the senior engineering manager of the Group. Mr. Kwong has over 20 years' experience in project engineering, product development and research and development for small household electrical appliances, such as hair care products, and kitchen ware products and other hand held drilling machines and hand toys. He graduated from The University of Warwick with a master degree of Science in Engineering Business Management.
2. **Mr. Law Tak Wai**, aged 45, joined the Group in May 1997 and is the operation manager of the Group. Mr. Law has over 20 years' experience in appliance engineering and manufacturing. He has obtained the Higher Diploma in Mechanical Engineering and Endorsement Certificate in Plastic Tooling Technology and Practice from The Hong Kong Polytechnic University.
3. **Mr. Wong Siu Man**, aged 43, joined the Group in September 2002 and is the senior materials manager of the Group. Mr. Wong has over 15 years' experience in purchasing and materials management. He has obtained a bachelor degree of Science in Engineering from The University of Hong Kong.
4. **Mr. Lam Wai Hung**, a brother of Mr. Lam Wai Ming, aged 34, joined the Group in February 1993 and is the administration manager of the Group. Mr. Lam has over 10 years' experience in factory administration and in handling regulatory compliance in the PRC.
5. **Ms. Chan Tsz Ping**, aged 30, joined the Group in July 2004 and is the chief accountant of the Group and the qualified accountant of the Company. Ms. Chan graduated from The Hong Kong University of Science and Technology with a bachelor degree of business administration in accounting and has over 6 years' relevant experience in accounting and auditing in international accounting firms and other auditing and consulting firms. She is an associate member of The Hong Kong Institute of Certified Public Accountants and a member of The Association of Chartered Certified Accountants.

REPORT OF THE DIRECTORS

The board of directors (“**Board**”) of Kenford Group Holdings Limited (“**Company**”) herein present their first annual report and the audited financial statements (“**Financial Statements**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2005.

GROUP REORGANISATION, SUBSIDIARIES AND BASIS OF PRESENTATION

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. Pursuant to the Group reorganisation (“**Reorganisation**”) as detailed in section B headed “Corporate Reorganisation” in Appendix VIII to the prospectus dated 31 May 2005 (“**Prospectus**”) of the Company in preparation of the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), the Company became the holding company of the companies now comprising the Group on 23 March 2005. Further details of the Reorganisation as well as the basis of presentation of the Financial Statements are set out in Note 1 to the Financial Statements.

Following the completion of the Reorganisation and the public offer and placing of the Company’s shares as set out in the Prospectus, the Company’s shares were listed on the Stock Exchange on 16 June 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in Note 14 to the Financial Statements.

An analysis of the Group’s performance for the year by business and geographical segments is set out in Note 5 to the Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2005 are set out in the Consolidated Income Statement on page 25.

Other than special dividend of HK\$40 million, the directors of the Company (“**Directors**”) do not declare dividend for the year ended 31 March 2005.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 12 to the Financial Statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in Note 24 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in Note 25 to the Financial Statements.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors:

Lam Wai Ming (<i>Chairman</i>)	(appointed on 19 November 2004)
Tam Chi Sang (<i>Managing Director</i>)	(appointed on 19 November 2004)
Chan Kwok Tung, Donny	(appointed on 19 November 2004)

Independent Non-Executive Directors:

Chiu Fan Wa	(appointed on 23 March 2005)
Li Chi Chung	(appointed on 23 March 2005)
Li Tat Wah	(appointed on 23 March 2005)

In accordance with Article 87 of the Company's articles of association, Mr. Lam Wai Ming ("**Mr. Lam WM**") and Mr. Tam Chi Sang ("**Mr. Tam CS**") will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam WM and Mr. Tam CS has entered into a service agreement with the Company for an initial term of three years commencing from 16 June 2005 and the aforesaid agreements may be terminated by not less than three months' prior notice in writing served by either party on the other.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting had entered into any service contracts with the Company, which were not determinable by the Company within one year without compensation (other than statutory compensation).

DIRECTORS' INTEREST AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 31 to the Financial Statements, none of the Directors or controlling shareholders of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding companies, or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 31 March 2005, no interests or short positions of any Directors and chief executive of the Company in any 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")) were required to be recorded in the register maintained by the Company under Section 352 of the SFO; or notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO as the Company was not listed on the Stock Exchange on that date.

The Company became a listed company on 16 June 2005. The interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules as at the date of this report, were as follows (capitalised terms used in this section should have the same meanings as those defined in the Prospectus):

Long position in the securities of the Company

Name of Director	Nature of Interest	Total number of shares held in the Company	Percentage of issued shares
Mr. Lam WM	Corporate interest	275,400,000 (Note 1)	68.85%
Mr. Tam CS	Corporate interest	275,400,000 (Note 2)	68.85%
Mr. Chan Kwok Tung, Donny	Corporate interest	16,200,000 (Note 3)	4.05%

REPORT OF THE DIRECTORS

Notes:

- (1) Mr. Lam WM is taken to be interested in an aggregate of 275,400,000 Shares as follows:
 - (i) Mr. Lam WM is taken to be interested in an aggregate of 244,800,000 Shares held by Achieve Best and Beaute respectively as to:
 - (a) 40,800,000 Shares are held by Achieve Best which is wholly-owned by Mr. Lam WM and Mr. Lam WM is the sole director of Achieve Best. Mr. Lam WM is therefore taken to be interested in 40,800,000 Shares that Achieve Best is interested;
 - (b) 204,000,000 Shares are held by Beaute which is owned as to 50% by Apex Prima and 50% by Potentasia. Apex Prima is wholly-owned by Mr. Lam WM and Potentasia is wholly-owned by Mr. Tam CS. Mr. Lam WM is also a director of Beaute and the sole director of Apex Prima. Mr. Lam WM is therefore taken to be interested in 204,000,000 Shares that Beaute is interested; and
 - (ii) Mr. Lam WM is taken to be interested in an aggregate of 30,600,000 Shares upon the exercise of the subscription rights attached to the 61,200,000 Warrants held by Achieve Best and Beaute respectively.
- (2) Mr. Tam CS is taken to be interested in an aggregate of 275,400,000 Shares as follows:
 - (i) Mr. Tam CS is taken to be interested in an aggregate of 244,800,000 Shares held by Realchamp and Beaute respectively as to:
 - (a) 40,800,000 Shares are held by Realchamp which is wholly-owned by Mr. Tam CS and Mr. Tam CS is the sole director of Realchamp. Mr. Tam CS is therefore taken to be interested in 40,800,000 Shares that Realchamp is interested;
 - (b) 204,000,000 Shares are held by Beaute which is owned as to 50% by Apex Prima and 50% by Potentasia. Apex Prima is wholly-owned by Mr. Lam WM and Potentasia is wholly-owned by Mr. Tam CS. Mr. Tam CS is also a director of Beaute and the sole director of Potentasia. Mr. Tam CS is therefore taken to be interested in 204,000,000 Shares that Beaute is interested; and
 - (ii) Mr. Tam CS is taken to be interested in an aggregate of 30,600,000 Shares upon the exercise of the subscription rights attached to the 61,200,000 Warrants held by Realchamp and Beaute respectively.
- (3) Mr. Chan Kwok Tung, Donny (“**Mr. Chan KT**”) is taken to be interested in an aggregate of 16,200,000 Shares as follows:
 - (i) Mr. Chan KT is taken to be interested in an aggregate of 14,400,000 Shares held by Champion Sight. Champion Sight is wholly-owned by Mr. Chan KT and Mr. Chan KT is the sole director of Champion Sight; and
 - (ii) Mr. Chan KT is taken to be interested in an aggregate of 1,800,000 Shares upon the exercise of the subscription rights attached to the 3,600,000 Warrants held by Champion Sight.

REPORT OF THE DIRECTORS

Long position in the shares of the associated corporation

Name of Director	Name of associated corporation	Class of shares	Nature of Interest	Total number of shares held	Approximate percentage of interests
Mr. Lam WM	Beaute	Ordinary share	Corporate interest	2 (Note)	100%
Mr. Tam CS	Beaute	Ordinary share	Corporate interest	2 (Note)	100%

Notes:

Beaute is owned as to 50% by Apex Prima and 50% by Potentasia. Apex Prima is wholly-owned by Mr. Lam WM and Potentasia is wholly-owned by Mr. Tam CS. Both Mr. Lam WM and Mr. Tam CS are the directors of Beaute. Mr. Lam WM and Mr. Tam CS are therefore taken to be interested in the shares in Beaute through their respective interests in Apex Prima and Potentasia.

Save as disclosed above, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 March 2005, the Directors were not aware of any disclosure of interests or 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 or as notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as the Company was not listed on the Stock Exchange on that date.

REPORT OF THE DIRECTORS

The Company became a listed company on 16 June 2005. 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 or as notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows (capitalised terms used in this section should have the same meanings as those defined in the Prospectus):

Long position in securities of the Company

Name of Substantial Shareholder	Number of Shares in which interested (other than under equity derivatives)	Number of Shares in which interested under equity derivatives (Note 1)	Total number of Shares	Percentage of Issued Shares
Beaute	204,000,000	25,500,000	229,500,000	57.38%
Apex Prima (Note 2)	204,000,000	25,500,000	229,500,000	57.38%
Potentasia (Note 3)	204,000,000	25,500,000	229,500,000	57.38%
Achieve Best	40,800,000	5,100,000	45,900,000	11.48%
Realchamp	40,800,000	5,100,000	45,900,000	11.48%

Notes:

- The Warrants were issued by way of bonus issue to all Shareholders whose names appeared on the register of members of the Company as at completion of the Share Offer and the Capitalization Issue in the proportion of one Warrant for every four Shares, in unit(s) of HK\$0.30 of the subscription rights to the Warrant holders. The subscription price of the Warrants is HK\$0.60 per Share with a subscription period from 16 June 2005 to 13 June 2008. As at the date of this report, no subscription rights to the Warrants is exercised.
- Apex Prima is taken to be interested in an aggregate of 204,000,000 Shares held by Beaute which is owned as to 50% by Mr. Lam WM and 50% by Mr. Tam CS.
- Potentasia is taken to be interested in an aggregate of 204,000,000 Shares held by Beaute which is owned as to 50% by Mr. Lam WM and 50% by Mr. Tam CS.

SHARE OPTION SCHEME

On 27 May 2005, the Company adopted a share option scheme (“**Share Option Scheme**”) and a pre-IPO share option scheme (“**Pre-IPO Share Option Scheme**”) respectively.

The following are the summary of the principal terms of the Share Option Scheme and the Pre-IPO Share Option Scheme (capitalized terms used in this section should have the same meanings as those defined in the Prospectus.):

I) **Share Option Scheme**

(a) **Purpose**

The purpose of the Share Option Scheme is to enable the Group and its Invested Entities to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Enlarged Group or Invested Entities, to recognize the significant contributions of the Eligible Persons to the growth of the Enlarged Group or Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the Enlarged Group or Invested Entities.

(b) **Who may join**

The Board may invite any Eligible Person as the Board may in its absolute discretion select, having regard to each person’s qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Enlarged Group or Invested Entity, to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (c) below.

(c) **Subscription price and acceptance period**

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an Eligible Person but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Offer Date;
- (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share.

The Eligible Person must accept any such Offer notified to him or her within fourteen (14) days from the Offer Date, failing which it shall be deemed to have been rejected. Upon acceptance of the Offer, the Grantee shall pay HK\$1.00 to the Company as consideration for the grant.

REPORT OF THE DIRECTORS

(d) Maximum number of Shares subject to the Share Option Scheme

- (i) Subject to the provisions of paragraph (d)(ii) below,
- (1) the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed ten (10)% ("**Scheme Mandate Limit**") of the nominal amount of all issued Shares as at the Listing Date (such ten (10)% shall represent 40,000,000 Shares) unless the Company obtains a fresh approval from its Shareholders pursuant to paragraphs (d)(i)(2) and/or (3) below;
 - (2) the Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit from time to time such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed ten (10)% of the Shares in issue as at the date of such Shareholders' approval. The Company must send a circular containing the information required under Rule 17.02(2) (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to the Shareholders; and
 - (3) the Company may seek separate Shareholders' approval in general meeting to grant Options over and above the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is sought and for whom specific approval is then obtained. The Company must issue a circular containing the information required under Note 1 to Rule 17.03(3) of the Listing Rules to the Shareholders.
- (ii) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed thirty (30)% of the Shares in issue from time to time required under Note 2 of Rule 17.03(3) of the Listing Rules. Further, no option may be granted under the Share Option Scheme and any other option scheme(s) of the Company if such limit is exceeded.

(e) Maximum entitlement of each Grantee

- (i) Unless the approval of Shareholders contemplated under paragraph (e)(ii) below is obtained, the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed one (1)% of the Shares in issue.

REPORT OF THE DIRECTORS

- (ii) Where the Board proposes to grant an option to an Eligible Person under the Share Option Scheme and/or any other share option scheme(s) of the Company and such further grant would result in such Eligible Person becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares (a) already issued under all the options previously granted to him or her which have been exercised; (b) issuable under all the options previously granted to him or her which are for the time being subsisting and unexercised; and (c) which were subject to options previously granted to him or her but for the time being having been cancelled in the past 12-month period up to and including the date of such further grant, exceeding one (1)% of the Shares in issue for the time being, such further grant shall be separately approved by the Shareholders in general meeting (with such Eligible Person and his or her associates abstaining from voting). The relevant requirements under the Note to Rule 17.03(4) of the Listing Rules must be complied with.

(f) *Term of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten (10) years commencing from 27 May 2005 (being the date of approval of the Share Option Scheme by the Shareholders), after which no further Options shall be granted but the Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the Share Option Scheme shall in all other respects remain in full force and effect in respect thereof.

As at the date of this report, no options have been granted by the Company under the Share Option Scheme.

II) *Pre-IPO Share Option Scheme*

The purpose of the Pre-IPO Share Option Scheme is to, amongst others, give the participants an opportunity to obtain ownership interest in the Company and recognize the significant contribution of, and further motivate and to give incentives to, the key executives, senior management and fulltime employees of the Enlarged Group (including executive Directors) who, in the sole discretion of the Board, has contributed or will contribute to the Enlarged Group. The principal terms of the Pre-IPO Share Option Scheme, approved and adopted by a written resolution of all the Shareholders dated 27 May 2005 (which is still subject to certain conditions similar to those referred to under the Share Option Scheme), are basically the same as the terms of the Share Option Scheme, except that:

- (a) the exercise price for each Share is one third of the Offer Price;
- (b) the option period ("**Option Period**") of all options granted does not exceed 3 years from the Listing Date;
- (c) the options cannot be exercised within six months from the date on which the Shares and Warrants first commence trading;

REPORT OF THE DIRECTORS

- (d) Subject to paragraph (c) above and the requirements under the Listing Rules, the option may be exercised at any time during the Option Period provided that the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on that date shall not be less than 1.25 times of the Offer Price;
- (e) the definition of the "Eligible Persons" means key executives, senior management and full-time employees of the Enlarged Group (including executive directors of the Enlarged Group);
- (f) the total number of Shares subject to the Pre-IPO Share Option Scheme is 4,000,000 Shares; and
- (g) save for the options which have been conditionally granted under the Pre-IPO Share Option Scheme in respect of 4,000,000 Shares, no further options will be offered or granted pursuant to the Pre-IPO Share Option Scheme, as the right to do so has been terminated on the day on which the bulk print of the Prospectus had taken place.

As at the date of this report, options to subscribe for 4,000,000 Shares in aggregate (representing 1% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue at an exercise price equivalent to one third of the Offer Price) have been conditionally granted by the Company under the Pre- IPO Share Option Scheme.

REPORT OF THE DIRECTORS

Particulars of the options that have been conditionally granted to the grantees who may acquire Shares under the Pre-IPO Share Option Scheme if the options are exercised in full, are set out below:

Name of grantee	Exercisable period of share option	Exercise price of share option	No. of shares options granted	No. of share option outstanding as at the date of this report
Senior management		HK\$		
Mr. Kwong Pak Chuen, Patrick Senior engineering manager	16-12-2005 to 13-6-2008	One third of 0.55 *	1,200,000	1,200,000
Mr. Law Tak Wai Operation manager	16-12-2005 to 13-6-2008	One third of 0.55 *	1,200,000	1,200,000
Mr. Wong Siu Man Senior materials manager	16-12-2005 to 13-6-2008	One third of 0.55 *	600,000	600,000
Mr. Lam Wai Hung Administration manager	16-12-2005 to 13-6-2008	One third of 0.55 *	1,000,000	1,000,000
Total:			4,000,000	4,000,000

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

Save as disclosed above, no options have been granted by the Company under the Pre-IPO Share Option Scheme.

Please refer to the Prospectus for details of the Share Option Scheme and the Pre-IPO Share Option Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme", at no time during the year 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, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of the Company's issued shares as required under the Listing Rules.

REPORT OF THE DIRECTORS

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence. The Company considers that all of its independent non-executive Directors are independent.

FOUR YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on pages 65 and 66.

RELATED PARTY TRANSACTIONS

Details of the information in relation to the related party transactions of the Group during the year is set out on Note 31 to the Financial Statements.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules save as the trade receivables of approximately HK\$19.2 million (which was interest-free, unsecured, and due with a credit period of 60-day) outstanding at 31 March 2005 from the group companies of Rayovac Corporation, being the Group's major customers and an independent third party, which represented approximately 9% of the market capitalisation of the Company of HK\$220 million based on the Offer Price of HK\$0.55.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to its existing Shareholders.

TAXATION OF HOLDERS OF SHARES AND WARRANTS

(a) Hong Kong

Dealings in Shares and Warrants registered on the Company's Hong Kong branch register of members and register of Warrants respectively will be subject to Hong Kong stamp duty. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares or Warrants being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares. Profits from dealings in the Shares and/or Warrants arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Shares and Warrants are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (as amended) and accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares and/or Warrants.

REPORT OF THE DIRECTORS

(b) Cayman Islands

Under present Cayman Islands law, transfer or other dispositions of Shares and Warrants are exempted from Cayman Islands stamp duty.

(c) Professional tax advice recommended

Intending holders of Shares and Warrants are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares and Warrants or exercising rights attached to them.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 65% of the total sales for the year and sales to the largest customer included therein amounted to approximately 36%.

Purchases from the Group's five largest suppliers accounted for approximately 39% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 13%.

None of the Directors or any of their associates or any shareholders, which to the knowledge of the Directors, own more than 5% of the issued share capital of the Company immediately had any beneficial interest in the Group's five largest customers and suppliers.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provision of the Code of Corporate Governance Practice as set out in Appendix 14 of the Listing Rules in the period between 16 June 2005 (being the listing date of the Company) and the date of this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchases, sales or redemption of the Company's listed securities by the Company nor any of its subsidiaries as at the date of this report.

AUDITORS

The accompanying Financial Statements have been audited by BDO McCabe Lo & Company who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

The Company has not changed its auditors since its incorporation.

By Order of the Board

Lam Wai Ming

Chairman

Hong Kong, 22 July 2005

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

With the introduction of the Code on Corporate Governance Practices by the Stock Exchange of Hong Kong Limited, it provides a comprehensive guide for Kenford Group Holdings Limited (“**Company**”) to evaluate and improve our corporate governance practices.

Being a newly listed company, the Company is dedicated to review and improve its corporate governance practices in the coming years.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”) as its code of conduct regarding securities transactions by directors of the Company (“**Directors**”).

The Company has made specific enquiry to all Directors and has received a written confirmation from each of the Directors confirming that they have complied with the Model Code if they carried out any securities transactions of the Company.

BOARD OF DIRECTORS

The board of Directors (“**Board**”) of the Company comprising six Directors, of which three are executive Directors, namely, Mr. Lam Wai Ming (“**Mr. Lam WM**”, chairman of the Board), Mr. Tam Chi Sang (“**Mr. Tam CS**”), Mr. Chan Kwok Tung, Donny; and three are independent non-executive Directors, namely, Mr. Chiu Fan Wa (“**Mr. Chiu FW**”), Mr. Li Chi Chung (“**Mr. Li CC**”) and Mr. Li Tat Wah (“**Mr. Li TW**”).

The Board has held four meetings during the year ended 31 March 2005.

The Board oversees the strategic development, determines objectives, strategy, policy and business plan of the Company. It monitors and controls the operation and financial performance and sets appropriate policies pursuant to the Company’s objectives.

The Board delegates to the committees or senior management of the Company on issues which require discussion, expertise knowledge and experience to make the decision.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lam WM and Mr. Tam CS are the chairman and the managing director of the Company respectively. Mr. Lam WM is responsible for supervision and management of the sales and marketing affairs of the Group whereas Mr. Tam CS is responsible for supervision and management of the production, quality control, engineering and design affairs of the Group.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executives Directors has entered into a letter of appointment with the Company commencing on 16 June 2005 for a term of one year and shall continue until terminated by not less than one month's prior notice in writing served by either party on the other.

REMUNERATION COMMITTEE

The remuneration committee comprising the three independent non-executive Directors namely, Mr. Chiu FW, Mr. Li CC and Mr. Li TW was established to formulate remuneration policy for approval by the Board. Mr. Li TW was appointed as the chairman of the remuneration committee.

NOMINATION COMMITTEE

The nomination committee comprising the three independent non-executive Directors namely, Mr. Chiu FW, Mr. Li CC and Mr. Li TW was established to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. Mr. Chiu FW was appointed as the chairman of the nomination committee.

AUDITORS' REMUNERATION

The auditors are employed to provide audit services and would be pre-approved by the audit committee. The amount paid to the auditors for the year ended 31 March 2005 in respect of the audit services provided by the auditors is set out in Note 6 to the Financial Statements.

AUDIT COMMITTEE

The audit committee comprising three independent non-executive Directors namely Mr. Chiu FW, Mr. Li CC and Mr. Li TW was established on 29 April 2005 with written terms of reference in compliance with the Listing Rules. Mr. Chiu FW was appointed as the chairman of the audit committee who is a qualified accountant with appropriate professional qualification and experience in financial matters. None of the audit committee members are members of the former or existing auditors of the Company.

The 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 reviewed with the auditors the audited financial statements of the Company for the year ended 31 March 2005.

AUDITORS' REPORT



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TO THE SHAREHOLDERS OF KENFORD GROUP HOLDINGS LIMITED (incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO McCabe Lo & Company
Certified Public Accountants

Hong Kong, 22 July 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Turnover	3	464,910	301,634
Cost of sales		(370,729)	(232,979)
Gross profit		94,181	68,655
Other revenue	4	12,215	6,790
Selling and distribution expenses		(8,020)	(8,356)
General and administrative expenses		(31,704)	(27,890)
Impairment loss on land and buildings		–	(583)
Profit from operations	6	66,672	38,616
Finance costs	8	(3,912)	(3,495)
Gain on disposal of an associate		–	22
Share of loss of an associate		–	(11)
Profit before taxation		62,760	35,132
Taxation	9	(5,357)	(4,056)
Net profit attributable to shareholders		57,403	31,076
Dividends	10	40,000	80,000
Basic earnings per share (cents)	11	19.13	10.36

CONSOLIDATED BALANCE SHEET

As at 31 March 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Property, plant and equipment	12	81,583	77,527
Goodwill	13	1,403	–
		82,986	77,527
Current assets			
Inventories	15	60,881	50,867
Accounts and bills receivable	16	46,880	26,709
Deposits, prepayments and other receivables		12,617	4,225
Amount due from a related company	17	–	10,338
Pledged bank deposit		6,051	6,043
Cash and cash equivalents	18(b)	77,176	30,020
		203,605	128,202
Current liabilities			
Accounts and bills payable	19	55,298	38,001
Accruals and other payables		15,620	12,133
Dividends payable		32,489	17,429
Amount due to a related company	20	–	943
Borrowings – due within one year	21	90,004	61,843
Obligations under finance leases			
– due within one year	22	1,014	2,387
Taxation payable		2,506	317
		196,931	133,053
Net current assets/(liabilities)		6,674	(4,851)
Total assets less current liabilities		89,660	72,676
Non-current liabilities			
Borrowings – due after one year	21	7,622	7,841
Obligations under finance leases			
– due after one year	22	599	930
Deferred tax	23	2,823	2,734
Net assets		78,616	61,171

CONSOLIDATED BALANCE SHEET

As at 31 March 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Capital and reserves			
Share capital	24	100	58
Reserves	25	78,516	61,113
		78,616	61,171

Lam Wai Ming
Director

Tam Chi Sang
Director

BALANCE SHEET

As at 31 March 2005

	<i>Notes</i>	2005 HK\$'000
Non-current assets		
Investments in subsidiaries	14	58
		58
Current assets		
Deposits, prepayments and other receivables		6,106
		6,106
Current liabilities		
Amount due to a subsidiary	14	6,064
		6,064
Net current assets		42
Net assets		100
Capital and reserves		
Share capital	24	100
Reserves	25	–
		100

Lam Wai Ming
Director

Tam Chi Sang
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2005

<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Cash flows from operating activities		
Profit before taxation	62,760	35,132
Adjustments for:		
Depreciation of property, plant and equipment	12,155	11,721
Interest income	(117)	(187)
Interest expenses	3,912	3,495
Gain on disposal of property, plant and equipment	–	(146)
Impairment loss on land and buildings	–	583
Gain on disposal of an associate	–	(22)
Share of loss in an associate	–	11
Operating profit before changes in working capital	78,710	50,587
Decrease in amounts due from associates	–	574
Increase in inventories	(8,759)	(9,112)
Increase in accounts and bills receivable	(15,032)	(8,081)
Increase in deposits, prepayments and other receivables	(7,107)	(1,470)
(Increase)/decrease in amount with a related company	(1,614)	8,375
Increase in accounts and bills payable	13,326	3,060
Increase in accruals and other payables	1,767	4,486
Net cash generated from operations	61,291	48,419
Interest expenses	(3,912)	(3,495)
Hong Kong profits tax paid	(3,694)	(5,030)
Net cash generated from operating activities	53,685	39,894
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,702)	(5,830)
(Increase)/decrease in pledged bank deposit	(8)	41
Proceeds from disposal of plant and machinery	–	146
Net cash inflow in respect of purchase of subsidiaries	4,618	–
Increase in investment in an associate	–	(1,000)
Proceeds from disposal of an associate	–	1,000
Interest received	117	187
Net cash used in investing activities	(6,975)	(5,456)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Cash flows from financing activities			
Increase in amounts due from directors		(24,940)	(23,570)
Issue of share capital		27	–
Increase in trust receipt loans		24,813	7,681
Proceeds from/(repayment of) bank loans		3,130	(5,857)
Repayment of finance lease liabilities		(2,584)	(1,284)
Dividends paid		–	(2,828)
Net cash generated from/(used in) financing activities		446	(25,858)
Net increase in cash and cash equivalents		47,156	8,580
Cash and cash equivalents at beginning of year		30,020	21,440
Cash and cash equivalents at end of year	<i>18(b)</i>	77,176	30,020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2005

	2005	2004
	HK\$'000	HK\$'000
Shareholders' equity at beginning of year	61,171	110,095
Issue of share capital	42	–
Net profit attributable to shareholders	57,403	31,076
Interim dividends declared	–	(80,000)
Special dividends declared	(40,000)	–
Shareholders' equity at end of year	78,616	61,171

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

1. REORGANISATION AND BASIS OF PRESENTATION

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.

Pursuant to the transfer of Asia Pilot Development Limited ("Asia Pilot") and its subsidiaries, namely Kenford Industrial Company Limited ("Kenford HK") and Sky Ocean Group Limited ("Sky Ocean") into the Company through an exchange of shares (the "Exchange of Shares") which was completed on 23 March 2005, as detailed in the prospectus of the Company dated 31 May 2005 ("Prospectus"), the Company became the holding company of these companies.

The Exchange of Shares is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements of the Group for the year ended 31 March 2005, including comparative figures, are prepared as if the Company had been the holding company of the above companies for the years ended 31 March 2005 and 2004.

Immediate after the Exchange of Shares, on the same date, the Company entered into further transactions (the "Further Acquisition") to complete its reorganisation on 23 March 2005 in preparation for the listing of the shares of the Company. These transactions comprise primarily acquisitions of interests in Kario Company Limited ("Kario HK") and its subsidiary, Dongguan Kario Electrical Appliance Company Limited ("DG Kario"), (collectively the "Kario Group") as set out in the Prospectus. The results of the Kario Group are accounted for using the acquisition method of accounting.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 June 2005 (the "Listing Date").

The financial statements have been prepared under the historical cost conventions basis in accordance with accounting principles generally accepted in Hong Kong, and comply with accounting standards issued by the HKICPA.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs"), which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business Combinations". The Group has not early adopted these new HKFRSs in the consolidated financial statements for the year ended 31 March 2005. HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. Accordingly, the Group adopted HKFRS 3 together with HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets" for the acquisition of the Kario Group for which the agreement date is after 1 January 2005. Under HKFRS 3, goodwill is initially recognised as an asset at cost and review for impairment annually. During the year, no impairment loss for the goodwill was recognised in the consolidated financial statements. The Group has already commenced an initial assessment of the impact of other new HKFRSs and considered that the adoption of these new HKFRSs would not have a significant impact on its results of operations and financial positions for the year ended 31 March 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in the preparation of the consolidated financial statements are set out below.

a. Subsidiaries

A subsidiary is an entity in which the Company is able to exercise its control on it. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets.

b. Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and review for impairment annually, or more frequently when there is an indication that it may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

c. Revenue recognition

Revenue from goods sold is recognised when title of goods sold has passed to the purchaser, which is at the time of delivery.

Reimbursement of mould costs is recognised when all conditions anticipated by both parties to reimburse the development costs of moulds have been met and duly confirmed by customers.

Commissions income is recognised when the services related to introduction of and liaison with customers are rendered.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

d. Income taxes

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income taxes are recognised in the income statement except when they relate to an item directly recognised to equity in which case the taxes are also directly recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

e. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

When property, plant and equipment are sold or retired, their cost, accumulated depreciation and impairment losses eliminated and any gain or loss resulting from their disposal is included in the income statement.

Depreciation is provided to write off the property, plant and equipment over their estimated useful lives on a straight-line basis, at the following annual rates:

Leasehold land in Hong Kong	Over the unexpired term of the lease
Buildings in Hong Kong	2.5%
Land and buildings in the PRC	2% to 5%
Leasehold improvements	20%
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Moulds	20%

f. Borrowing costs

All borrowing costs are expensed in the income statement in the period in which they are incurred. However, borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

g. Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost which comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition, is calculated on the first-in-first-out method.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

h. Impairment

The carrying amounts of the Group's tangible and intangible assets are reviewed annually at each balance sheet date to determine whether they have been impaired during the year. Where an asset has been impaired, the recoverable amount of the asset (or cash generating unit where applicable) is determined. Where the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount. The resultant impairment loss is recognised as an expense in the income statement unless the asset is carried at revalued amounts and the revaluation surplus is recognised in equity in which case the impairment is recognised directly against the revaluation surplus to the extent the impairment loss does not exceed the surplus.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the reversed estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i. Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purposes of the consolidated cash flow statements, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

j. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at amounts equal to the lower of their fair value and present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease.

Lease payments under operating leases are expensed on a straight-line basis over the accounting periods covered by the lease terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

k. Research and Development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design, testing and production technique of new or improved products are recognised as an asset and amortised on a straight-line basis over the period of expected future benefits where the technical feasibility and intention of completing the product under development has been demonstrated and resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits.

l. Employee benefits

(i) *Defined contribution retirement plan*

Obligations for contributions to the statutorily required Mandatory Provident Fund, a defined contribution retirement plan, are recognised as an expense in the income statement as incurred.

(ii) *Employment Ordinance long term service payment*

Certain of the Group's Hong Kong based employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision has not been recognised in respect of such possible payments as it is not considered probable that the termination will result in a material future outflow of resources from the Group.

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iv) *Other employee entitlements*

Employee entitlements to annual leave and long service leave due on retirement or termination are recognised when they accrue to the employees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

m. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated. Where the time value of money is material, provisions are stated at present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

n. Foreign currencies

Foreign currency transactions during the period are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the market rates of exchange ruling at that date. All exchange differences are dealt with in the income statement.

o. Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends proposed and declared by the directors after the balance sheet date are classified as a separate allocation of retained profits within capital and reserves in the balance sheet. Final dividends are recognised as a liability when they are approved by the shareholders.

p. Related parties

Parties are considered to be related if the Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

q. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

In accordance with the Group's internal financial reporting practice, the Group has determined that the business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

3. TURNOVER

The Group is principally engaged in the design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances. Turnover represents the net invoiced value of goods sold which is the most significant category of revenue during the year.

4. OTHER REVENUE

	2005 HK\$'000	2004 HK\$'000
Reimbursement of mould costs	7,734	2,291
Commission income	2,861	3,784
Gain on disposal of property, plant and equipment	–	146
Interest income	117	187
Sample sales	101	24
Sundry income	1,402	358
	12,215	6,790

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

5. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segments

The Group has been operating in a single business segment, that is the design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances.

(b) Geographical segments

The Group's revenue is mainly derived from customers located in Europe, North and South America, Asia and Australia while the Group's business activities are conducted predominantly in Hong Kong and the PRC.

The following is an analysis of the Group's sales by geographical location of customers:

	2005 HK\$'000	2004 HK\$'000
Europe	341,257	220,507
North and South America	35,426	26,506
Asia	30,667	28,628
Australia	48,064	19,625
Africa	9,496	6,368
	464,910	301,634

The following is an analysis of the carrying amount of segment assets, analysed by the geographical area in which the assets are located:

	Segment assets	
	2005 HK\$'000	2004 HK\$'000
Hong Kong	142,008	85,462
PRC (excluding Hong Kong)	143,180	120,267
	285,188	205,729
Goodwill	1,403	–
	286,591	205,729

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

5. SEGMENT INFORMATION (continued)

(b) Geographical segments (continued)

The following is an analysis of capital expenditure, analysed by the geographical area in which the assets are located:

	Capital expenditure	
	2005 HK\$'000	2004 HK\$'000
Hong Kong	289	242
PRC (excluding Hong Kong)	12,293	5,939
	12,582	6,181

6. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	2005 HK\$'000	2004 HK\$'000
Auditors' remuneration	300	161
Cost of inventories sold	370,729	232,979
Depreciation		
– Owned	10,326	9,730
– Held under finance leases	1,829	1,991
Exchange losses, net	1,521	1,147
Staff costs (including directors' emoluments and retirement benefits scheme contributions)		
– Basic salaries, bonuses, allowances and benefits in kind	50,569	40,839
Less: Amount paid under PRC sub-processing agreements	(32,616)	(24,597)
	17,953	16,242
Retirement benefits scheme contributions	448	386
Research and development costs (<i>note (i)</i>)	4,532	4,373
Provision for/(reversal of) obsolete inventories	(104)	199

Note:

- (i) Research and development costs comprised of mainly salaries to engineers who are responsible for the research and development functions. The amounts were included in staff costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

Details of emoluments paid and payable to directors of the Company are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees	–	–
Salaries, allowance and benefits in kind	3,705	3,456
Discretionary bonus	195	–
Retirement benefits scheme contributions	36	34
	3,936	3,490

Analysis of emoluments of directors by number of individuals and emolument range is as follows:

	2005 Number	2004 Number
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	3	2
	3	3

Emoluments of the directors are as follows:

	2005 HK\$'000	2004 HK\$'000
Director A	1,442	1,442
Director B	1,442	1,442
Director C	1,052	606
	3,936	3,490

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

All of the independent non-executive directors received no emoluments from the Group during the year (2004: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Directors	3,936	3,490
Non-directors	2,110	1,650
	6,046	5,140

Details of the emoluments of non-directors mentioned above are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries, allowances and benefits in kind	1,705	1,626
Discretionary bonus	381	–
Retirement benefits scheme contributions	24	24
	2,110	1,650

Analysis of emoluments of non-directors by number of individuals and emolument range is as follows:

	2005 Number	2004 Number
Nil to HK\$1,000,000	2	2

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices (2004: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

8. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on bank loans and overdrafts (<i>note (i)</i>)	1,051	1,318
Interest on trust receipt loans	2,781	2,018
Interest on finance leases	80	159
	3,912	3,495

Note:

(i) Bank loans and overdrafts are wholly repayable within five years.

9. TAXATION

The amount of taxation in the consolidated income statement represents:

	2005 HK\$'000	2004 HK\$'000
Current profits tax – Hong Kong		
– Tax for the year	5,268	3,377
– Overprovision in respect of prior years	–	(77)
	5,268	3,300
Deferred tax (<i>Note 23</i>)		
– Current year	234	(169)
– (Over)/under provision in prior years	(145)	925
	89	756
Tax charge for the year	5,357	4,056

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

Hong Kong profits tax has been provided for at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits less allowable losses brought forward.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

9. TAXATION (continued)

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), DG Kario, a wholly owned subsidiary acquired by the Group on 23 March 2005, being a foreign investment enterprise, is subject to income tax rate of 24%. DG Kario is also exempted from enterprise income tax for two years starting from the first year of profitable operations in 2003 after off-setting prior year tax losses, followed by a 50% reduction in the applicable tax rate for the next three years. No provision for PRC enterprise income tax has been made in the consolidated income statement for the year ended 31 March 2005.

The tax expense can be reconciled to the profit per the consolidated income statement as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	62,760	35,132
Applicable Hong Kong profits tax rate	17.5%	17.5%
Tax charge at applicable Hong Kong profits tax rate	10,983	6,148
Tax effect of income that is not taxable in determining taxable profits (<i>note (i)</i>)	(5,543)	(3,268)
Tax effect of expenditure that is not deductible in determining taxable profits	62	199
Overprovision of profits tax in respect of prior years	–	51
(Over)/under provision of deferred tax liability in prior years	(145)	925
Others	–	1
	5,357	4,056

Note:

- (i) This amount mainly represents the tax effect of the 50% of assessable profit of a subsidiary, Kenford HK which were exempted under Departmental Interpretation of Practice Notes 21 issued by the Inland Revenue Department of Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

10. DIVIDENDS

The dividends declared and paid during the years ended 31 March 2005 and 2004 represent dividends declared by a subsidiary of the Group to its then shareholders before the Reorganisation.

	2005	2004
	HK\$'000	HK\$'000
Interim dividends	–	80,000
Special dividends	40,000	–
	40,000	80,000

The rate of the dividends and the number of shares ranking for the dividends are not presented as such information, in the opinion of directors, is not meaningful for the purpose of the financial statements.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$57,403,000 (2004: HK\$31,076,000).

The number of shares used to calculate the basic earning per share is based on 300,000,000 ordinary shares comprising 100,000,000 ordinary shares in issue during the year and the capitalization issue of 200,000,000 ordinary shares of the Company, which were deemed to be issued since 1 April 2003.

No diluted earnings per share is presented as no diluting event existed during the year (2004: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings in Hong Kong <i>(note (i),(iii))</i> HK\$'000	Land and buildings in the PRC <i>(note (ii),(iii))</i> HK\$'000	Leasehold improve- ments HK\$'000	Plant and Machinery HK\$'000	Fixtures, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Total HK\$'000
Cost								
At 1 April 2003	15,938	43,284	3,990	34,138	6,151	2,320	32,480	138,301
Additions	–	–	190	1,329	1,083	–	3,579	6,181
Disposals	–	–	–	(756)	(337)	–	(2,878)	(3,971)
At 31 March 2004	15,938	43,284	4,180	34,711	6,897	2,320	33,181	140,511
Additions	–	–	478	1,637	5,369	–	5,098	12,582
Acquisition of subsidiaries	–	2,480	9	905	177	58	–	3,629
Disposals	–	–	–	(4,978)	(504)	–	(3,305)	(8,787)
At 31 March 2005	15,938	45,764	4,667	32,275	11,939	2,378	34,974	147,935
Accumulated depreciation and impairment								
At 1 April 2003	3,418	3,579	2,196	15,717	3,641	1,883	24,217	54,651
Charge for the year	352	1,002	836	3,471	1,193	181	4,686	11,721
Impairment loss	–	583	–	–	–	–	–	583
Written back on disposals	–	–	–	(756)	(337)	–	(2,878)	(3,971)
At 31 March 2004	3,770	5,164	3,032	18,432	4,497	2,064	26,025	62,984
Charge for the year	352	930	931	3,137	2,115	181	4,509	12,155
Written back on disposals	–	–	–	(4,978)	(504)	–	(3,305)	(8,787)
At 31 March 2005	4,122	6,094	3,963	16,591	6,108	2,245	27,229	66,352
Net book value								
At 31 March 2005	11,816	39,670	704	15,684	5,831	133	7,745	81,583
At 31 March 2004	12,168	38,120	1,148	16,279	2,400	256	7,156	77,527

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

- (i) The Group's interests in leasehold land and buildings are situated in Hong Kong and held under medium term leases. Leasehold land and buildings were pledged as part of collateral for banking facilities granted to the Group (note 26).
- (ii) Land and buildings in the PRC represent lump sum lease payments for the use of two parcels of collectively-owned land and the construction costs and incidental costs incurred by the Group in erecting buildings on these parcels of land.

In March 1992, the Group had signed a factory investment agreement with Baoan County Xinan Town Fenghuang Gang Economic Development Company for the lease of the collectively-owned land and construction of the factory premises in Shenzhen. Such agreement lasts for a period of 20 years and will expire in 2012.

In March 1995, the Group had signed a land use right agreement with Dongguan City, Changping Town, Xiakeng Economic Corporation Commune for the lease of the collectively-owned land in Dongguan. Such agreement lasts for a period of 50 years and will expire in 2045. The construction of the DG Kenford factory commenced in 1997 on this piece of collectively-owned land in Dongguan.

Following the complete relocation of production facilities from the Shenzhen processing factory to the DG Kenford factory, the Group terminated its processing arrangement under the Shenzhen Processing Agreement in April 2003. The land and buildings in Shenzhen and their respective carrying value of approximately HK\$583,000 at the time of the termination were fully impaired in the financial year 2004.

In respect of the land and buildings in Dongguan, in November 2003, the Group nominated DG Kario, to submit an application for the State-owned land use right and the ownership of the building constructed thereon. DG Kario acquired the State-owned land use right certificate in May 2004, and thereafter in December 2004, DG Kario further acquired the legal title to the buildings constructed thereon.

- (iii) For the preparation of the Company's listing, leasehold land and buildings in Hong Kong and land and buildings in the PRC included in property, plant and equipment of the Group were revalued on 28 February 2005, on the basis of their open market value in existing use, by B. I. Appraisals Limited, an independent firm of property valuer. The net revaluation surplus of approximately HK\$9,700,000 has not been recorded in the Group's consolidated financial statements as the Group accounts for its property interests at cost less impairment and depreciation.

The net book value of property, plant and equipment held by the Group under finance leases are summarised as follows:

	Plant and Machinery HK\$'000	Fixtures, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 31 March 2005	5,783	1,135	–	6,918
At 31 March 2004	7,048	686	143	7,877

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

13. GOODWILL

Group

HK\$'000

Cost

At 1 April 2004	–
Arising on acquisition of subsidiaries	1,403
At 31 March 2005	1,403

Impairment

Impairment loss recognised in the year ended 31 March 2005 and balance at 31 March 2005	–
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Carrying amount

At 31 March 2005	1,403
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At 31 March 2004	–
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The amount of the goodwill capitalised as an asset during the year is arising from the acquisition of interests in subsidiaries, which was completed on 23 March 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

14. INVESTMENTS IN SUBSIDIARIES

Company

	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	58	–

The amount due to a subsidiary is unsecured, interest free and has no fixed terms of repayment.

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operation	Percentage of ownership interest attributable to the Company		Principal activities
		Directly	Indirectly	
Asia Pilot	The British Virgin Islands ("BVI")	100%		Investment holding
Kenford HK	Hong Kong		100%	Design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances
Sky Ocean	BVI		100%	Investment holding
Kario HK	Hong Kong		100%	Investment holding and trading
DG Kario	The People's Republic of China		100%	Design, manufacture and sale of electrical hair care products and other electrical appliances

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

15. INVENTORIES

Group	2005 HK\$'000	2004 HK\$'000
Raw materials	44,721	34,426
Work in progress	4,204	3,466
Finished goods	14,578	15,701
	63,503	53,593
Provision for obsolescence	(2,622)	(2,726)
	60,881	50,867

Included in raw materials are inventories of approximately HK\$2,666,000 (2004: HK\$2,188,000), stated net of a provision, made in order to state these inventories at the lower of their cost and estimated net realisable value.

Included in finished goods are inventories of approximately HK\$859,000 (2004: HK\$19,000), stated net of a provision, made in order to state these inventories at the lower of their cost and estimated net realisable value.

16. ACCOUNTS AND BILLS RECEIVABLE

Group	2005 HK\$'000	2004 HK\$'000
Accounts receivable	38,386	20,743
Bills receivable	8,494	5,966
	46,880	26,709

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

16. ACCOUNTS AND BILLS RECEIVABLE (continued)

Group (continued)

In general, the credit terms granted by the Group ranged from 14 to 90 days. The aging analysis of accounts receivable is as follows:

	2005 HK\$'000	2004 HK\$'000
Aged:		
Within 60 days	27,456	17,291
61 – 120 days	7,045	1,732
121 – 365 days	2,947	719
More than 365 days	938	1,001
	38,386	20,743

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

17. AMOUNT DUE FROM A RELATED COMPANY

Group

Particulars of loans to company controlled by directors disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	2005 HK\$'000	Maximum amount outstanding during the year HK\$'000	2004 HK\$'000
Kario HK	–	10,338	10,338

The amount due from Kario HK as at 31 March 2004 represents commission receivables and non-trade fund advances. These amounts are unsecured, interest-free and with no fixed repayment terms. Following the acquisition of equity interest in Kario HK by the Group on 23 March 2005, Kario HK became a wholly-owned subsidiary of the Group. Accordingly, the amount due from Kario HK as at 31 March 2005 was eliminated at the consolidation level.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

18. SUPPLEMENTAL INFORMATION TO CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries:

	2005 HK\$'000	2004 HK\$'000
Property, plant and equipment	3,629	–
Inventories	1,255	–
Trade receivables	5,139	–
Deposit, prepayments and other receivables	1,285	–
Cash and bank balances	4,623	–
Other payables and accrued expenses	(1,720)	–
Trade payables	(3,971)	–
Amounts due to related companies	(11,009)	–
Taxation payable	(615)	–
	(1,384)	–
Goodwill	1,403	–
Total consideration (<i>note</i>)	19	–
Satisfied by:		
Cash	5	–
Shares of the Company	14	–
	19	–

Note: The sales consideration was agreed at a nominal consideration of HK\$19,200.

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2005 HK\$'000	2004 HK\$'000
Cash consideration	(5)	–
Cash and bank balance acquired	4,623	–
Net cash inflow in respect of the acquisition of subsidiaries	4,618	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

18. SUPPLEMENTAL INFORMATION TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of the balances of cash and cash equivalents is set out below:

	2005 HK\$'000	2004 HK\$'000
Cash and bank balances	77,176	30,020

(c) Major non-cash transactions

During the years ended 31 March 2005 and 31 March 2004, the Group acquired property, plant and equipment for approximately HK\$880,000 and HK\$351,000 respectively, which were settled through finance lease agreements.

During the year ended 31 March 2004, an interim dividend of HK\$8,000 per share, totaling HK\$80,000,000 was declared by Kenford HK. Out of the HK\$80,000,000 declared dividend, approximately HK\$62,571,000 was offset against balance due from the directors, who are also shareholders of the Company. The remaining balance of approximately HK\$17,429,000 was outstanding as at 31 March 2004. During the year ended 31 March 2005, a special dividend of HK\$4,000 per share, totaling HK\$40,000,000 was declared by Kenford HK, which has caused the total dividend payable to increase to approximately HK\$57,429,000 of which approximately HK\$24,940,000 was offset against balance due from directors resulted from non-trade advances to directors during the year. The balance of approximately HK\$32,489,000 was outstanding as at 31 March 2005.

19. ACCOUNTS AND BILLS PAYABLE

Group

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

	2005 HK\$'000	2004 HK\$'000
Aged:		
Within 60 days	39,021	25,664
61 – 120 days	10,260	8,550
121 – 365 days	5,738	3,423
More than 365 days	279	364
	55,298	38,001

The maturity of bills payable is generally within one month.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

20. AMOUNT DUE TO A RELATED COMPANY

Group

	2005 HK\$'000	2004 HK\$'000
DG Kario	–	943

The amount due to DG Kario as at 31 March 2004 represents mainly expense reimbursement to DG Kario. This amount is unsecured, interest-free and with no fixed repayment terms. Following the acquisition of equity interest in DG Kario by the Group, DG Kario became a wholly-owned subsidiary of the Group. Accordingly, the amount due to DG Kario as at 31 March 2005 was eliminated at the consolidation level.

21. BORROWINGS

Group

	2005 HK\$'000	2004 HK\$'000
Secured borrowings comprise:		
Trust receipt loans	71,629	46,816
Bank loans, secured	25,997	22,868
	97,626	69,684

The maturity profile of the above borrowings is as follows:

	2005 HK\$'000	2004 HK\$'000
Within one year	90,004	61,843
In the second year	4,062	5,620
In the third to fifth years, inclusive	3,560	2,221
	97,626	69,684
Amount due within one year included in current liabilities	(90,004)	(61,843)
	7,622	7,841

The bank loans are secured by the properties of Kenford HK, personal guarantees executed by the directors of the Company Mr. Lam Wai Ming and Mr. Tam Chi Sing and a pledge of bank deposits. Subsequent to the balance sheet date, the personal guarantees provided by the directors were released and replaced by a corporate guarantee of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

22. OBLIGATIONS UNDER FINANCE LEASES

Group

The Group's obligations under finance leases were payable as follows:

	Present value of the minimum lease payments HK\$	31 March 2004 Interest expense relating to future periods HK\$	Total minimum lease payments HK\$
Within one year	2,387	107	2,494
In the second year	741	157	898
In the third to fifth years, inclusive	189	11	200
	3,317	275	3,592
Amount due within one year included in current liabilities	(2,387)	(107)	(2,494)
	930	168	1,098

	Present value of the minimum lease payments HK\$	31 March 2005 Interest expense relating to future periods HK\$	Total minimum lease payments HK\$
Within one year	1,014	31	1,045
In the second year	448	27	475
In the third to fifth years, inclusive	151	7	158
	1,613	65	1,678
Amount due within one year included in current liabilities	(1,014)	(31)	(1,045)
	599	34	633

The above leasing obligations are secured by the followings:

- Leased assets of Kenford HK (note 12); and
- Joint and several guarantees provided by directors of the Company, Mr. Lam Wai Ming and Mr. Tam Chi Sang for an amount of not less than HK\$8,000,000.

Subsequent to the balance sheet date, the personal guarantees provided by the directors were released and replaced by a corporate guarantee of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

23. DEFERRED TAX

Group

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movement are as follows:

	Accelerated depreciation allowances
	HK\$'000
At 1 April 2003	1,978
Charge to income statement	756
<hr/>	
At 31 March 2004	2,734
<hr/>	
At 1 April 2004	2,734
Charge to income statement	89
<hr/>	
At 31 March 2005	2,823

Deferred tax assets and liabilities are netted when the taxes relate to the same taxation authority and where offsetting is allowed.

24. SHARE CAPITAL

Movements of the Company's shares during the period from 10 November 2004 (date of incorporation) to 31 March 2005 and up to the Listing Date are as follows:

Authorised share capital	<i>Note</i>	Number of ordinary share of HK\$0.001 each	Nominal value HK\$
Upon incorporation and as at 31 March 2005	<i>(i)</i>	500,000,000	500,000
Increase in authorised share capital	<i>(vi)</i>	500,000,000	500,000
<hr/>			
At Listing Date		1,000,000,000	1,000,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

24. SHARE CAPITAL (continued)

Issued share capital	Notes	Number of ordinary share of HK\$0.001 each	Nominal value HK\$
Allotted and issued nil-paid upon incorporation	<i>(ii), (iii)</i>	1	–
Allotted and issued nil-paid on 19 November 2004	<i>(ii), (iii)</i>	1	–
Issue of shares upon the Exchange of Shares	<i>(iii)</i>	58,399,998	58,400
Issue of shares for acquisition of subsidiaries	<i>(iv)</i>	14,400,000	14,400
Issue of new shares on 23 March 2005	<i>(v)</i>	27,200,000	27,200
<hr/>			
At 31 March 2005		100,000,000	100,000
Allotted and issued nil-paid on 27 May 2005	<i>(vii)</i>	200,000,000	–
New issue of shares	<i>(vii)</i>	100,000,000	100,000
Capitalisation of share premium account	<i>(vii)</i>	–	200,000
<hr/>			
At Listing Date		400,000,000	400,000

Notes:

- (i) The Company was incorporated in the Cayman Islands on 10 November 2004 with an authorised share capital of HK\$500,000 divided into 500,000,000 shares of HK\$0.001 each.
- (ii) Upon incorporation, one new share of HK\$0.001 was allotted and issued nil-paid. On 19 November 2004, one new share of HK\$0.001 was allotted and issued nil-paid.
- (iii) On 23 March 2005, the Company issued an aggregate of 58,399,998 shares, credited as fully paid up for the Exchange of Shares as set out in Note 1. In addition, the Company credited as fully paid at par the 2 nil-paid shares.
- (iv) Pursuant to the Further Acquisitions as set out in Note 1, effective on 23 March 2005, the Company acquired certain subsidiaries in consideration of cash payments and issue of an aggregate of 14,400,000 shares upon completion of the acquisition on 23 March 2005.
- (v) On 23 March 2005, an aggregate of 27,200,000 shares of HK\$0.001 each were issued at par for cash.
- (vi) On 29 April 2005, written resolutions of all the Shareholders were passed pursuant to which the authorised share capital of the Company was increased from HK\$500,000 to HK\$1,000,000 by the creation of an additional 500,000,000 Shares.
- (vii) Pursuant to a resolution of all the Shareholders passed on 27 May 2005, 200,000,000 shares of the Company were allotted and issued, credited as fully paid at par value of HK\$0.001 each to the then existing shareholders whose names appear on the register of members of the Company at the close of business on 29 April 2005 in proportion to their respective shareholding by the capitalization of HK\$200,000 from the share premium account. Such allotment and capitalization were conditional on the share premium account being credited as a result of the new shares issued in connection with the listing of the Company's shares on the Stock Exchange.
- (viii) On the Listing Date, 100,000,000 shares (with Warrants) of the Company were issued to the Public at a premium of HK\$0.549 for cash totalling HK\$54,900,000. The excess of the issued price over the par value of the shares, net of share issue expenses, was credited to the share premium account of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

24. SHARE CAPITAL (continued)

Share options

Subsequent to 31 March 2005, on 27 May 2005, the Company adopted a share option scheme ("Share Option Scheme") and a pre-IPO share option scheme ("Pre-IPO Share Option Scheme").

Under the Share Option Scheme and the Pre-IPO Share Option Scheme, the directors may, at their discretion, grant to any eligible person as defined under the respective scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the directors pursuant to the relevant listing rules. The total number of shares in respect of which options may be granted under the Share Option Scheme and the Pre-IPO Share Option Scheme of the Company shall not exceed (i) 40,000,000 shares (being 10% of the total number of shares in issue as at the Listing Date), or (ii) 30% of the Company's issued share capital from time to time as approved by the shareholders.

As at date of this report, no options have been granted by the Company under the Share Option Scheme.

On 28 May 2005, options to subscribe for 4,000,000 shares in aggregate at an exercise price equivalent to one third of the Offer Price (i.e. HK\$0.55), have been conditionally granted by the Company to certain of the key senior management staff under the Pre-IPO Share Option Scheme. The options may be exercised at any time between 16 December 2005 and 13 June 2008 provided that the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on that date shall not be less than 1.25 times of the Offer Price.

Warrants

Subsequent to 31 March 2005, a total of 100,000,000 warrants were issued by way of bonus issue to all shareholders whose name appeared on the register of members of the Company as at completion of the Share Offer and the Capitalisation Issue (as defined in the Prospectus) in proportion of one warrant for every four shares, in unit(s) of HK\$0.30 of the subscription rights to the warrant holders. The subscription price of the warrants is HK\$0.60 per share with a subscription period from 16 June 2005 to 13 June 2008. As at the date of this report, no subscription rights to the warrants is exercised.

25. RESERVES

Group

	Merger reserve <i>(note (i))</i> HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2003	942	109,095	110,037
Net profit attributable to shareholders	–	31,076	31,076
Interim dividends	–	(80,000)	(80,000)
At 31 March and 1 April 2004	942	60,171	61,113
Net profit attributable to shareholders	–	57,403	57,403
Special dividends	–	(40,000)	(40,000)
At 31 March 2005	942	77,574	78,516

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

25. RESERVES (continued)

Note:

- (i) The merger reserve of the Group represents the difference between the nominal value of share capital of subsidiaries acquired pursuant to the Exchange of Shares and the nominal value of the share capital of the Company issued in exchange thereof.

As stipulated by the Rules for the Implementation of the Law of the People's Republic of China on Foreign Capital Enterprises, DG Kario, a wholly owned subsidiary acquired by the Group on 23 March 2005, is required to make appropriation of 10% of its profit after taxation each year as recorded in the PRC statutory accounts to the statutory reserve fund until the fund balance reaches 50% of its registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, for making up losses and capitalization into capital.

Company

The Company has no distributable reserve available to shareholders as at 31 March 2005.

26. BANKING FACILITIES

As at 31 March 2005, the Group's banking facilities of approximately HK\$194,000,000 were secured by the followings:

- a. Fixed deposits placed with banks amounting to approximately HK\$6,000,000;
- b. Personal guarantee given by directors of the Company, Mr. Lam Wai Ming and Mr. Tam Chi Sang; and
- c. Leasehold land and buildings of the Group and related companies, namely V.Link Development Limited and Lightwin Resources Limited.

Subsequent to the balance sheet date, the personal guarantees provided by the directors and the leasehold land and buildings of related companies as mentioned in (b) and (c) above were released and replaced by a corporate guarantee of the Company.

27. RETIREMENT BENEFITS

The Group operates a defined contribution, Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The Group is required to contribute 5% of the monthly salaries (up to a maximum contribution of HK\$1,000) for all Hong Kong based employees to the fund.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

27. RETIREMENT BENEFITS (continued)

The employees of DG Kario, a wholly owned subsidiary acquired by the Group on 23 March 2005 are required to participate in a defined contribution retirement benefit plan organized by the local municipal government in the PRC under which the subsidiary and the employees are required to make monthly contributions to the plan calculated at 23% of the employees' average monthly salary in the preceding year.

The Group's contributions for the year amounted to approximately HK\$448,000 (2004: HK\$386,000).

28. CONTINGENT LIABILITIES

- (i) As at 31 March 2005, the Group had contingent liabilities in respect of bills discounted to banks amounting to approximately HK\$14,300,000 (2004: HK\$9,500,000).
- (ii) A High Court action was commenced by WIK Far East Limited ("WIK") against a subsidiary of the Group on 27 April 2004 in respect of alleged infringements of a patent in respect of retractable brushes.

The Directors have confirmed that no settlement had been reached by the parties and no judgements on the quantum of damages had been made against the Group in respect of the legal action. The Group has sought legal advice from its legal counsel on the merits of the claim.

According to the legal counsel's opinion, given that the trial has not yet commenced and the parties are still at a pre-mature stage of the litigation, and in the absence of any indication as to how WIK would like to proceed with its claim, it would not be possible to quantify reliably the likely potential damages and cost to be incurred by the Group in the event that the subsidiary of the Group fails in its defense to the claim of patent infringement in the litigation. Assuming that WIK will claim for damages for loss of profits or for accounts of profits, the Directors are of the view that the quantum of the ultimate cost and damages (if any) to be incurred by the Group will not have a material adverse impact on the Group's financial position.

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

29. CAPITAL COMMITMENTS

	2005 HK\$'000	2004 HK\$'000
Commitment for acquisition of plant and equipment:		
Contracted for but not provided in the financial statements	3,664	2,682

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

30. LEASE ARRANGEMENTS

The Group paid operating lease rentals in respect of land and buildings as follows:

	2005 HK\$'000	2004 HK\$'000
Minimum lease payments	42	17

The Group has future minimum lease payments under non-cancellable operating leases which are due for payment as follows:

	2005 HK\$'000	2004 HK\$'000
Within one year	61	12
In the second to fifth years inclusive	–	–
	61	12

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out in notes 17, 18, 20 and 26 above, the Group has the following material related party transactions during the year:

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Sales to:			
Unix Electronics (HK) Company Limited ("Unix HK")	<i>(i)</i>	–	3,055
Kario HK	<i>(i)</i>	50	–
		50	3,055
Purchases from:			
Kario HK	<i>(i)</i>	7,411	540

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

31. RELATED PARTY TRANSACTIONS (continued)

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Commissions received from:			
Unix HK	<i>(ii)</i>	–	80
DG Kario	<i>(ii)</i>	2,861	3,703
		2,861	3,783
Reimbursement of expenses:			
DG Kario	<i>(iii)</i>	1,602	943
Commission expenses waived by:			
Bradly International Limited	<i>(iv)</i>	158	–

Notes:

- (i) Sales made to Unix HK and Kario HK were determined on a cost-plus basis. Purchases from Kario HK were determined at terms mutually agreed by both parties, which were comparable to those similar products sourced from other third party suppliers of the Group.
- (ii) Commissions received from Unix HK and DG Kario were for the introduction and referral of business opportunities and for rendering of overall management support. The commission received from Unix HK was determined at HK\$0.5 per unit of product sold to customers. The commissions received from DG Kario were determined at 15% to 25% on the gross selling price (including value added tax) of goods sold to a major customer introduced by Kenford HK.
- (iii) Reimbursement of expenses to DG Kario was recharged at cost.
- (iv) Mr. Lam Wai Ming is the beneficial owner of Bradly International Limited.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

32. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 March 2005 to be Beaute Inc., a company incorporated in the British Virgin Islands.

33. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this consolidated financial statements, no other significant events took place subsequent to 31 March 2005.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 July 2005.

FOUR YEARS FINANCIAL SUMMARY

Consolidated Income Statements

	Year ended 31st March,			2005 HK\$'000
	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
Turnover	290,323	284,882	301,634	464,910
Cost of sales	(241,621)	(215,111)	(232,979)	(370,729)
Gross profit	48,702	69,771	68,655	94,181
Other revenue	8,761	4,820	6,790	12,215
Impairment loss on land and buildings	–	–	(583)	–
Loss on disposals of property, plant and equipment	–	(3,473)	–	–
Selling and distribution expenses	(9,925)	(9,438)	(8,356)	(8,020)
General and administrative expenses	(31,975)	(26,330)	(27,890)	(31,704)
Profit from operations	15,563	35,350	38,616	66,672
Finance costs	(6,406)	(5,054)	(3,495)	(3,912)
Revaluation deficit	–	(2,020)	–	–
Gain on disposal of subsidiaries	–	20,504	–	–
Gain on disposal of associates	–	790	22	–
Share of profits and losses of associates	36	(802)	(11)	–
Profit before taxation	9,193	48,768	35,132	62,760
Taxation	(742)	364	(4,056)	(5,357)
Net profit attributable to shareholders	8,451	49,132	31,076	57,403
Dividends	–	2,828	80,000	40,000
Basic earnings per share (cents)	2.82	16.38	10.36	19.13

FOUR YEARS FINANCIAL SUMMARY

Consolidated Balance Sheets

	2002 HK\$'000	2003 HK\$'000	31st March, 2004 HK\$'000	2005 HK\$'000
Non-current assets				
Property, plant and equipment	108,234	83,650	77,527	81,583
Interests in associates	78	563	–	–
Goodwill	–	–	–	1,403
	108,312	84,213	77,527	82,986
Current assets				
Inventories	36,701	41,755	50,867	60,881
Accounts and bills receivable	11,520	18,628	26,709	46,880
Deposits, prepayments and other receivables	1,502	2,755	4,225	12,617
Amounts due from directors	29,253	39,001	–	–
Amounts due from related companies	582	17,770	10,338	–
Pledged bank deposit	2,561	6,084	6,043	6,051
Cash and cash equivalents	12,696	23,176	30,020	77,176
	94,815	149,169	128,202	203,605
Current liabilities				
Accounts and bills payable	45,434	34,941	38,001	55,298
Accruals and other payables	12,301	7,647	12,133	15,620
Dividends payable	–	2,828	17,429	32,489
Amounts due to directors	2,986	–	–	–
Amount due to a related company	–	–	943	–
Borrowings – due within one year	31,037	51,965	61,843	90,004
Bank overdrafts, secured	197	1,736	–	–
Obligations under finance leases – due within one year	4,106	1,959	2,387	1,014
Taxation payable	–	2,047	317	2,506
	96,061	103,123	133,053	196,931
Net current assets / (liabilities)	(1,246)	46,046	(4,851)	6,674
Total assets less current liabilities	107,066	130,259	72,676	89,660
Non-current liabilities				
Borrowings – due after one year	35,468	15,895	7,841	7,622
Obligations under finance leases – due after one year	3,065	2,291	930	599
Deferred tax	4,742	1,978	2,734	2,823
Net assets	63,791	110,095	61,171	78,616
Capital and reserves				
Capital	58	58	58	100
Reserves	63,733	110,037	61,113	78,516
	63,791	110,095	61,171	78,616



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

(於開曼群島註冊成立之有限公司)

二零零五年年報

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執行董事：

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譚治生 (董事總經理)
陳國棟

獨立非執行董事：

趙帆華
李智聰
李達華

公司秘書

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東亞銀行有限公司
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主席報告書

本人謹代表建福集團控股有限公司（「本公司」）及其附屬公司（統稱「本集團」）的董事會（「董事會」），欣然報告本公司股份及認股權證已於二零零五年六月十六日起在香港聯合交易所有限公司（「聯交所」）主板成功上市及開始買賣。共發行400,000,000股新股及100,000,000份紅股認股權證（可轉換為50,000,000股新股份），籌集所得款項淨額約36,500,000港元（計及首次公開發售開支的超額撥備約2,500,000港元，於本公司於二零零五年五月三十一日刊發的售股章程載列撥備為21,000,000港元）。超額撥備的2,500,000港元將用於提升本集團的工程及研發能力。本集團股份成功上市，標誌著專業及公眾投資者對本集團的認同及支持，預計日後本集團的業務將會迅速發展。

本人亦欣然向股東報告，本集團於截至二零零五年三月三十一日止年度的整體業務表現卓越。截至二零零五年三月三十一日止年度，本集團錄得營業額約464,900,000港元，與二零零四年相比增加約54%。本集團的股東應佔溢利淨額約為57,400,000港元，較二零零四年增加約85%。

業務回顧及展望

本集團於一九八四年成立，由小規模經營發展成為在聯交所主板上市的公司。憑藉敏銳的市場觸覺及創新意念，本集團會繼續緊貼市場變化，設計及研究一系列時尚產品。本集團留意到未來商機不斷增加，尤其在中國內地及美國。成功上市讓本集團獲得更多資源，建立穩固的業務發展平台。

鳴謝

最後，本人謹藉此機會向本集團股東、業務夥伴、客戶及供應商致以衷心謝意，感謝彼等一直以來的支持及信任。此外，本人亦謹此感謝本集團全體管理人員及員工多年來的辛勤工作及貢獻。

本集團將繼續採取審慎進取的策略，作好準備隨時把握每個發展機會，為股東爭取最大回報。

承董事會命

主席

林偉明

香港，二零零五年七月二十二日

本集團在二零零五年財政年度取得輝煌的成績，無論在營業額或股東應佔溢利淨額方面均錄得顯著增長。業務突飛猛進，是本集團不斷提升產品質素，以及致力向客戶提供優質服務的成果。二零零五年的財務業績如此優秀，主要由於銷售量有所增加，而銷售及分銷成本、一般及行政開支相對地保持穩定水平所致。

另一方面，配售事項及公開發售的成績亦相當理想，可見投資者對本集團業務及電器製造業的前景充滿信心。公司上市，為本集團的發展立下全新的里程碑，奠定日後在業內茁壯成長的穩固基礎。

營業額

截至二零零五年三月三十一日止年度，本集團錄得營業額約464,900,000港元，其中約433,600,000港元來自銷售美髮產品，佔本集團營業額約93%。本集團截至二零零五年三月三十一日止年度的營業額較截至二零零四年三月三十一日止年度上升約54%。營業額出現驚人升幅，主要由於歐洲市場對本集團電子美髮產品的需求再度增加，而本集團的創新產品（新式直髮器）亦獲當地市場接納。

銷售成本

截至二零零五年三月三十一日止財政年度，本集團的銷售成本上升至約370,700,000港元，增幅約59%。有關成本之所以上升，主要由於業務量及營業額同告上升，以及塑膠及金屬相關原材料成本上漲所致。

毛利

截至二零零五年三月三十一日止年度，本集團錄得毛利約94,200,000港元，較截至二零零四年三月三十一日止年度上升約37%，而整體毛利率則由約22.8%下跌至約20.3%。毛利率下跌，原因是塑膠及金屬相關原材料成本上漲，以及廠房的直接及間接成本上升（如東莞區的勞工成本）。

其他收益

其他收益由截至二零零四年三月三十一日止年度約6,800,000港元增加至截至二零零五年三月三十一日止年度約12,200,000港元。有關增加主要來自模具成本還款（包括銷售本集團的設計及概念）。年內，本集團不斷開發一系列創新產品，以及一般電子美髮產品、保健產品及其他小型電器。新產品系列計劃將於截至二零零六年三月三十一日止年度推出市場。

銷售及分銷開支

截至二零零五年三月三十一日止年度，本集團的銷售及分銷開支約為8,000,000港元，佔同期總營業額約1.7%。此比例較截至二零零四年三月三十一日止年度錄得的約2.8%為低，原因是本集團轉用更多中國境內收費低廉的港口。

管理層討論及分析

一般及行政開支

截至二零零五年三月三十一日止年度，本集團的行政開支約為31,700,000港元，較截至二零零四年三月三十一日止年度上升約3,800,000港元。行政開支增加的主要原因，是年內添置物業、廠房及設備後折舊增加、信託收據貸款用量增加導致銀行費用上升，以及派發員工表現獎金。

融資成本

截至二零零五年三月三十一日止年度，本集團的融資成本約為3,900,000港元，較截至二零零四年三月三十一日止年度上升約400,000港元。有關上升主要由於信託收據貸款的使用量增加。

流動資金及財務資源

於二零零五年三月三十一日，本集團的現金及現金等價物餘額約為77,200,000港元（二零零四年三月三十一日：30,000,000港元）。本集團的流動資產淨值約為6,700,000港元（二零零四年三月三十一日：流動負債淨額4,900,000港元）。於二零零四年三月三十一日，本集團的資本負債比率約為35%，而二零零五年三月三十一日則約為35%。本集團擁有充足的財務資源，足以應付其日常營運及資本開支需要。

資產抵押

於結算日，本集團獲授的一般銀行融資乃以賬面淨值約11,800,000港元（二零零四年：12,200,000港元）的租賃土地及樓宇，以及總值約6,000,000港元（二零零四年：6,000,000港元）的定期銀行存款作抵押。

於結算日後，林偉明先生及譚治生先生提供的個人擔保獲解除，並由本公司的公司擔保取代。

資本承擔

於結算日，本集團就收購廠房及設備的資本承擔（已批准但未訂約）約為3,700,000港元（二零零四年：2,700,000港元）。

或然負債

(a) 於結算日，本集團就附追索權的銀行貼現票據擁有或然負債約14,300,000港元（二零零四年：9,500,000港元）。

- (b) 於二零零四年四月二十七日，WIK Far East Limited（「WIK」）在高等法院向本公司一家附屬公司提出訴訟，乃關於指稱侵犯伸縮式毛刷的專利權。

董事確認，雙方尚未達成和解，亦未就上述法律訴訟對本集團造成損害賠償的總額作出裁決。本集團已就成功申索的機會向法律顧問徵詢法律意見。

根據法律顧問的意見，由於審訊尚未展開，雙方仍處於訴訟的初步階段，而在WIK並無示意將如何處理申索的情況下，倘本集團的附屬公司於訴訟中就侵犯專利權的申索抗辯失敗，則無法可靠計算本集團可能須承擔的損害賠償金額及費用。假設WIK將申索溢利損失賠償或所得利潤，董事認為本集團將會產生的最終費用及損害賠償（如有）不會對本集團的財務狀況造成重大不利影響。

倘訴訟產生負債，控股股東共同及個別同意及承諾就該等負債向本集團提供彌償。

員工及薪酬政策

人力資源是本集團最寶貴的資產，令本集團得以在競爭激烈的市場中取得成功。本集團為員工提供完善薪酬福利計劃，包括培訓、醫療、保險及退休福利等附帶福利。

本集團已於二零零五年五月二十七日採納首次公開發售前購股權計劃，藉以向對本集團業務有貢獻的合資格參加者提供獎勵及獎賞。

董事及高級管理人員資料

董事

A. 執行董事

1. **林偉明先生**，46歲，於一九八九年一月加入本集團。林先生於電器貿易及製造方面擁有逾二十年經驗。彼目前任本公司主席兼執行董事，負責監督及管理本集團的銷售及市場推廣事務。

林先生為本集團行政經理林偉雄先生的胞兄。

2. **譚治生先生**，45歲，於一九九一年七月加入本集團。譚先生於電器貿易及製造方面擁有逾二十年經驗。彼目前任本公司董事總經理兼執行董事，負責監督及管理本集團的生產、品質控制、工程及設計事務。譚先生現兼任香港電器製造業協會市場及推廣部長。

3. **陳國棟先生**，*FCIS*、*FCS*、*ACIB*、*AHKIB*，42歲，於二零零一年十月加入本集團。陳先生目前任本公司執行董事兼公司秘書，負責監督及管理本集團的日常運作及財務事宜，特別專注企業管治（包括遵守監管規定）及財務風險控制（包括信貸評估）方面的工作。

陳先生在加入本公司前於銀行及金融業擁有豐富經驗。陳先生於二零零零年十一月獲香港理工大學頒發專業會計碩士學位，並於一九九三年獲英國Henley Management College頒發工商管理碩士學位。陳先生為英國特許銀行學會(Chartered Institute of Bankers (UK))會士兼香港銀行學會會士。此外，陳先生亦為香港公司秘書公會及英國特許秘書及行政人員公會的資深會員。他於二零零零年八月至二零零二年七月擔任香港公司秘書公會委員(council member)。

B. 獨立非執行董事

4. **趙帆華先生**，*FCCA*、*FCCA (Practising)*、*ACIS*、*ACS*，40歲，於二零零五年三月二十三日獲委任為獨立非執行董事。他為本港核數師行蔡鍾趙會計師有限公司的創辦人兼董事總經理，亦為本港核數師行李福樹會計師事務所的合夥人。他於一九九二年畢業於香港城市大學，獲榮譽文學士學位，主修會計，並於二零零二年獲香港理工大學頒發專業會計碩士學位。他為香港執業會計師、香港會計師公會資深會員、英國特許公認會計師公會資深會員、香港華人會計師公會會員、香港公司秘書公會會員及英國特許秘書及行政人員公會會員。

董事及高級管理人員資料

5. **李智聰先生**，36歲，於二零零五年三月二十三日獲委任為獨立非執行董事。他現時為香港執業律師，於一九九零年取得英國謝菲爾德大學法律學士學位，其後於一九九三年在香港最高法院獲認可為律師，專門處理商業相關事務。他亦為聯交所創業板上市公司松景科技控股有限公司的獨立非執行董事，以及聯交所主板上市公司鷹美（國際）控股有限公司的獨立非執行董事。
6. **李達華先生**，35歲，於二零零五年三月二十三日獲委任為獨立非執行董事。他於資訊科技方面擁有豐富經驗。李先生持有英國University of Surrey頒發的工商管理碩士學位。他目前為一家跨國通訊設備公司的集團公司的項目經理，該公司於美國紐約證券交易所上市。

高級管理人員

1. **鄭柏存先生**，44歲，於一九九九年六月加入本集團，為本集團高級工程經理。鄭先生在項目工程、產品研發及開發小型家庭電器（例如美髮產品、廚房用具及其他手提式鑽機及手提玩具等）方面擁有逾二十年經驗。他畢業於University of Warwick，持有工程商業管理碩士學位。
2. **羅德偉先生**，45歲，於一九九七年五月加入本集團，為本集團營運經理。羅先生於電器工程及製造方面擁有逾二十年經驗。他獲香港理工大學頒發機械工程高級文憑及注塑模具技術及實踐資格證書。
3. **黃兆文先生**，43歲，於二零零二年九月加入本集團，為本集團高級材料經理。黃先生於採購及物料管理方面擁有逾十五年經驗。他獲香港大學頒發工程理學士學位。
4. **林偉雄先生**，為林偉明先生的胞弟，34歲，於一九九三年二月加入本集團，為本集團行政經理。林先生於中國廠房行政及處理中國監管規定事宜方面擁有逾十年經驗。
5. **陳芷萍女士**，30歲，於二零零四年七月加入本集團，為本集團總會計師兼本公司合資格會計師。陳女士畢業於香港科技大學，持有會計學工商管理學士學位，並於國際會計師行及其他審計及顧問公司累積逾六年的會計及審計相關經驗。陳女士為香港會計師公會會員及英國特許公認會計師公會會員。

董事會報告

建福集團控股有限公司（「本公司」）董事會（「董事會」）謹此提呈本公司及其附屬公司（統稱「本集團」）截至二零零五年三月三十一日止年度的首份年報及經審核財務報表（「財務報表」）。

集團重組、附屬公司及呈報基準

本公司於二零零四年十一月十日在開曼群島根據開曼群島公司法註冊成立為受豁免有限公司。根據本公司為籌備本公司股份在香港聯合交易所有限公司（「聯交所」）主板上市而進行的本集團重組（「重組」）（詳情載於本公司於二零零五年五月三十一日刊發的售股章程（「售股章程」）附錄八B部「公司重組」一節），本公司於二零零五年三月二十三日成為本集團現時旗下公司的控股公司。重組的其他詳情及財務報表的呈報基準載於財務報表附註1。

完成重組及售股章程所載公開發售及配售本公司股份後，本公司股份於二零零五年六月十六日在聯交所上市。

主要業務及業務地區分析

本公司的主要業務為投資控股。附屬公司的主要業務及其他資料載於財務報表附註14。

本集團於本年度按業務及區域分類的業績分析載於財務報表附註5。

業績及分派

本集團截至二零零五年三月三十一日止年度的業績載於第25頁的綜合收益表。

除特別股息40,000,000港元外，本公司董事（「董事」）並無宣派截至二零零五年三月三十一日止年度的股息。

物業、廠房及設備

本集團於年內的物業、廠房及設備變動詳情載於財務報表附註12。

股本

年內本公司已發行股本的變動詳情載於財務報表附註24。

儲備

本集團於年內的儲備變動詳情載於財務報表附註25。

董事

年內及截至本報告刊發日期任職的董事如下：

執行董事：

林偉明 (主席)	(於二零零四年十一月十九日獲委任)
譚治生 (董事總經理)	(於二零零四年十一月十九日獲委任)
陳國棟	(於二零零四年十一月十九日獲委任)

獨立非執行董事：

趙帆華	(於二零零五年三月二十三日獲委任)
李智聰	(於二零零五年三月二十三日獲委任)
李達華	(於二零零五年三月二十三日獲委任)

根據本公司組織章程細則第87條，林偉明先生（「林偉明先生」）及譚治生先生（「譚治生先生」）將於本公司應屆股東週年大會上輪值告退，惟彼等符合資格膺選連任。

董事服務合約

林偉明先生及譚治生先生已與本公司簽訂服務合約，由二零零五年六月十六日起計初步為期三年，而前述合約可由任何一方向另一方發出不少於三個月的事先書面通知終止。

除上文所披露者外，擬於應屆股東週年大會上重選的董事，概無與本公司簽訂本公司不可於一年內毋須支付賠償（法定賠償除外）而終止的服務合約。

董事及控股股東於重大合約中的權益

除財務報表附註31所披露者外，概無董事或本公司控股股東於本公司、其控股公司或其任何附屬公司於年內訂立而對本集團業務屬重大的任何合約中，直接或間接擁有重大權益。

董事會報告

管理合約

年內並無訂立或存在有關本公司整體或任何重要部份業務的管理及行政事宜的合約。

董事及行政總裁於本公司及其相聯法團證券的權益及淡倉

由於本公司於二零零五年三月三十一日尚未於聯交所上市，故於該日，任何董事及本公司行政總裁概無於本公司或其任何相聯法團（定義見證券及期貨條例（「證券及期貨條例」）第XV部）的任何股份、相關股份或債券中擁有須記錄於本公司根據證券及期貨條例第352條存置的登記冊內的權益或淡倉；或根據證券及期貨條例第XV部第7及第8分部須知會本公司及聯交所的權益或淡倉。

本公司於二零零五年六月十六日成為上市公司。於本報告刊發日期，按照本公司根據證券及期貨條例第352條存置的登記冊所記錄，董事及本公司行政總裁於本公司或其任何相聯法團（定義見證券及期貨條例第XV部）的股份、相關股份或債券中擁有的權益或淡倉；或根據證券及期貨條例第XV部第7及第8分部及上市規則所載上市發行人董事進行證券交易的標準守則須知會本公司及聯交所的權益或淡倉（包括根據證券及期貨條例的該等條文其當作或視作擁有的權益及淡倉）如下（本節所用詞彙的涵義與售股章程所界定者相同）：

於本公司證券的好倉

董事名稱	權益性質	於本公司所持股份總數	佔已發行股份百分比
林偉明先生	公司權益	275,400,000 (附註1)	68.85%
譚治生先生	公司權益	275,400,000 (附註2)	68.85%
陳國棟先生	公司權益	16,200,000 (附註3)	4.05%

附註：

- (1) 林偉明先生被視作擁有合共275,400,000股股份權益，詳情如下：
- (i) 林偉明先生被視作擁有由宏就及Beaute合共持有的244,800,000股股份的權益，其中：
- (a) 40,800,000股股份由林偉明先生全資擁有的宏就持有，而林偉明先生為宏就的唯一董事。因此，林偉明先生被視作擁有宏就所擁有的40,800,000股股份權益。
- (b) 204,000,000股股份由Beaute持有，擎峰及Potentasia分別擁有Beaute 50%權益。擎峰由林偉明先生全資擁有，而Potentasia則由譚治生先生全資擁有。林偉明先生為Beaute的董事及擎峰的唯一董事。因此，林偉明先生被視作擁有Beaute所擁有的204,000,000股股份權益；及
- (ii) 林偉明先生被視作擁有由宏就及Beaute分別持有的61,200,000份認股權證所附帶的認購權獲行使後合共發行的30,600,000股股份權益。
- (2) 譚治生先生被視作擁有合共275,400,000股股份權益，詳情如下：
- (i) 譚治生先生被視作擁有由榮昌及Beaute合共持有的244,800,000股股份的權益，其中：
- (a) 40,800,000股股份由譚治生先生全資擁有的榮昌持有，而譚治生先生為榮昌唯一董事。因此，譚治生先生被視作擁有榮昌所擁有的40,800,000股股份權益。
- (b) 204,000,000股股份由Beaute持有，擎峰及Potentasia分別擁有Beaute 50%權益。擎峰由林偉明先生全資擁有，而Potentasia則由譚治生先生全資擁有。譚治生先生亦為Beaute的董事及Potentasia的唯一董事。因此，譚治生先生被視作擁有Beaute所擁有的204,000,000股股份權益；及
- (ii) 譚治生先生被視作擁有由榮昌及Beaute分別持有的61,200,000份認股權證所附帶的認購權獲行使後合共發行的30,600,000股股份權益。
- (3) 陳國棟先生（「陳國棟先生」）被視作擁有合共16,200,000股股份權益，詳情如下：
- (i) 陳國棟先生被視作擁有由勝景所持有的合共14,400,000股股份權益。勝景由陳國棟先生全資擁有，而陳國棟先生為勝景的唯一董事；及
- (ii) 陳國棟先生被視作擁有由勝景持有的3,600,000份認股權證所附帶的認購權獲行使後合共發行的1,800,000股股份權益。

董事會報告

於相聯法團股份的好倉

董事姓名	相聯法團名稱	股份類別	權益性質	所持股份總數	權益概約百分比
林偉明先生	Beaute	普通股	公司權益	2 (附註)	100%
譚治生先生	Beaute	普通股	公司權益	2 (附註)	100%

附註：

擎峰及Potentasia各自擁有Beaute 50%的權益。擎峰由林偉明先生全資擁有，而Potentasia由譚治生先生全資擁有。林偉明先生及譚治生先生均為Beaute的董事。因此，林偉明先生及譚治生先生被視為透過其各自於擎峰及Potentasia的權益擁有Beaute的股份權益。

除上文所披露者外，董事或本公司行政總裁概無於本公司或其任何相聯法團（定義見證券及期貨條例第XV部）股份、相關股份或債券中擁有或被視作擁有任何權益或淡倉。

主要股東於本公司證券的權益及淡倉

由於本公司於二零零五年三月三十一日尚未於聯交所上市，故於該日，董事並不知悉有任何人士（不包括董事及本公司行政總裁）於本公司股份及相關股份中擁有如本公司根據證券及期貨條例第336條須予存置的登記冊所示，或根據證券及期貨條例第XV部第2及第3分部的規定須向本公司披露的權益或淡倉。

本公司於二零零五年六月十六日成為上市公司。如本公司根據證券及期貨條例第336條須存置的登記冊所示，或根據證券及期貨條例第XV部第2及第3分部的規定須知會本公司的人士（董事及本公司行政總裁除外）於本公司股份及相關股份中擁有的權益及淡倉如下（本節所用詞彙的涵義與售股章程所界定者相同）：

於本公司證券的好倉

主要股東名稱	擁有權益的股份數目 (以股本衍生工具 擁有者除外)	以股本衍生 工具擁有權益 的股份數目 (附註1)	股份總數	佔已發行股份 百分比
Beaute	204,000,000	25,500,000	229,500,000	57.38%
擎峰 (附註2)	204,000,000	25,500,000	229,500,000	57.38%
Potentasia (附註3)	204,000,000	25,500,000	229,500,000	57.38%
宏就	40,800,000	5,100,000	45,900,000	11.48%
榮昌	40,800,000	5,100,000	45,900,000	11.48%

附註：

1. 認股權證透過紅利發行方式，以每持有四股股份獲發一份認股權證的基準，發行予於售股建議及資本化發行完成時名列本公司股東名冊的所有股東，認股權證持有人的認購權以0.30港元為單位。認股權證的認購價為每股股份0.60港元，認購期為二零零五年六月十六日至二零零八年六月十三日。於本報告刊發日期，概無認股權證的認購權獲行使。
2. 擎峰被視作擁有Beaute所持有的合共204,000,000股股份權益，Beaute由林偉明先生及譚治生先生各自擁有50%權益。
3. Potentasia被視作擁有Beaute所持有的合共204,000,000股股份權益，Beaute由林偉明先生及譚治生先生各自擁有50%權益。

購股權計劃

本公司於二零零五年五月二十七日分別採納購股權計劃（「購股權計劃」）及首次公開發售前購股權計劃（「首次公開發售前購股權計劃」）。

以下為購股權計劃及首次公開發售前購股權計劃的主要條款概要（本節所用詞彙與售股章程所界定者具相同涵義）：

I) 購股權計劃

(a) 目的

購股權計劃旨在協助本集團及其受投資實體招聘及挽留優秀的合資格人士及吸引寶貴人力資源加入經擴大集團或受投資實體，確認合資格人士對經擴大集團或受投資實體發展的重大貢獻，讓彼等有機會獲得本公司的所有權權益，並進一步鼓勵及激勵有關合資格人士為經擴大集團或受投資實體的長期成功及長遠發展繼續作出貢獻。

(b) 可參與人士

經考慮各人的資歷、技能、背景、經驗、服務記錄及／或對經擴大集團有關成員公司或受投資實體的貢獻或潛在價值後，董事會可邀請其全權酌情選定的任何合資格人士，接納可按照下文(c)段計算的價格認購股份的購股權。

(c) 認購價及接納期

根據購股權計劃，股份認購價須由董事會全權酌情釐定及知會合資格人士，惟不得低於下列三項中的最高者：

- (i) 聯交所每日報價表所報股份於發售日期的收市價；
- (ii) 聯交所每日報價表所報股份於緊接發售日期前五(5)個營業日的平均收市價；及
- (iii) 股份面值。

合資格人士必須於發售日期起計十四(14)日內接納獲知會的任何有關要約，否則將被視為已拒絕。於接納要約時，承讓人須向本公司支付1.00港元作為授出代價。

(d) 購股權計劃所涉及的股份數目上限

(i) 在下文(d)(ii)段條文的規限下，

- (1) 根據購股權計劃及本公司任何其他購股權計劃將予授出的全部購股權獲行使時可能發行的股份總數，合共不得超過於上市日期所有已發行股份面值的百分之十(10%) (「計劃授權限額」，有關百分之十(10%)限額相當於40,000,000股股份)，除非本公司根據下文(d)(i)(2)及／或(3)段取得股東新批准則作別論；
- (2) 本公司可不時於股東大會上尋求股東批准更新計劃授權限額，從而根據購股權計劃及本公司任何其他購股權計劃將予授出的全部購股權獲行使時可能發行的股份總數，不得超過取得股東批准當日已發行股份的百分之十(10%)。本公司必須向股東寄發載有上市規則第17.02(2)(d)條規定的資料及第17.02(4)條規定的免責聲明的通函；及
- (3) 本公司可於股東大會上另行尋求股東批准授出超出計劃授權限額的購股權，惟超出計劃授權限額的購股權僅可授予於尋求有關批准前本公司指定並其後就此獲特別批准的合資格人士。本公司必須向股東寄發一份載有上市規則第17.03(3)條註釋1所規定資料的通函。

(ii) 根據上市規則第17.03(3)條註釋2的規定，根據購股權計劃及本公司任何其他購股權計劃所授出而有待行使的全部尚未行使購股權獲行使時可能發行的股份數目，最多合共不得超過不時已發行股份的百分之三十(30%)。此外，倘超過上述限額，則不會根據購股權計劃及本公司任何其他購股權計劃授出購股權。

(e) 每名承讓人可獲授股份上限

(i) 除非取得下文(e)(ii)段所述股東批准，於任何12個月期間，根據購股權計劃及本公司任何其他購股權計劃授予每名合資格人士的購股權（包括已行使、註銷及尚未行使的購股權）獲行使而已發行及將予發行的股份總數不可超過已發行股份的百分之一(1%)。

- (ii) 倘董事會建議根據購股權計劃及／或本公司任何其他購股權計劃向合資格人士授出購股權，將引致其有權認購的有關股份數目，加上以下三者的股份總數：(a)所有以往授予彼的購股權已獲行使而已發行的股份；(b)根據以往授予彼而目前為有效及未行使的所有購股權可予發行的股份；及(c)以往授予彼而於過去12個月期間直至及包括是次進一步授出日期內已註銷購股權所涉及的股份數目，超逾當時已發行股份百分之一(1%)，則進一步授出購股權須經股東於股東大會上另行批准，而該等合資格人士及其聯繫人士須放棄投票。本公司須遵守上市規則第17.03(4)條註釋的有關規定。

(f) 購股權計劃期限

購股權計劃的有效期為自二零零五年五月二十七日(即股東批准購股權計劃當日)起計十(10)年，其後不會再授出購股權，惟於購股權計劃有效期內已授的購股權將繼續根據其發行條款可予行使，而購股權計劃的條文在所有其他方面仍具十足效力及效用。

於本報告刊發日期，本公司並無根據購股權計劃授出任何購股權。

II) 首次公開發售前購股權計劃

首次公開發售前購股權計劃旨在(其中包括)讓參與者有機會獲得本公司的所有權權益，並肯定董事會全權酌情認為曾經或將會為經擴大集團作出貢獻的經擴大集團主要行政人員、高級管理人員及全職僱員(包括執行董事)所作出的重大貢獻，以及進一步鼓勵或獎賞有關人士。首次公開發售前購股權計劃的主要條款已由全體股東於二零零五年五月二十七日通過書面決議案批准及採納(仍受若干類似購股權計劃項下所述條件所限制)，除下列者外，大致與購股權計劃的條款相同：

- (a) 每股股份行使價為發售價的三分之一；
- (b) 所有批授購股權的購股權期間(「購股權期間」)自上市日期起計不超過三年；
- (c) 於股份及認股權證首次開始買賣當日起計六個月內不得行使購股權；

- (d) 在上文(c)段及上市規則有關規定的規限下，購股權可於購股權期間任何時間行使，惟聯交所每日報價表所報股份當日的收市價不得低於發售價的1.25倍；
- (e) 「合資格人士」指經擴大集團的主要行政人員、高級管理人員及全職僱員（包括經擴大集團執行董事）；
- (f) 首次公開發售前購股權計劃所涉及的股份總數為4,000,000股；及
- (g) 除根據首次公開發售前購股權計劃有條件授出可認購4,000,000股股份的購股權外，由於有關權利已於售股章程刊發當日遭終止，故不會再根據首次公開發售前購股權計劃發售或授出購股權。

於本報告刊發日期，本公司已根據首次公開發售前購股權計劃有條件授出，可按相等於發售價三分之一的行使價認購合共4,000,000股股份（相當於緊隨售股建議及資本化發行完成後本公司經擴大已發行股本1%）的購股權。

董事會報告

根據首次公開發售前購股權計劃向承讓人有條件授出可認購股份的購股權（倘悉數行使）詳情如下：

承讓人姓名	購股權行使期限	購股權行使價	授出購股權數目	於本報告刊發日期尚未行使之購股權數目
高級管理人員		港元		
鄭柏存先生 高級工程經理	二零零五年十二月十六日至 二零零八年六月十三日	0.55港元* 的三分之一	1,200,000	1,200,000
羅德偉先生 營運經理	二零零五年十二月十六日至 二零零八年六月十三日	0.55港元* 的三分之一	1,200,000	1,200,000
黃兆文先生 高級材料經理	二零零五年十二月十六日至 二零零八年六月十三日	0.55港元* 的三分之一	600,000	600,000
林偉雄先生 行政經理	二零零五年十二月十六日至 二零零八年六月十三日	0.55港元* 的三分之一	1,000,000	1,000,000
總計：			4,000,000	4,000,000

* 聯交所每日報價表所報股份於行使購股權當日的收市價不得低於0.55港元的1.25倍。

除上文所披露者外，本公司並無根據首次公開發售前購股權計劃授出任何購股權。

有關購股權計劃及首次公開發售前購股權計劃的詳情請參閱售股章程。

購買股份或債券的安排

除「購股權計劃」一節所披露者外，於年內任何時間，本公司並無向任何董事或彼等各自的配偶或未滿十八歲的子女授出任何權利，以認購本公司的證券而獲益，而彼等亦無行使上述權利。而本公司、其控股公司、其任何附屬公司或同系附屬公司亦無訂立任何安排，致使董事取得任何其他法人團體的有關權利。

足夠公眾持股量

根據本公司獲得的公開資料及就董事所知，於本報告付印前的最後實際可行日期，本公司根據上市規則的要求，維持本公司已發行股份的足夠公眾持股量。

獨立非執行董事的獨立性

本公司已接獲各獨立非執行董事有關其獨立性的年度確認。本公司認為所有獨立非執行董事均為獨立人士。

四年財務摘要

本集團於過去四個財政年度的業績、資產及負債摘要載於第65頁至第66頁。

關連人士交易

本集團於年內進行的關連人士交易詳情載於財務報表附註31。

上市規則第13.13至13.19條的披露事項

董事確認，彼等並不知悉有任何情況會導致須遵守上市規則第13.13至13.19條的披露規定，惟於二零零五年三月三十一日本集團主要客戶及獨立第三方Rayovac Corporation集團公司結欠未償還應收貿易賬款約19,200,000港元（款項為免息及無抵押，信貸期為60日），按發售價0.55港元計算，該筆款項佔本公司市值220,000,000港元約9%。

優先購股權

本公司的組織章程細則或開曼群島法例並無有關優先購買權的條文，規定本公司須按比例向現有股東發售新股份。

股份及認股權證持有人的稅項

(a) 香港

買賣分別登記於本公司於香港存置的股東登記分冊及認股權證持有人登記名冊的股份或認股權證，均須繳納香港印花稅。稅項按流動稅率徵收，即代價或（如較高）出售或轉讓的股份或認股權證的公平價值的0.2%（買賣雙方各繳付一半印花稅）。此外，任何股份過戶文件現須繳納5港元的固定稅項。於香港產生或獲得的股份及/或認股權證買賣收益可能亦須繳納香港利得稅。根據香港遺產稅條例（香港法例第111章）（經修訂），股份及認股權證均屬香港財產，因此，倘股份及/或認股權證持有人身故，可能須就此繳納香港遺產稅。

董事會報告

(b) 開曼群島

根據現行開曼群島法例，轉讓或以其他方式處理股份及認股權證可獲豁免繳納開曼群島印花稅。

(c) 建議徵詢專業稅務意見

擬持有股份及認股權證的人士如對認購、購買、持有、出售或處理股份或認股權證或行使所附帶權力的稅務影響存有疑問，應諮詢彼等的專業顧問。

主要客戶及供應商

於回顧年度內，本集團五大客戶的銷售額佔本年度總銷售額約65%，其中最大客戶的銷售額約佔36%。

本集團五大供應商的採購額佔本年度總採購額約39%，其中最大供應商的採購額約佔13%。

並無任何董事、彼等的任何聯繫人士或據董事所知持有本公司已發行股本超過5%的任何股東，於本集團五大客戶及供應商中擁有任何即時實益利益。

企業管治常規守則

董事認為，本公司由二零零五年六月十六日（即本公司上市日期）至本報告刊發日期期間，均遵守上市規則附錄14所載的企業管治常規守則的守則條文。

買賣或贖回本公司上市證券

於本報告刊發日期，本公司及任何附屬公司並無買賣或贖回本公司任何上市證券。

核數師

隨附的財務報表由德豪嘉信會計師事務所審核，彼將於應屆股東週年大會上告退，惟符合資格膺選連任。

本公司自註冊成立以來並無更換核數師。

承董事會命

主席

林偉明

香港，二零零五年七月二十二日

企業管治常規

香港聯合交易所有限公司引入的企業管治常規守則，為建福集團控股有限公司（「本公司」）提供全面指引，以評估及改善本公司的企業管治常規。

作為一家新上市公司，本公司於未來將會致力檢討及改善其企業管治常規。

董事的證券交易

本公司已採納香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十所載的上市發行人董事進行證券交易的標準守則（「標準守則」），作為監管本公司董事（「董事」）進行證券交易的操守守則。

本公司已向所有董事作出特別查詢，並接獲各董事的書面確認，確認彼等進行本公司的證券交易（如有）已遵守標準守則。

董事會

本公司董事會（「董事會」）由六名董事組成，其中三名為執行董事，即林偉明先生（「林偉明先生」，董事會主席）、譚治生先生（「譚治生先生」）、陳國棟先生；另外三名為獨立非執行董事，即趙帆華先生（「趙帆華先生」）、李智聰先生（「李智聰先生」）及李達華先生（「李達華先生」）。

於截至二零零五年三月三十一日止年度，董事會共舉行四次會議。

董事會負責監督本公司的策略發展，設定本公司目標，制定策略、政策及業務計劃，並監控業務及財務表現，以及根據本公司的目標制定適當政策。

董事會授權本公司委員會或高級管理人員處理需要進行討論、運用專業知識及經驗決定的事宜。

主席及行政總裁

林偉明先生及譚治生先生分別為本公司的主席及董事總經理。林偉明先生負責監督及管理本集團的銷售及市場推廣事務，而譚治生先生則負責監督及管理本集團的生產、質量控制、工程及設計事務。

企業管治報告

獨立非執行董事

各獨立非執行董事均與本公司簽訂委聘書，自二零零五年六月十六日起計為期一年，並將繼續有效，直至其中一方方向另一方發出不少於一個月的書面通知予以終止為止。

薪酬委員會

薪酬委員會由三名獨立非執行董事趙帆華先生、李智聰先生及李達華先生組成，負責制定薪酬政策以供董事會批准。李達華先生獲委任為薪酬委員會主席。

提名委員會

提名委員會由三名獨立非執行董事趙帆華先生、李智聰先生及李達華先生組成，負責制定提名政策以供董事會考慮，以及實施董事會制定的提名政策。趙帆華先生獲委任為提名委員會主席。

核數師酬金

核數師將會提供審核服務，並須事先經審核委員會批准。截至二零零五年三月三十一日止年度，就核數師提供的審核服務而支付予核數師的款項載於財務報表附註6。

審核委員會

本公司於二零零五年四月二十九日成立審核委員會，並設定符合上市規則的職權範圍。審核委員會由三名獨立非執行董事趙帆華先生、李智聰先生及李達華先生組成。趙帆華先生獲委任為審核委員會主席，彼為合資格會計師，擁有財務方面的合適專業資格及經驗。審核委員會各成員均非本公司前任或現任核數師的成員。

審核委員會的主要職責為（其中包括）檢討及監督本集團的財務申報程序及內部控制系統，審閱財務報表，特別關注(i)本集團會計政策及慣例的任何變動；(ii)是否遵循會計準則及(iii)是否符合法律規定，以及審閱本公司年報及中期報告。

審核委員會已與核數師共同審閱本公司截至二零零五年三月三十一日止年度的經審核財務報表。

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致建福集團控股有限公司全體股東
(於開曼群島註冊成立的有限公司)

本核數師已審核第25頁至第64頁的財務報表，該等財務報表乃按照香港公認會計原則編製。

董事及核數師各自的責任

編製真實公平的財務報表乃 貴公司董事的責任。在編製該等真實公平的財務報表時，董事必須採用適當的會計政策，並且貫徹應用該等會計政策。

本核數師的責任是根據審核的結果，對該等財務報表出具獨立意見，並僅向整體股東報告，除此之外本報告別無其他目的。本核數師不會就本報告的內容對任何其他人士負責或承擔任何責任。

意見基礎

本核數師按照香港會計師公會頒佈的核數準則進行審核工作。審核範圍包括以抽查方式查核與財務報表所載金額及披露事項有關的憑證，亦包括評估董事於編製財務報表時所作的重大估計及判斷，以及所採用的會計政策是否適合 貴公司及 貴集團的情況，並貫徹應用及充份披露該等會計政策。

本核數師在策劃及進行審核工作時，均以取得本核數師認為必需的所有資料及解釋為目標，以獲得充分憑證，合理確定該等財務報表是否存有重大錯誤陳述。在制定意見時，本核數師亦評估該等財務報表所載的資料在整體上是否足夠。本核數師相信吾等的審核工作為下列意見提供合理的基礎。

意見

本核數師認為，財務報表足以真實公平地顯示 貴公司與 貴集團於二零零五年三月三十一日的財務狀況及 貴集團截至該日止年度的溢利及現金流量，並按照香港公司條例的披露規定妥善編製。

德豪嘉信會計師事務所
執業會計師

香港，二零零五年七月二十二日

綜合收益表

截至二零零五年三月三十一日止年度

	附註	二零零五年 千港元	二零零四年 千港元
營業額	3	464,910	301,634
銷售成本		(370,729)	(232,979)
毛利		94,181	68,655
其他收益	4	12,215	6,790
銷售及分銷開支		(8,020)	(8,356)
一般及行政開支		(31,704)	(27,890)
土地及樓宇的減值虧損		–	(583)
經營溢利	6	66,672	38,616
融資成本	8	(3,912)	(3,495)
出售一家聯營公司的收益		–	22
攤分一家聯營公司的虧損		–	(11)
除稅前溢利		62,760	35,132
稅項	9	(5,357)	(4,056)
股東應佔溢利淨額		57,403	31,076
股息	10	40,000	80,000
每股基本盈利(仙)	11	19.13	10.36

綜合資產負債表

於二零零五年三月三十一日

	附註	二零零五年 千港元	二零零四年 千港元
非流動資產			
物業、廠房及設備	12	81,583	77,527
商譽	13	1,403	–
		82,986	77,527
流動資產			
存貨	15	60,881	50,867
應收賬款及票據	16	46,880	26,709
按金、預付款項及其他應收款項		12,617	4,225
應收一家關連公司款項	17	–	10,338
已抵押銀行存款		6,051	6,043
現金及現金等價物	18(b)	77,176	30,020
		203,605	128,202
流動負債			
應付賬款及票據	19	55,298	38,001
應計費用及其他應付款項		15,620	12,133
應付股息		32,489	17,429
應付一家關連公司款項	20	–	943
借貸—須於一年內償還	21	90,004	61,843
融資租約承擔			
—須於一年內償還	22	1,014	2,387
應付稅項		2,506	317
		196,931	133,053
流動資產／(負債)淨額		6,674	(4,851)
資產總值減流動負債		89,660	72,676
非流動負債			
借貸—須於一年後償還	21	7,622	7,841
融資租約承擔			
—須於一年後償還	22	599	930
遞延稅項	23	2,823	2,734
資產淨值		78,616	61,171

綜合資產負債表

於二零零五年三月三十一日

	附註	二零零五年 千港元	二零零四年 千港元
資本及儲備			
股本	24	100	58
儲備	25	78,516	61,113
		78,616	61,171

董事
林偉明

董事
譚治生

資產負債表

於二零零五年三月三十一日

	附註	二零零五年 千港元
非流動資產		
於附屬公司的投資	14	58
		58
流動資產		
按金、預付款項及其他應收款項		6,106
		6,106
流動負債		
應付一家附屬公司款項	14	6,064
		6,064
流動資產淨值		42
資產淨值		100
資本及儲備		
股本	24	100
儲備	25	—
		100

董事
林偉明

董事
譚治生

綜合現金流量表

截至二零零五年三月三十一日止年度

附註	二零零五年 千港元	二零零四年 千港元
經營業務所得的現金流量		
除稅前溢利	62,760	35,132
經調整：		
物業、廠房及設備的折舊	12,155	11,721
利息收入	(117)	(187)
利息開支	3,912	3,495
出售物業、廠房及設備的收益	-	(146)
土地及樓宇的減值虧損	-	583
出售一家聯營公司的收益	-	(22)
攤分一家聯營公司的虧損	-	11
未計營運資金變動前的經營溢利	78,710	50,587
應收聯營公司款項減少	-	574
存貨增加	(8,759)	(9,112)
應收賬款及票據增加	(15,032)	(8,081)
按金、預付款項及其他應收款項增加	(7,107)	(1,470)
應收一家關連公司款項(增加)／減少	(1,614)	8,375
應付賬款及票據增加	13,326	3,060
應計費用及其他應付款項增加	1,767	4,486
來自經營業務的現金淨額	61,291	48,419
利息開支	(3,912)	(3,495)
已付香港利得稅	(3,694)	(5,030)
來自經營活動產生的現金淨額	53,685	39,894
投資活動所得的現金流量		
購買物業、廠房及設備	(11,702)	(5,830)
已抵押銀行存款(增加)／減少	(8)	41
出售廠房及機器所得款項	-	146
收購附屬公司的現金流入淨額	4,618	-
於聯營公司投資增加	-	(1,000)
出售聯營公司所得款項	-	1,000
已收利息	117	187
投資活動所用現金淨額	(6,975)	(5,456)

綜合現金流量表

截至二零零五年三月三十一日止年度

	附註	二零零五年 千港元	二零零四年 千港元
融資活動所得的現金流量			
應收董事款項增加		(24,940)	(23,570)
發行股本		27	-
信託收據貸款增加		24,813	7,681
銀行借貸所得／(償還) 款項		3,130	(5,857)
償還融資租約負債		(2,584)	(1,284)
已付股息		-	(2,828)
融資活動產生／(所用) 現金淨額		446	(25,858)
現金及現金等價物增加淨額			
年初現金及現金等價物		30,020	21,440
年終現金及現金等價物	18(b)	77,176	30,020

綜合權益變動報表

截至二零零五年三月三十一日止年度

	二零零五年 千港元	二零零四年 千港元
年初股東權益	61,171	110,095
發行股本	42	-
股東應佔溢利淨額	57,403	31,076
已宣派中期股息	-	(80,000)
已宣派特別股息	(40,000)	-
年終股東權益	78,616	61,171

1. 重組及呈報基準

建福集團控股有限公司（「本公司」）於二零零四年十一月十日在開曼群島根據公司法註冊成立為受豁免有限公司。

根據透過股份交換（「股份交換」，已於二零零五年三月二十三日完成）將Asia Pilot Development Limited（「Asia Pilot」）及其附屬公司（包括建福實業有限公司（「建福香港」）及Sky Ocean Group Limited（「Sky Ocean」）轉讓予本公司（詳情見本公司於二零零五年五月三十一日刊發的售股章程（「售股章程」）），本公司成為該等公司的控股公司。

股份交換乃根據香港會計師公會（「香港會計師公會」）頒佈的香港會計實務準則（「會計實務準則」）第27號「集團重組的會計處理方法」的規定，採用合併會計法列賬。編製本集團截至二零零五年三月三十一日止年度的財務報表（包括比較數字）時，乃假設本公司於截至二零零五年及二零零四年三月三十一日止年度一直為上述公司的控股公司。

緊隨股份交換後，本公司於同日進行數項其他交易（「進一步收購事項」）以於二零零五年三月二十三日完成其重組，以籌備本公司股份上市。該等交易主要包括家利來電器有限公司（「家利來香港」）及其附屬公司東莞家利來電器有限公司（「東莞家利來」）（統稱「家利來集團」）權益的收購事項，詳情載於售股章程。家利來集團的業績以會計收購法計算。

本公司股份於二零零五年六月十六日（「上市日期」）在香港聯合交易所有限公司（「聯交所」）主板上市。

該等財務報表乃根據歷史成本法及香港公認會計原則編製，並符合香港會計師公會頒佈的會計準則。

香港會計師公會已頒佈一系列新增及經修訂香港財務報告準則及香港會計準則（「新香港財務報告準則」），並於二零零五年一月一日或之後開始的會計期間生效，惟香港財務報告準則第3號「業務合併」除外。本集團於截至二零零五年三月三十一日止年度的綜合財務報表內並無提前採納該等新香港財務報告準則。香港財務報告準則第3號適用於二零零五年一月一日或之後訂立協議的業務合併。本集團就收購家利來集團於二零零五年一月一日後訂立協議，因此採購香港財務報告準則第3號、香港會計準則第36號「資產減值」及香港會計準則第38號「無形資產」。根據香港財務報告準則第3號，商譽初步按成本確認為資產，並會每年核實確定有否出現減值。年內，綜合財務報表中並無確認商譽減值虧損。本集團已就其他新香港財務報告準則的影響進行初步評估，且認為採納該等新香港財務報告準則不會對其截至二零零五年三月三十一日止年度的營運業績及財務狀況造成重大影響。

財務報表附註

截至二零零五年三月三十一日止年度

2. 主要會計政策

本集團在編製綜合財務報表時所採納的主要會計政策載列如下：

a. 附屬公司

附屬公司指本公司可行使其控制權的實體。當本公司有能力控制一個實體的財務及營運政策時（以便自其活動獲取利益），則為獲得控制權。

於年內收購或出售附屬公司的業績已撥入自收購事項生效日期起或至出售生效日期止（如適用）的綜合收入報表內。

出售附屬公司的盈虧為出售所得款項與本集團應佔其資產淨值的差額。

b. 商譽

收購附屬公司所產生的商譽指收購成本超逾於收購事項日期所確認本集團應佔該附屬公司可分辦資產、負債及或有負債的公平淨值的數額。

商譽初步按成本確認為資產，並會每年核實確定有否出現減值，倘有跡象顯示出現減值，則會增加核實次數。

就減值核實而言，商譽分攤至本集團預期將會受益於合併而產生的協同效益的各個現金產生單位。倘現金產生單位的可收回金額少於該單位的賬面值，則本集團首先會分攤減值虧損以減少該單位獲分攤的任何商譽的賬面值，其後根據該單位各項資產的賬面值按比例分攤予該單位的其他資產。就商譽確認的減值虧損將不會於往後期間撥回。

出售附屬公司時，釐定出售盈虧時亦計及應佔商譽金額。

2. 主要會計政策 (續)

c. 收益確認

出售貨品的收益於出售貨品的所有權轉移至買方時 (即交付貨品時) 予以確認。

模具成本還款於達到雙方預期的所有償還開發成本條件及客戶妥為確認時予以確認。

佣金收入於提供有關推薦及聯絡客戶的服務時予以確認。

營運租約項下的租金收入按直線法於有關租約租期內確認。

利息收入就未償還本金根據適用利率按時間基準累計。

d. 所得稅

期間的所得稅包括即期稅項及遞延稅項。

即期稅項乃根據日常業務中的損益項目計算，並根據就所得稅而言屬非課稅或不獲減免項目而作出調整，以及使用於結算日已制定或大致制定的稅率計算。

遞延稅項乃來自就財務申報而言資產及負債的賬面值與用作課稅而言的相應款項兩者之間的臨時差額，並使用資產負債表負債法列賬。除對會計及應課稅溢利均不會造成影響的已確認資產及負債外，所有臨時差額均確認為遞延稅項負債。遞延稅項資產在有可動用應課稅溢利以扣除臨時差額的情況下予以確認。遞延稅項乃以預計於期內適用的稅率計算，而負債或資產則根據於結算日已制定或大致制定的稅率分別償還及變現。

所得稅乃於收入報表內確認，除非所得稅與於股本中直接確認的項目有關則作別論，而在此情況下，所得稅亦直接於股本內確認。

財務報表附註

截至二零零五年三月三十一日止年度

2. 主要會計政策 (續)

e. 物業、廠房及設備

物業、廠房及設備以成本減累計折舊及減值虧損(如有)列賬。資產的成本包括購買價格及將該項資產達致目前的運作狀態及付運至目前地點作原定用途而應佔的任何直接費用。物業、廠房及設備投入運作後產生的支出,例如日常維修保養及檢修費用,一般於產生該等支出時在該期間的收入報表中扣除。倘若能清楚顯示該等支出能增加預期於日後運用該資產而產生的經濟效益,該等支出則撥作該項資產的額外成本。

物業、廠房及設備如已出售或棄用,其撇銷的成本、累計折舊及減值虧損及任何自出售產生的盈利或虧損均計入收入報表。

折舊以直線法按其估計使用年期撥備,以撇銷物業、廠房及設備,年率如下:

於香港的租賃土地	按租賃的剩餘年期
位於香港的樓宇	2.5%
位於中國的土地及樓宇	2%至5%
租賃物業的裝修	20%
廠房及機器	10%
傢俱、裝置及設備	20%
汽車	20%
模具	20%

f. 借貸成本

所有借貸成本於產生期內計入收入報表列為開支。然而,因收購、建造或生產資產(需於一段長時間方能達到其原定的用途或作出售用途的資產)而直接產生的借貸成本,則撥充資本至該等資產的部份成本。如為日後支付該等資產的支出而借入若干指定借貸,並因短暫投資於該等借貸而賺得任何收入,該等收入將從資本化的借貸成本中扣除。

g. 存貨

存貨以成本及可變現淨值兩者中的較低者列賬。

成本包括直接材料及(如適用)直接勞工成本及其他使存貨付運至目前地點及達致目前狀況所產生的任何間接費用,按先入先出法計算。

可變現淨值指於正常商業過程中的估計售價減為完成商業過程而產生的估計成本及為進行銷售所需的估計成本。

2. 主要會計政策 (續)

h. 減值

本集團每年於結算日審核有形及無形資產面值以確定其於年內是否減值。如資產出現減值，便會釐定該資產（或現金產生單位（如適用））的可收回金額。如面值超過可收回金額，資產便會被減值至可收回金額。因此產生的減值虧損於收益報表內確認為開支，除非資產以重估金額列賬，而重估盈餘於權益內確認。在此情況下，倘減值虧損不超過盈餘，則會直接與重估盈餘抵銷確認。

如用作釐定可收回金額的估計數值發生變化，減值虧損則可予撥回。如一項減值虧損因此撥回，該資產的面值便增至其撥回的可收回金額的估計數值，但增加的面值不得超過該資產於往年未曾確認減值虧損時釐定的面值。減值虧損於撥回時即時確認為收入，除非相關資產以重估金額列值，在此情況下，撥回的減值虧損視作重估增值處理。

i. 現金及現金等價物

現金及現金等價物乃按成本於綜合資產負債表中列賬。就綜合現金流量表而言，現金及現金等價物包括庫存現金、銀行通知存款、到期日為自投資日期起不超過三個月的現金投資及銀行透支。

j. 租賃

若根據租賃條款，租賃所有權項下絕大部份的風險及回報將轉讓予承租人，有關租賃則列作融資租約。其他所有租賃一律列作營運租約。

融資租約項下持有的資產會確認為本集團的資產，金額相等於租賃開始時最低租賃款項的公平價值及現值（以較小者為準）減累計折舊及減值虧損。出租方的有關責任撥入資產負債表列作融資租約承擔。融資成本指租賃承擔總額與收購資產的公平價值兩者的差額，並將按有關租約的年期撥入收入報表。

根據營運租約支付的租金將按直線法於租賃年期所涵蓋的會計期間確認為開支。

財務報表附註

截至二零零五年三月三十一日止年度

2. 主要會計政策 (續)

k. 研究及開發成本

研究成本於產生時列作開支。如可顯示完成開發中產品在技術上可行及有此意圖，並且具備所需資源，而成本可予確定，以及有能力銷售或使用資產於將來或可產生未來經濟利益，則任何與新產品或改良產品的設計、測試及生產技術有關的開發項目所產生的成本，將確認為一項資產，並且在預期產生未來利益期間按直線基準攤銷。

l. 僱員福利

(i) 界定供款退休金計劃

法律規定的強制性公積金供款義務，即界定供款退休金計劃，在產生時於收入報表內確認為開支。

(ii) 僱傭條例長期服務金

本集團的若干香港僱員在本集團已服務一定年期，符合資格在終止僱用時根據香港僱傭條例獲得長期服務金。倘上述終止僱用符合僱傭條例列明的條件，本集團須支付該等款項。由於終止僱用一事不會造成本集團的資源在未來大量流出，因此並無就該等款項確認撥備。

(iii) 終止福利

終止福利只會於本集團有正式的具體辭退計劃且沒有撤回該計劃的實質可能性，並且明確表示會終止僱用或由於自願遣散而提供福利時，方會予以確認。

(iv) 其他僱員權益

僱員享有年假及因退休或終止聘用而享有長期服務假的權益，將於產生時予以確認。

2. 主要會計政策 (續)

m. 撥備及或然負債

如本集團因過去的事件須承擔法定或推定責任，而履行有關責任很可能引致可合理估計經濟效益的流出，則會就未確定時間或金額的負債提撥準備。如金額的時間價值重大，則會以履行責任時預期產生的支出的現值提撥準備。

當不可能需要產生經濟效益流出時，或金額無法可靠估計，該債務則須披露為或然負債，除非產生經濟效益流出的可能性極低，則當別論。純粹憑一宗或多宗未來事件是否發生而確定存在的潛在債務，除非產生經濟效益流出的可能性極低，否則亦同時披露為或然負債。

n. 外幣

期內的外幣交易乃以交易當日的滙率換算為港元。於結算日以外幣計值的貨幣資產及負債乃以當日適用的市場滙率換算為港元。所有的滙兌差額撥入收入報表處理。

o. 股息

董事將擬派及宣派的中期股息直接確認為負債。

董事於結算日後擬派及宣派的末期股息被分類為資產負債表內資本及儲備中的獨立保留溢利分派。獲股東批准的末期股息乃確認為負債。

p. 關連人士

如本集團有能力直接或間接控制其他方或對其他方在作出財務及營運決策時行使重大影響力，則有關方會被視為關連人士。如有關方受共同控制或共同重大影響，則有關方亦被視為關連人士。

財務報表附註

截至二零零五年三月三十一日止年度

2. 主要會計政策 (續)

q. 分類報告

分類是本集團可資識別的組成部份，涉及提供產品（業務分類）或於特定經濟環境內提供產品（區域分類），而各自的風險及回報互有不同。

分類收益、開支、業績、資產及負債包括某一分類的直接應佔項目及可合理分配予該分類的項目。

根據本集團的內部財務報告慣例，本集團已確定將業務分類列為主要報告形式，而將區域分類列為次要報告形式。

3. 營業額

本集團的主要業務為設計、製造及銷售電子美髮產品、電子保健產品及其他小型家庭電器。營業額指出售貨物的發票淨額，而出售貨物乃年內最重大的收益類別。

4. 其他收益

	二零零五年 千港元	二零零四年 千港元
模具成本還款	7,734	2,291
佣金收入	2,861	3,784
出售物業、廠房及設備的收益	—	146
利息收入	117	187
樣本銷售額	101	24
雜項收入	1,402	358
	12,215	6,790

5. 分類資料

分類資料乃就本集團的業務及區域分類而呈列。由於本集團在作出營運及財務決策時，以業務劃分類別較為適宜，故業務分類資料選定為主要報告形式。

(a) 業務分類

本集團經營的單一業務為設計、製造及銷售電子美髮產品、電子保健產品及其他小型家庭電器。

(b) 區域分類

本集團的收益主要來自歐洲、南北美洲、亞洲及澳洲的客戶，而本集團的業務活動則主要在香港及中國進行。

以下為本集團按客戶所在地劃分的銷售額分析：

	二零零五年 千港元	二零零四年 千港元
歐洲	341,257	220,507
北美及南美洲	35,426	26,506
亞洲	30,667	28,628
澳洲	48,064	19,625
非洲	9,496	6,368
	464,910	301,634

以下為按資產所在地區劃分的分類資產賬面值分析：

	分類資產	
	二零零五年 千港元	二零零四年 千港元
香港	142,008	85,462
中國（不包括香港）	143,180	120,267
	285,188	205,729
商譽	1,403	—
	286,591	205,729

財務報表附註

截至二零零五年三月三十一日止年度

5. 分類資料 (續)

(b) 區域分類 (續)

以下為按資產所在地區劃分的資本開支分析：

	資本開支	
	二零零五年 千港元	二零零四年 千港元
香港	289	242
中國 (不包括香港)	12,293	5,939
	12,582	6,181

6. 經營溢利

經營溢利已扣除／(計入) 下列各項：

	二零零五年 千港元	二零零四年 千港元
核數師酬金	300	161
出售存貨成本	370,729	232,979
折舊		
— 擁有	10,326	9,730
— 根據融資租約持有	1,829	1,991
滙兌虧損淨額	1,521	1,147
員工成本 (包括董事酬金及 退休福利計劃供款)		
— 基本薪金、獎金、津貼及 實物利益	50,569	40,839
— 減：中國分加工協議項下支付款項	(32,616)	(24,597)
	17,953	16,242
退休福利計劃供款	448	386
研發成本 (附註(i))	4,532	4,373
滯銷存貨撥備／(撥回)	(104)	199

附註：

(i) 研發成本主要包括負責研發工作的工程師的薪金，該等金額計入員工成本內。

7. 董事及高級行政人員的酬金

(a) 董事酬金

已付及應付本公司董事酬金的詳情如下：

	二零零五年 千港元	二零零四年 千港元
袍金	—	—
薪金、津貼及實物利益	3,705	3,456
酌情花紅	195	—
退休福利計劃供款	36	34
	3,936	3,490

董事酬金按人數及酬金組別分析如下：

	二零零五年 人數	二零零四年 人數
零至1,000,000港元	—	1
1,000,001港元至1,500,000港元	3	2
	3	3

董事酬金如下：

	二零零五年 千港元	二零零四年 千港元
董事A	1,442	1,442
董事B	1,442	1,442
董事C	1,052	606
	3,936	3,490

年內，董事並無作出任何安排放棄或同意放棄任何酬金（二零零四年：無）。

年內，並無任何獨立非執行董事收取本集團的任何酬金（二零零四年：無）。

財務報表附註

截至二零零五年三月三十一日止年度

7. 董事及高級行政人員的酬金(續)

(b) 五名最高薪人士

年內本集團五名最高薪酬人士如下：

	二零零五年 千港元	二零零四年 千港元
董事	3,936	3,490
非董事	2,110	1,650
	6,046	5,140

上述非董事人士的酬金詳情如下：

	二零零五年 千港元	二零零四年 千港元
薪金、津貼及實物利益	1,705	1,626
酌情花紅	381	—
退休福利計劃供款	24	24
	2,110	1,650

非董事人士的酬金按人數及酬金組別分析如下：

	二零零五年 人數	二零零四年 人數
零至1,000,000港元	2	2

本集團並無向任何董事或五名最高薪人士支付任何酬金，作為邀請加盟本集團或加盟本集團後的獎金或作為離職補償(二零零四年：無)。

8. 融資成本

	二零零五年 千港元	二零零四年 千港元
銀行貸款及透支的利息 (附註(i))	1,051	1,318
信託收據貸款利息	2,781	2,018
融資租約利息	80	159
	3,912	3,495

附註：

(i) 銀行貸款及透支須於五年內悉數償還。

9. 稅項

綜合收益表的稅項金額如下：

	二零零五年 千港元	二零零四年 千港元
現行利得稅－香港		
－ 年內稅項	5,268	3,377
－ 過往年度超額撥備	–	(77)
	5,268	3,300
遞延稅項 (附註23)		
－ 本年度	234	(169)
－ 過往年度 (超額撥備) / 撥備不足	(145)	925
	89	756
年內稅項支出	5,357	4,056

由於本集團於開曼群島或英屬處女群島並無產生應繳利得稅的收入，故並無就該等司法權區作出任何利得稅撥備。

香港利得稅乃根據估計應課稅溢利減承前可扣稅虧損，按17.5% (二零零四年：17.5%) 的稅率計提撥備。

財務報表附註

截至二零零五年三月三十一日止年度

9. 稅項 (續)

根據中華人民共和國(「中國」)相關法例及規例,東莞家利來須按所得稅率24%繳納稅項。東莞家利來乃本集團於二零零五年三月二十三日收購的全資附屬公司,屬外資企業。於抵銷過往年度的稅務虧損後,東莞家利來亦於二零零三年首個獲利年度起計兩年獲豁免繳納企業所得稅,隨後三年按適用稅率的50%繳納稅項。截至二零零五年三月三十一日止年度的綜合收益表並無就中國企業所得稅撥備。

稅項開支可與綜合收益表所載的溢利對賬如下:

	二零零五年 千港元	二零零四年 千港元
除稅前溢利	62,760	35,132
香港利得稅適用稅率	17.5%	17.5%
按香港利得稅適用稅率計算的稅項支出	10,983	6,148
無須課稅收入對釐定應課稅溢利的稅務影響 (附註(i))	(5,543)	(3,268)
不可扣減開支對釐定應課稅溢利的稅務影響	62	199
過往年度利得稅超額撥備	-	51
過往年度遞延稅項負債(超額撥備)/撥備不足	(145)	925
其他	-	1
	5,357	4,056

附註:

- (i) 此乃主要為建福香港獲香港稅務局頒佈的釋義及執行指引第21號的規定豁免的一半應課稅溢利。

10. 股息

於截至二零零五年及二零零四年三月三十一日止年度已宣派及派付的股息乃指本集團一家附屬公司於重組前宣派予其當時股東的股息。

	二零零五年 千港元	二零零四年 千港元
中期股息	—	80,000
特別股息	40,000	—
	40,000	80,000

董事認為，由於股息率及享有股息的股份數目就該等財務報表而言並無意義，故並無呈列有關資料。

11. 每股盈利

每股基本盈利乃根據本集團股東應佔溢利約57,403,000港元（二零零四年：31,076,000港元）計算。

用作計算每股基本盈利的股份數目為300,000,000股普通股，包括年內已發行100,000,000股普通股及本公司資本化發行200,000,000股普通股，該等股份被視作於二零零三年四月一日起已發行。

由於在本年度內並無出現攤薄事項，故並無呈列每股攤薄盈利（二零零四年：無）。

財務報表附註

截至二零零五年三月三十一日止年度

12. 物業、廠房及設備

本集團

	於香港的 租賃土地 及樓宇 (附註(i) 、(iii)) 千港元	於中國的 土地及 樓宇 (附註(ii) 、(iii)) 千港元	租賃 物業裝修 千港元	廠房及 機器 千港元	裝置、 傢俱 及設備 千港元	汽車 千港元	模具 千港元	合計 千港元
成本								
於二零零三年四月一日	15,938	43,284	3,990	34,138	6,151	2,320	32,480	138,301
添置	-	-	190	1,329	1,083	-	3,579	6,181
出售	-	-	-	(756)	(337)	-	(2,878)	(3,971)
於二零零四年三月三十一日	15,938	43,284	4,180	34,711	6,897	2,320	33,181	140,511
添置	-	-	478	1,637	5,369	-	5,098	12,582
收購附屬公司	-	2,480	9	905	177	58	-	3,629
出售	-	-	-	(4,978)	(504)	-	(3,305)	(8,787)
於二零零五年三月三十一日	15,938	45,764	4,667	32,275	11,939	2,378	34,974	147,935
累計折舊及減值								
於二零零三年四月一日	3,418	3,579	2,196	15,717	3,641	1,883	24,217	54,651
年內折舊	352	1,002	836	3,471	1,193	181	4,686	11,721
減值虧損	-	583	-	-	-	-	-	583
出售時撥回	-	-	-	(756)	(337)	-	(2,878)	(3,971)
於二零零四年三月三十一日	3,770	5,164	3,032	18,432	4,497	2,064	26,025	62,984
年內折舊	352	930	931	3,137	2,115	181	4,509	12,155
出售時撥回	-	-	-	(4,978)	(504)	-	(3,305)	(8,787)
於二零零五年三月三十一日	4,122	6,094	3,963	16,591	6,108	2,245	27,229	66,352
賬面淨值								
於二零零五年三月三十一日	11,816	39,670	704	15,684	5,831	133	7,745	81,583
於二零零四年三月三十一日	12,168	38,120	1,148	16,279	2,400	256	7,156	77,527

12. 物業、廠房及設備 (續)

附註：

(i) 本集團於租賃土地及樓宇的權益乃位於香港及根據中期租約持有。租賃土地及樓宇已予抵押，作為本集團獲授銀行融資的部份抵押品 (附註26)。

(ii) 於中國的土地及樓宇指本集團為使用兩幅集體所有的土地而須付的一筆過租金，加上在其上興建樓宇所產生的建築成本及雜費。

於一九九二年三月，本集團與寶安縣新安鎮鳳凰崗經濟發展公司就租賃集體所有的土地及興建深圳廠房而簽訂一份廠房投資協議。該協議為期二十年，將於二零一二年屆滿。

於一九九五年三月，本集團與東莞市常平鎮霞坑經濟聯合社就租賃位於東莞的集體所有的土地而簽訂一份土地使用權協議。該協議為期五十年，將於二零四五年屆滿。該幅位於東莞的集體所有土地已於一九九七年動工興建東莞建福廠。

於生產設施由深圳加工廠遷至東莞建福廠後，本集團於二零零三年四月根據深圳加工協議終止加工安排。於深圳的土地及樓宇及其各自於終止使用權當日的賬面值約583,000港元已於二零零四年財政年度悉數減值。

就於東莞的土地及樓宇而言，本集團於二零零三年十一月指定了東莞家利來向有關部門申請國有土地使用權及建於其上的樓宇的所有權證。東莞家利來已於二零零四年五月取得國有土地使用證，其後於二零零四年十二月，東莞家利來進一步取得建於其上的樓宇的法定所有權。

(iii) 為籌備本公司上市，本集團物業、廠房及設備中的香港租賃土地及樓宇及中國土地及樓宇，已由獨立物業估值公司保柏國際評估有限公司按照其於現有用途下的公開市值於二零零五年二月二十八日重新估值。由於本集團將物業權益按成本減減值及折舊列賬，故重估盈餘淨額約9,700,000港元並無計入本集團的綜合財務報表內。

本集團根據融資租約持有的物業、廠房及設備的賬面淨值概述如下：

	廠房及機器 千港元	裝置、傢俬 及設備 千港元	汽車 千港元	合計 千港元
於二零零五年三月三十一日	5,783	1,135	—	6,918
於二零零四年三月三十一日	7,048	686	143	7,877

財務報表附註

截至二零零五年三月三十一日止年度

13. 商譽

本集團

千港元

成本

於二零零四年四月一日	—
因收購附屬公司產生	1,403
於二零零五年三月三十一日	1,403

減值

於截至二零零五年三月三十一日止年度確認的減值虧損及 於二零零五年三月三十一日的結餘	—
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賬面值

於二零零五年三月三十一日	1,403
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於二零零四年三月三十一日	—
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年內撥充資產的商譽乃因收購附屬公司的權益而產生，有關收購已於二零零五年三月二十三日完成。

14. 於附屬公司的投資

本公司

	二零零五年 千港元	二零零四年 千港元
非上市股份，按成本	58	—

應付一家附屬公司的款項乃無抵押、免息及無固定還款期。

附屬公司的詳情如下：

公司名稱	註冊成立／ 註冊及營業地點	本公司應佔所有權 權益百分比		主要業務
		直接	間接	
Asia Pilot	英屬處女群島	100%		投資控股
建福香港	香港		100%	設計、製造及銷售 電子美髮產品、 電子保健產品 及其他小型 家庭電器
Sky Ocean	英屬處女群島		100%	投資控股
家利來香港	香港		100%	投資控股及貿易
東莞家利來	中華人民共和國		100%	設計、 製造及銷售電子 美髮產品及 其他電器

財務報表附註

截至二零零五年三月三十一日止年度

15. 存貨

本集團

	二零零五年 千港元	二零零四年 千港元
原材料	44,721	34,426
在製品	4,204	3,466
成品	14,578	15,701
	63,503	53,593
滯銷存貨撥備	(2,622)	(2,726)
	60,881	50,867

存貨當中的原材料部份約為2,666,000港元(二零零四年:2,188,000港元)已扣除撥備後列賬,以按該等存貨的成本與預計可變現淨值的較低者列賬。

存貨當中的製成品部份約為859,000港元(二零零四年:19,000港元)已扣除撥備後列賬,以按該等存貨的成本與預計可變現淨值的較低者列賬。

16. 應收賬款及票據

本集團

	二零零五年 千港元	二零零四年 千港元
應收賬款	38,386	20,743
應收票據	8,494	5,966
	46,880	26,709

16. 應收賬款及票據 (續)

本集團 (續)

本集團授出的信貸期一般由14至90日不等。應收賬款的賬齡分析如下：

	二零零五年 千港元	二零零四年 千港元
賬齡：		
60日內	27,456	17,291
61至120日	7,045	1,732
121至365日	2,947	719
365日以上	938	1,001
	38,386	20,743

應收票據一般於一至三個月內到期。

17. 應收一家關連公司款項

本集團

根據香港公司條例第161B條披露的董事控制公司結欠貸款詳情如下：

	二零零五年 千港元	年內最高 未償還金額 千港元	二零零四年 千港元
家利來香港	-	10,338	10,338

於二零零四年三月三十一日，應收家利來香港的款項為應收佣金及非貿易性資金墊款。該等款項乃無抵押、免息及無固定還款期。本集團於二零零五年三月二十三日收購家利來香港的股本權益後，家利來香港成為本集團的全資附屬公司。因此，家利來香港於二零零五年三月三十一日結欠的款項於綜合賬目時對銷。

財務報表附註

截至二零零五年三月三十一日止年度

18. 綜合現金流量報表補充資料

(a) 收購附屬公司：

	二零零五年 千港元	二零零四年 千港元
物業、廠房及設備	3,629	—
存貨	1,255	—
應收貿易款項	5,139	—
按金、預付款項及其他應收款項	1,285	—
現金及銀行結餘	4,623	—
其他應付款項及應計開支	(1,720)	—
應付貿易款項	(3,971)	—
應付關連公司款項	(11,009)	—
應付稅項	(615)	—
	(1,384)	—
商譽	1,403	—
總代價(附註)	19	—
支付方式：		
現金	5	—
本公司股份	14	—
	19	—

附註：銷售代價為協定的象徵式代價19,200港元。

有關收購附屬公司的現金及現金等價物流入淨額分析：

	二零零五年 千港元	二零零四年 千港元
現金代價	(5)	—
已收購現金及銀行結餘	4,623	—
收購附屬公司的現金流入淨額	4,618	—

18. 綜合現金流量報表補充資料(續)

(b) 現金及現金等價物餘額分析載列如下：

	二零零五年 千港元	二零零四年 千港元
現金及銀行結餘	77,176	30,020

(c) 重大非現金交易

截至二零零五年三月三十一日及二零零四年三月三十一日止年度，本集團分別以約880,000港元及351,000港元購買物業、廠房及設備，並透過融資租約協議清付。

截至二零零四年三月三十一日止年度，建福香港宣佈派發中期股息每股8,000港元（合共80,000,000港元）。於80,000,000港元的宣派股息中，約62,571,000港元與應收董事結餘抵銷（該董事同時亦為本公司股東），而於二零零四年三月三十一日仍有結餘約17,429,000港元尚未支付。截至二零零五年三月三十一日止年度，建福香港宣佈派發特別股息每股4,000港元（合共40,000,000港元），導致應付股息總額增加至約57,429,000港元。其中約24,940,000港元與年內付予董事的非貿易性墊款產生的應收董事結餘抵銷。於二零零五年三月三十一日的未償還款項約為32,489,000港元。

19. 應付賬款及票據

本集團

供應商授出的信貸期一般由30至120日不等。應付賬款及票據賬齡分析如下：

	二零零五年 千港元	二零零四年 千港元
賬齡：		
60日內	39,021	25,664
61至120日	10,260	8,550
121至365日	5,738	3,423
365日以上	279	364
	55,298	38,001

應付票據一般於一個月內到期。

財務報表附註

截至二零零五年三月三十一日止年度

20. 應付一家關連公司款項

本集團

	二零零五年 千港元	二零零四年 千港元
東莞家利來	—	943

於二零零四年三月三十一日，應付東莞家利來的款項主要為償付東莞家利來的開支。該款項乃無抵押、免息及無固定還款期。本集團收購東莞家利來的股本權益後，東莞家利來成為本集團的全資附屬公司。因此，東莞家利來於二零零五年三月三十一日結欠的款項於綜合賬目時對銷。

21. 借貸

本集團

	二零零五年 千港元	二零零四年 千港元
有抵押借貸包括：		
信託收據貸款	71,629	46,816
銀行貸款，有抵押	25,997	22,868
	97,626	69,684

上述借貸的到期情況如下：

	二零零五年 千港元	二零零四年 千港元
一年內	90,004	61,843
第二年	4,062	5,620
第三至第五年（首尾兩年包括在內）	3,560	2,221
	97,626	69,684
已計入流動負債的一年內應付款項	(90,004)	(61,843)
	7,622	7,841

銀行貸款由建福香港的物業、本公司董事林偉明先生及譚治生先生簽立的個人擔保及銀行存款押記作為抵押。於結算日後，董事提供的個人擔保已經解除，並以本公司的公司擔保取代。

22. 融資租約承擔

本集團

本集團的融資租約承擔應按以下安排支付：

	二零零四年三月三十一日		
	最低租約 付款現值 港元	未來期間的 利息支出 港元	最低租約 付款總額 港元
一年內	2,387	107	2,494
第二年	741	157	898
第三至第五年(首尾兩年包括在內)	189	11	200
	3,317	275	3,592
已計入流動負債的一年內應付款項	(2,387)	(107)	(2,494)
	930	168	1,098
	二零零五年三月三十一日		
	最低租約 付款現值 港元	未來期間的 利息支出 港元	最低租約 付款總額 港元
一年內	1,014	31	1,045
第二年	448	27	475
第三至第五年(首尾兩年包括在內)	151	7	158
	1,613	65	1,678
已計入流動負債的一年內應付款項	(1,014)	(31)	(1,045)
	599	34	633

上述租約承擔乃以下列方式作為抵押：

- (a) 建福香港的租賃資產(附註12)；及
- (b) 本公司董事(林偉明先生及譚治生先生)提供的共同及個別擔保為數不少於8,000,000港元。

於結算日後，董事提供的個人擔保已經解除，並以本公司的公司擔保取代。

財務報表附註

截至二零零五年三月三十一日止年度

23. 遞延稅項

本集團

已於合併資產負債表中確認的遞延稅項資產及負債組成部份及變動如下：

	加速 折舊撥備 千港元
於二零零三年四月一日	1,978
於收益表扣除	756
於二零零四年三月三十一日	2,734
於二零零四年四月一日	2,734
於收益表扣除	89
於二零零五年三月三十一日	2,823

當稅項與同一稅務機關有關，且容許抵銷時，則可扣除遞延稅項資產及負債。

24. 股本

本公司股份於二零零四年十一月十日（註冊成立日期）至二零零五年三月三十一日及截至上市日期止期間的變動如下：

法定股本	附註	每股面值0.001港元 的普通股數目	面值 港元
於註冊成立時及二零零五年三月三十一日	(i)	500,000,000	500,000
法定股本增加	(vi)	500,000,000	500,000
於上市日期		1,000,000,000	1,000,000

24. 股本 (續)

已發行股本	附註	每股面值0.001港元 的普通股數目	面值 港元
註冊成立時以未繳股款方式配發及發行 於二零零四年十一月十九日	(ii), (iii)	1	—
以未繳股款方式配發及發行 於股份交換時發行股份	(ii), (iii)	1	—
於收購附屬公司時發行股份	(iii)	58,399,998	58,400
於二零零五年三月二十三日發行新股份	(iv)	14,400,000	14,400
	(v)	27,200,000	27,200
於二零零五年三月三十一日		100,000,000	100,000
於二零零五年五月二十七日			
以未繳股款方式配發及發行 新發行股份	(vii)	200,000,000	—
股份溢價賬撥充資本	(vii)	100,000,000	100,000
	(vii)	—	200,000
於上市日期		400,000,000	400,000

附註：

- (i) 本公司於二零零四年十一月十日在開曼群島註冊成立，法定股本為500,000港元，分為500,000,000股每股面值0.001港元的股份。
- (ii) 於註冊成立時，本公司以未繳股款方式配發及發行一股面值為0.001港元的新股份。於二零零四年十一月十九日，本公司以未繳股款方式配發及發行一股面值為0.001港元的新股份。
- (iii) 於二零零五年三月二十三日，本公司就附註1所載的股份交換發行合共58,399,998股股份，入賬列為繳足股款。此外，本公司將兩股未繳股款股份按面值入賬列為繳足股款股份。
- (iv) 根據附註1所載於二零零五年三月二十三日生效的進一步收購事項，本公司於二零零五年三月二十三日完成收購事項後以現金代價及發行合共14,400,000股股份收購若干附屬公司。
- (v) 於二零零五年三月二十三日，本公司按面值合共發行27,200,000股每股面值0.001港元的股份換取現金。
- (vi) 於二零零五年四月二十九日，全體股東通過書面決議案，據此批准本公司透過增設500,000,000股額外股份，將法定股本由500,000港元增加至1,000,000港元。
- (vii) 根據全體股東於二零零五年五月二十七日通過的決議案，本公司透過將股份溢價賬200,000港元撥充資本，向二零零五年四月二十九日營業時間結束時名列本公司股東名冊的當時現有股東，按彼等各自的持股比例配發及發行200,000,000股每股面值0.001港元的繳足股款股份。有關配發及撥充資本須待本公司股份於聯交所上市而發行新股份後設立股份溢價賬後，方可作實。
- (viii) 於上市日期，本公司向公眾人士按溢價0.549港元發行100,000,000股股份（連認股權證），現金總額為54,900,000港元。發行價與股份面值的差額於扣除股份發行費用後，已計入本公司的股份溢價賬。

財務報表附註

截至二零零五年三月三十一日止年度

24. 股本 (續)

購股權

於二零零五年三月三十一日後，本公司於二零零五年五月二十七日採納購股權計劃(「購股權計劃」)及首次公開發售前購股權計劃(「首次公開發售前購股權計劃」)。

根據購股權計劃及首次公開發售前購股權計劃，董事可酌情向各計劃界定的任何合資格人士授予購股權，以按董事根據相關上市規則釐定的認購價認購本公司股份。根據本公司購股權計劃及首次公開發售前購股權計劃可授出購股權涉及的股份總數不得超過(i)40,000,000股股份(即上市日期已發行股份總數的10%)，或(ii)股東不時批准本公司已發行股本的30%。

於本報告刊發日期，本公司並無根據購股權計劃授出任何購股權。

於二零零五年五月二十八日，本公司根據首次公開發售前購股權計劃有條件向若干主要高級管理人員授出購股權，可按相等於發售價三分之一(即0.55港元)的行使價認購合共4,000,000股股份。該批購股權可於二零零五年十二月十六日至二零零八年六月十三日期間隨時行使，惟股份於該日在聯交所每日報價表所報的收市價不得低於發售價1.25倍。

認股權證

於二零零五年三月三十一日後，本公司發行合共100,000,000份認股權證。認股權證乃以紅股方式發行予售股建議及資本化發行(定義見售股章程)完成時名列本公司股東名冊的所有股東，所按比例為每持有四股股份獲發一份認股權證，單位為認股權證持有人認購權0.30港元。認股權證的認購價為每股0.60港元，認購期為二零零五年六月十六日至二零零八年六月十三日。於本報告刊發日期，並無認股權證的認購權獲行使。

25. 儲備

本集團

	合併儲備 (附註(i)) 千港元	保留溢利 千港元	合計 千港元
於二零零三年四月一日	942	109,095	110,037
股東應佔溢利淨額	—	31,076	31,076
中期股息	—	(80,000)	(80,000)
於二零零四年三月三十一日及四月一日	942	60,171	61,113
股東應佔溢利淨額	—	57,403	57,403
特別股息	—	(40,000)	(40,000)
於二零零五年三月三十一日	942	77,574	78,516

25. 儲備 (續)

附註：

- (i) 本集團的合併儲備指根據股份交換收購附屬公司的股本面值與本公司發行作交換的股本面值兩者之間的差額。

誠如《中華人民共和國外資企業法實施細則》所述，本集團於二零零五年三月二十三日收購的全資附屬公司東莞家利來須將中國法定賬戶錄得的每年除稅後溢利撥付10%至法定儲備基金，直至基金結餘達註冊資本50%為止。法定儲備基金只可於相關部門批准後用作彌補虧損及撥充資本。

本公司

於二零零五年三月三十一日，本公司並無可供分派予股東的儲備。

26. 銀行融資

於二零零五年三月三十一日，本集團約194,000,000港元的銀行融資以下列方式作為抵押：

- a. 存放於銀行的定期存款為數約6,000,000港元；
- b. 本公司董事林偉明先生及譚治生先生提供的個人擔保；及
- c. 本集團及其關連公司威菱發展有限公司及生光資源有限公司的租賃土地及樓宇。

於結算日後，董事提供的個人擔保及上文(b)及(c)所述的有關連公司租賃土地及樓宇已經解除，並以本公司的公司擔保取代。

27. 退休福利

本集團根據強制性公積金計劃條例，就強制性公積金退休福利計劃（「強積金計劃」）為全體香港僱員作出定額供款。本集團需按全體香港僱員月薪的5%（最高供款額為1,000港元）向強積金供款。

財務報表附註

截至二零零五年三月三十一日止年度

27. 退休福利(續)

本集團於二零零五年三月二十三日收購的全資附屬公司東莞家利來的僱員須參與中國地方市政府設立的定額供款退休福利計劃，據此附屬公司及僱員須向計劃每月供款，比例為僱員上一年度平均月薪的23%。

年內，本集團的供款額約為448,000港元(二零零四年：386,000港元)。

28. 或然負債

- (i) 於二零零五年三月三十一日，本集團有關銀行貼現票據的或然負債約為14,300,000港元(二零零四年：9,500,000港元)。
- (ii) 於二零零四年四月二十七日，WIK Far East Limited(「WIK」)在高等法院向本集團一家附屬公司提出訴訟，乃關於指稱侵犯伸縮式毛刷的專利權。

董事已確認雙方尚未達成和解，目前亦未就法律訴訟對本集團造成損害賠償的數額作出裁決。本集團已就成功申索的機會向法律顧問徵詢法律意見。

根據法律顧問的意見，由於審訊尚未開始，雙方仍處於訴訟的初步階段，而在WIK並無示意將如何處理申索的情況下，倘本集團附屬公司於訴訟中就侵犯專利權的申索抗辯失敗，則無法可靠計算本集團可能須承擔的損害賠償金額及費用。假設WIK將申索溢利損失損害賠償或所得利潤，董事認為本集團將會產生的最終費用及損害賠償(如有)不會對本集團的財務狀況造成重大不利影響。

倘訴訟產生負債，控股股東共同及個別同意及承諾就該等負債向本集團提供賠償。

29. 資本承擔

	二零零五年 千港元	二零零四年 千港元
購買廠房及設備的承擔：		
已訂約但未於財務報表中撥備	3,664	2,682

30. 租約安排

本集團已就土地及樓宇支付經營租約租金如下：

	二零零五年 千港元	二零零四年 千港元
最低租約租金	42	17

本集團於不可撤銷經營租約項下的到期未來最低租約租金如下：

	二零零五年 千港元	二零零四年 千港元
一年內	61	12
第二至第五年(首尾兩年包括在內)	—	—
	61	12

31. 關連人士交易

除上文附註17、18、20及26所載列的交易及結餘外，本集團於年內進行了下列重大關連人士交易：

	附註	二零零五年 千港元	二零零四年 千港元
售予：			
優力電子(香港)有限公司(「優力香港」)	(i)	—	3,055
家利來香港	(i)	50	—
		50	3,055
購自：			
家利來香港	(i)	7,411	540

財務報表附註

截至二零零五年三月三十一日止年度

31. 關連人士交易 (續)

	附註	二零零五年 千港元	二零零四年 千港元
已收取佣金自：			
優力香港	(ii)	—	80
東莞家利來	(ii)	2,861	3,703
		2,861	3,783
償付開支：			
東莞家利來	(iii)	1,602	943
豁免收取佣金開支：			
賓利國際有限公司	(iv)	158	—

附註：

- (i) 售貨予優力香港及家利來香港的銷售額是以成本加成基準釐定，購貨自家利來香港的購買額則以雙方彼此協定的條款釐定，有關條款與本集團向其他第三方供應商購買類似產品的條款相若。
- (ii) 收取自優力香港及東莞家利來的佣金是為介紹及推薦商機及提供全面管理支援工作而收取。收取自優力香港的佣金已釐定為每個售予客戶的產品單位0.5港元。收取自東莞家利來的佣金已釐定為經建福香港介紹銷售予主要客戶的產品的總銷售價（包括增值稅）的15%至25%。
- (iii) 應付東莞家利來的償付開支是以成本重新計算。
- (iv) 林偉明先生為賓利國際有限公司的實益擁有人。

董事認為上述關連人士交易是在本集團日常業務過程中按一般商業條款進行。

32. 最終控股公司

董事認為於二零零五年三月三十一日的最終控股公司為Beaute Inc.。Beaute Inc.於英屬處女群島註冊成立。

33. 結算日後事項

除於本綜合財務報表另有披露外，二零零五年三月三十一日後並無發生其他重要事項。

34. 批准財務報表

董事會已於二零零五年七月二十二日批准及授權刊發財務報表。

四年財務摘要

綜合收益表

	截至三月三十一日止年度			二零零五年 千港元
	二零零二年 千港元	二零零三年 千港元	二零零四年 千港元	
營業額	290,323	284,882	301,634	464,910
銷售成本	(241,621)	(215,111)	(232,979)	(370,729)
毛利	48,702	69,771	68,655	94,181
其他收益	8,761	4,820	6,790	12,215
土地及樓宇的減值虧損	–	–	(583)	–
出售物業、廠房及設備的虧損	–	(3,473)	–	–
銷售及分銷開支	(9,925)	(9,438)	(8,356)	(8,020)
一般及行政開支	(31,975)	(26,330)	(27,890)	(31,704)
經營溢利	15,563	35,350	38,616	66,672
融資成本	(6,406)	(5,054)	(3,495)	(3,912)
重估虧損	–	(2,020)	–	–
出售附屬公司的收益	–	20,504	–	–
出售聯營公司的收益	–	790	22	–
攤分聯營公司的盈虧	36	(802)	(11)	–
除稅前溢利	9,193	48,768	35,132	62,760
稅項	(742)	364	(4,056)	(5,357)
股東應佔溢利淨額	8,451	49,132	31,076	57,403
股息	–	2,828	80,000	40,000
每股基本盈利(仙)	2.82	16.38	10.36	19.13

四年財務摘要

綜合資產負債表

	於三月三十一日			
	二零零二年 千港元	二零零三年 千港元	二零零四年 千港元	二零零五年 千港元
非流動資產				
物業、廠房及設備	108,234	83,650	77,527	81,583
於聯營公司的權益	78	563	–	–
商譽	–	–	–	1,403
	108,312	84,213	77,527	82,986
流動資產				
存貨	36,701	41,755	50,867	60,881
應收賬款及票據	11,520	18,628	26,709	46,880
按金、預付款項及其他應收款項	1,502	2,755	4,225	12,617
應收董事款項	29,253	39,001	–	–
應收關連公司款項	582	17,770	10,338	–
已抵押銀行存款	2,561	6,084	6,043	6,051
現金及現金等價物	12,696	23,176	30,020	77,176
	94,815	149,169	128,202	203,605
流動負債				
應付賬款及票據	45,434	34,941	38,001	55,298
應計費用及其他應付款項	12,301	7,647	12,133	15,620
應付股息	–	2,828	17,429	32,489
應付董事款項	2,986	–	–	–
應付一家關連公司款項	–	–	943	–
借貸—須於一年內償還	31,037	51,965	61,843	90,004
銀行透支·有抵押	197	1,736	–	–
融資租約承擔—須於一年內償還	4,106	1,959	2,387	1,014
應付稅項	–	2,047	317	2,506
	96,061	103,123	133,053	196,931
流動資產／(負債)淨額	(1,246)	46,046	(4,851)	6,674
資產總值減流動負債	107,066	130,259	72,676	89,660
非流動負債				
借貸—須於一年後償還	35,468	15,895	7,841	7,622
融資租約承擔—須於一年後償還	3,065	2,291	930	599
遞延稅項	4,742	1,978	2,734	2,823
資產淨值	63,791	110,095	61,171	78,616
資本及儲備				
資本	58	58	58	100
儲備	63,733	110,037	61,113	78,516
	63,791	110,095	61,171	78,616