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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00464)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

RESULTS HIGHLIGHTS

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Operating results		
Turnover	331,913	313,822
Gross profit	59,856	68,984
EBITDA	34,023	41,312
Operating profit	29,597	33,740
Net profit	20,061	30,034
Per share data	**HK cents**	HK cents
Earnings per share (Basic)	4.614	6.931
Earnings per share (Diluted)	4.598	6.927
Interim dividend per share	1.38	2.10
Net assets per share	79.1	68.8
Financial position	**HK$'000**	HK$'000
Cash and cash equivalents	126,942	139,725
Total assets	616,778	554,126
Net assets	344,043	298,265
Financial ratio		
Gross profit margin	18.0%	22.0%
EBITDA to revenue	10.3%	13.2%
Operating profit to revenue	8.9%	10.8%
Net profit to revenue	6.0%	9.6%
Return on equity	5.8%	10.1%
Net cash to equity	5.2%	13.4%

INTERIM RESULTS

On behalf of the Board of Directors (the "Board"), I am pleased to present the unaudited interim results of Kenford Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2011 (the "current period") together with the comparative figures for the corresponding period last year (the "last corresponding period").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Notes	**Six months ended 30 September 2011 (Unaudited) HK$'000**	2010 (Unaudited) HK$'000
Turnover	3	331,913	313,822
Cost of sales		(272,057)	(244,838)
Gross profit		59,856	68,984
Other income and gains		11,244	5,160
Distribution costs		(5,135)	(5,165)
Administrative expenses		(36,368)	(35,239)
Operating profit		29,597	33,740
Fair value (loss)/gain on equity securities held for trading	6	(2,646)	373
Finance income		96	123
Finance cost		(590)	(616)
Profit before income tax expense	6	26,457	33,620
Income tax expense	7	(6,396)	(3,586)
Profit for the period, attributable to owners of the Company		20,061	30,034
Other comprehensive income			
Exchange differences on translating foreign operations		3,673	2,138
Total comprehensive income for the period, attributable to owners of the Company		23,734	32,172
Earnings per share (HK cents)	8		
- Basic		4.614	6.931
- Diluted		4.598	6.927
DIVIDENDS	9	6,057	9,100

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	**As at 30 September 2011 (Unaudited) HK$'000**	As at 31 March 2011 (Audited) HK$'000
Assets			
Non-current assets			
Property, plant and equipment	11	155,666	158,678
Payments for leasehold land held for own use under operating leases		3,963	3,944
Goodwill		1,403	1,403
Total non-current assets		161,032	164,025
Current assets			
Inventories		143,167	92,817
Trade and bills receivables	12	169,271	143,505
Deposits, prepayments and other receivables		10,586	10,782
Equity securities held for trading	13	5,780	8,426
Cash and cash equivalents		126,942	144,756
Total current assets		455,746	400,286
Total assets		616,778	564,311
Liabilities			
Current liabilities			
Trade payables	14	106,626	83,928
Accruals and other payables		32,603	29,513
Borrowings		108,236	91,325
Obligations under finance leases - due within one year		506	499
Current tax liabilities		10,936	10,192
Total current liabilities		258,907	215,457
Non-current liabilities			
Obligations under finance leases - due after one year		363	618
Deferred tax liabilities		13,465	13,166
Total non-current liabilities		13,828	13,784
Total liabilities		272,735	229,241
Net current assets		196,839	184,829
Total assets less current liabilities		357,871	348,854
NET ASSETS		344,043	335,070

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	As at 30 September 2011 (Unaudited) HK$'000	As at 31 March 2011 (Audited) HK$'000
Capital and reserves attributable to owners of the Company		
Share capital	439	433
Share premium	58,873	55,496
Merger reserve	942	942
Properties revaluation reserve	43,553	43,553
Exchange fluctuation reserve	13,019	9,346
Share-based compensation reserve	574	1,162
Proposed dividends	6,057	17,333
Retained profits	220,586	206,805
TOTAL EQUITY	344,043	335,070

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

1. GENERAL INFORMATION

Kenford Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 10 November 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 June 2005. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is at Room 1106-8, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

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

These condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The preparation of these condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements include selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2011. These condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA. HKFRSs include all applicable HKFRSs, HKASs and related interpretations. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2011.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for leasehold land and buildings in Hong Kong, buildings in the People's Republic of China which are measured at revalued amounts, and equity securities which are carried at fair value with changes in fair value recognised in profit or loss.

Except for the adoption of the following new or revised HKFRSs, the accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2011.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The Group has adopted the following new and revised HKFRSs that are relevant to the Group and are effective for accounting periods beginning on 1 April 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

Following the adoption of amendment to HKAS 34, as part of the Improvements to HKFRSs 2010, it emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

There was no material impact as a result of the adoption of other revised HKFRSs.

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 period.

4. SEASONALITY OF OPERATIONS

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

5. SEGMENT INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision-maker (i.e. the board of directors) for the purposes of assessing segment performance and allocating resources.

The Group has one reportable segment, which is design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances and as a result, segment assets and liabilities, revenue and expenses are allocated to that single reportable segment.

The measure used for reportable segment profit is profit before income tax expense.

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue from external customers	331,913	313,822
Segment profit	26,457	33,620

	30 September 2011	31 March 2011
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Segment assets	616,778	564,311

An analysis of the Group's revenue by geographical location of external customers is as follows:

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Europe	144,064	163,096
Asia	135,358	83,785
North and South America	40,362	48,012
Australia	9,243	9,080
Africa	2,886	9,849
	331,913	313,822

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories recognised as an expense	272,057	244,838
Depreciation of property, plant and equipment	7,025	7,153
Amortisation of payments for leasehold land held for own use under operating leases	47	46
Interest on:		
- bank loan wholly repayable within five years	245	284
- trust receipt loans	318	295
- finance leases	27	37
	590	616
Loss on disposal of property, plant and equipment, net	36	1
Write down of inventories	-	1,129
(Reversal of impairment)/Impairment of trade receivables	(300)	162
Exchange losses, net	500	87
Fair value loss/(gain) on equity securities held for trading	2,646	(373)
Dividend income from equity securities held for trading	(86)	(38)
Interest income	(96)	(123)

7. INCOME TAX EXPENSE

The amount of income tax expense charged to the condensed consolidated statement of comprehensive income represents:

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$ '000	HK$ '000
Current tax		
- Hong Kong Profits Tax	90	2,439
- PRC Enterprise Income Tax ("EIT")	6,306	1,309
	6,396	3,748
Deferred tax	-	(162)
Income tax expense	6,396	3,586

No provision for income tax for group entities in the Cayman Islands or the British Virgin Islands has been made as these entities had no income assessable for income tax purposes in these jurisdictions for current and prior periods.

7. INCOME TAX EXPENSE - CONTINUED

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2010: 16.5%) of the estimated assessable profits for the period.

Group entities operating in the PRC are subject to EIT at a rate of 25% (six months ended 30 September 2010: 25%).

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	20,061	30,034
	Number of shares	
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	434,791	433,336
Effect of dilutive potential ordinary shares:		
- options	1,554	265
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	436,345	433,601
Basic earnings per share (HK cents)	4.614	6.931
Diluted earnings per share (HK cents)	4.598	6.927

9. DIVIDENDS

The Board recommends the payment of interim dividend for the six months ended 30 September 2011 at the rate of HK1.38 cents per share, totalling HK$6,057,179, payable on 3 January 2012 to the shareholders of the Company (six months ended 30 September 2010: HK2.1 cents per share, totalling HK$9,100,056).

The amount of interim dividend is based on 438,926,000 shares (six months ended 30 September 2010: 433,336,000 shares) in issue as at 22 November 2011.

10. SHARE-BASED PAYMENTS

The Company operates an equity-settled share-based remuneration for directors and other senior management.

Details and movements of the share options are as follows:

	30 September 2011 (Unaudited)		31 March 2011 (Audited)	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
Outstanding at beginning of the period/year	0.53	12,790,000	0.53	12,790,000
Exercised during the period/year	0.50	(5,590,000)	-	-
Outstanding at end of period/year	0.55	7,200,000	0.53	12,790,000

The weighted average exercise price of options outstanding at the end of reporting period was HK$0.55 (31 March 2011: HK$0.53) and their weighted average remaining contractual life was 2.35 years (31 March 2011: 2.52 years).

In accordance with HKFRS 2, the fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$4,586,000 (six months ended 30 September 2010: HK$6,214,000) on the acquisition of property, plant and equipment and disposal of property, plant and equipment with an aggregate carrying amount of approximately HK$2,605,000 (six months ended 30 September 2010: HK$10,800).

12. TRADE AND BILLS RECEIVABLES

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

	30 September 2011 (Unaudited) HK$'000	31 March 2010 (Audited) HK$'000
Trade receivables	144,495	125,868
Bills receivables	24,776	17,637
	169,271	143,505

12. TRADE AND BILLS RECEIVABLES - CONTINUED

The aging analysis of trade receivables, net of impairment, prepared based on delivery date is as follows:

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Aged:		
Within 60 days	115,176	82,392
61 - 120 days	28,738	43,476
121 - 365 days	581	-
	144,495	125,868

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

13. EQUITY SECURITIES HELD FOR TRADING

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Equity securities held for trading		
- Listed in Hong Kong	5,780	8,426

14. TRADE PAYABLES

In generl, the credit terms granted by suppliers agreed from 30 to 120 days. The aging analysis of trade payables prepared based on goods received date is as follows:

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Aged:		
Within 60 days	97,847	76,938
61 - 120 days	6,265	5,461
121 - 365 days	2,135	1,167
More than 365 days	379	362
	106,626	83,928

MANAGEMENT AND DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2011 (the "current period") was HK$331,913,000, an increase of 5.8% from HK$313,822,000 of the corresponding period last year (the "last corresponding period"). This increase was primarily attributable to the growth of sales of electrical hair care products in the domestic China market and the ability to increase selling price to compensate in part for the huge surge in operating expenses.

Gross profit for the current period amounted to HK$59,856,000, a decrease of 13.2% from HK$68,984,000 in the last corresponding period. Gross profit over revenue ("gross profit margin") during the current period was 18% compared to 22% in the last corresponding period. The drop was mainly caused by the significant hikes in raw materials and labour costs, accompanied by the appreciation of Renminbi.

In line with the drop of gross profit, operating profit for the current period was HK$29,597,000, a decrease of 12.3% from HK$33,740,000 in the last corresponding period. The proportion of operating profit to revenue dropped to 8.9% compared to 10.8% in the corresponding period last year.

During the current period, the Group recognised a loss arising from changes in fair value of equity securities held for trading of HK$2,646,000. As a result of the temporary market volatility, which happened immediately prior to 30 September 2011, fair value of these securities dropped significantly. Accordingly, the Group had to account for this drop in fair value in profit or loss. This item did not affect the cash flow of the Group for the current period.

Earnings before interest, tax, depreciation and amortization ("EBITDA") dropped to HK$34,023,000, a decline of 17.6% from HK$41,312,000 of the last corresponding period. Affected by the increase in operating expenses and the inclusion of the fair value loss on trading securities, EBITDA over revenue ("EBITDA Margin") was 10.3% compared to 13.2% of the last corresponding period. Had the fair value loss on the trading securities been excluded, the EBITDA Margin would have been 11%.

Profit for the current period dropped to HK$20,061,000, a decrease of 33.2% from HK$30,034,000 of the last corresponding period.

Basic earnings per share amounted to HK4.614 cents, a drop of 33.4% from HK6.931 cents of the corresponding period last year.

The Board of Directors ("The Board") has resolved to declare an interim dividend of HK1.38 cents per share (six months ended 30 September 2010: HK2.1 cents), totalling HK$6,057,179 (six months ended 30 September 2010: HK$9,100,056).

BUSINESS REVIEW

Market Review

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

During the current period, the pace of global economic recovery slowed compared to the robust expansion last year. Troubled by the bearish America economy and the recent market turmoil caused mainly by the Euro Zone debt crisis, overall consumption of electrical goods in both North America and Europe was still weak. Amidst this challenging market environment, the demand for the Group's hair care products in Asia, especially, China, showed promising double-digit growth.

With such a rise in demand, the Group was able to reduce the dependence on the European market to 43% in the current period from 52% in the last corresponding period. At the same time, the turnover contribution from Asia increased to 41% in the current period from 27% in the last corresponding period. As more and more consumers are longing for hair beauty products in emerging markets, like Colombia, Chile, Uruguary and the Ukraine, the Group believes that the geographical distribution of revenue should be more evenly distributed in the coming years.

During the current period, electrical hair care products still represented the Group's main revenue stream, accounting for approximately 96% of the total turnover. Within this product category, hair dryers led the way followed by hair straighteners, airbrush, curling tongs and hair crimpers. Other products such as heat sterilizers, footbaths, facial saunas, juicers, coffee makers and spare parts contributed the balance of 4%.

Most of the Group's customers are famous global brands. Our five major customers accounted for approximately 79% and 73% of the Group's total turnover in the current period and the last corresponding period, respectively.

Operations Review

Today's consumers are increasingly concerned about grooming of their hair in additional to styling. They are looking for hair dryers that can promise softer, shiner and healthier hair and hair straighteners that can leave the hair straight, shiny and smooth. The Group is able to meet their demands as most of our products boast the features of ionizing; ceramic coating; self-heat regulating; convenient cool-shot button (to cool hair quickly and hold a hair style); diffusing; removable air filter (to prevent overheating and breakdown) and are light in weight.

In order to sustain our competitiveness in this industry, the Group is devoting more resources to the research and development ("R&D") of new innovative and value-added applications for hair care products especially in the area of hair nutrition, over-heating signal, quiet performance and fast drying times. Besides our in-house R&D team, the Group also collaborates with university and other research teams in product development. The cooperation with The Hong Kong Polytechnic University and with research teams in Japan have provided cost-effective research results. The strengthened R&D enables the Group to more quickly develop and efficiently ramp up production of our new products. It also provides new business momentum for the Group to tap opportunities in this industry.

The Group has faced operating challenges common to other manufactures in Mainland China, such as the appreciating Renminbi and increased operation costs and general expenses. Thought there has been less pressure on the Renminbi to appreciate in the 3rd quarter, the market still believes this currency would appreciate to around 6.3 (per USD) by end of this year, a rise of approximately 4.6% for all 2011. Movements of all the metal commodities, such as copper; aluminium alloy, silvers, and plastic resin are very choppy given the uncertainty on the European debt issues. The monthly minimum wage in Dongguan increased from RMB920 to RMB1,100 commencing from March 2011. The Group's gross profit margin was heavily hit by these factors, as it was very difficult to pass all of the higher expenses on to customers.

The Group realises that in the long run, it is necessary to transform itself from a labour intensive operation into more of a capital-intensive enterprise. It has strived to improve the competitiveness of the production by adopting the "Lean Programme" since late 2010. The objective of this programme is to increase production efficiency and reduce cost waste. We have specially engaged a professional consultant and a lean manager to implement and monitor this long-term project. It is expected that capital investment of approximately HK$18 million for production automation and set up will be spent in this fiscal year. As we are still in the early stage of this Programme, the cost saving result will not be realised in such a short period of time.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group's outstanding bank borrowings amounted to HK$109,105,000 (31 March 2011: HK$92,442,000). The borrowings comprised bank loan facilities of HK$49,359,000 and trade finance facilities of HK$59,746,000. The maturity profile of the Group's borrowings falling due within one year and in the second to the fifth year amounted to HK$90,850,000 and HK$18,255,000, respectively. (31 March 2011: HK$70,121,000 and HK$22,321,000, respectively)

After deducting cash and cash equivalents of HK$126,942,000 (31 March 2011: HK$144,756,000), the Group has a net cash position of HK$17,837,000 (31 March 2011: HK$52,314,000) while the current ratio stood at 1.76 (31 March 2011: 1.86).

The Group has been maintaining a healthy liquidity position and has continuously monitored sufficient financial resources to meet the working capital and capital expenditure requirement.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2011, the Group employed 54 employees in Hong Kong (six months ended 30 September 2010: 58) and employed a total work force of approximately 2,722 (six months ended 30 September 2010: 3,035) inclusive of all its staff and workers in China. The Group's remuneration policy is built on the principle of equitable, incentive-based where applicable, performance-oriented and market-competitive remuneration packages to employees. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

OUTLOOK AND PROSPECTS

Our R&D team continues to work on new product development and we believe our product lines will expand and incorporate more features in the near future. The Lean Programme will increase overall productivity by minimising the reliance on headcount and smoothly cope with the future increase in demand.

Since China remains the brightest spot in the world economy, sales penetration in the domestic China market will be stepped up. Growth in emerging markets, such as Colombia, Chile, Uruguary and the Ukraine, is promising and the Group will continue to work with business partners to diversify its business in these regions.

Over the years, the Group's gross and net margins have registered promising performances addressing various challenges though we are confronting rising raw material and labour costs now. We are well equipped to face this volatile business environment by leveraging the resources of the Group. We expect our performance to deliver better returns for our shareholders.

SHARE CAPITAL

During the six months ended 30 September 2011, the listed shares of HK$0.001 each in the share capital of the Company (the "Share") was 438,926,000 Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2011, except for the deviation from the CG Code Provision A.2.1. Under this CG code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lam Wai Ming holds the position of Chairman currently and is deemed to be the Chief Executive Officer. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies and development plans. The Board believes that the balance of power and authority is adequately ensured.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2011.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 29 April 2005 with written terms of reference in compliance with the Listing Rules. During the period, the Board of Directors appointed Mr. Choi Hon Keung as a member of the Audit Committee. The Audit Committee comprises four Independent Non-Executive Directors, namely Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung and Mr. Li Tat Wah. Mr. Chiu Fan Wa, who is a qualified accountant with appropriate professional qualification and experience in financial matters, was appointed as the chairman of the Audit Committee. None of the Audit Committee members are members of the former or existing auditors of the Company.

The Audit Committee together with the management, has reviewed the accounting principles and practices adopted by the Group and has discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 December 2011 to Thursday, 15 December 2011, both days inclusive, during which period no transfers of Shares duly accompanies by the relevant Share certificates, and the appropriate transfer forms must be lodged for registration with the Company's share register in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 9 December 2011. The record date will be on Thursday, 15 December 2011. The last day in Hong Kong of dealings in the Shares with entitlement to interim dividend will be on Wednesday, 7 December 2011. Shares will be traded ex-dividend as from Thursday, 8 December 2011. The interim dividend will be paid on Tuesday, 3 January 2012.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

APPRECIATION

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

By Order of the Board
Lam Wai Ming
Chairman

Hong Kong, 22 November 2011

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