建福集團控股有限公司

KENFORD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 464)

2008 Annual Report

Contents

Corporate Information

DIRECTORS

Executive Directors
Lam Wai Ming *(Chairman)*
Tam Chi Sang *(Managing Director)*
Chan Kwok Tung, Donny, FCIS, FCS, ACIB, AHKIB
(resigned on 16 June 2008)

Independent Non-Executive Directors
Chiu Fan Wa, FCCA, FCPA (Practising), ACA, ACIS, ACS
Li Chi Chung
Li Tat Wah

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tse Wun Ying, MA, CPA, FCCA, ACA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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WEBSITES

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www.equitynet.com.hk/0464

STOCK CODE: 464

AUDITORS

BDO McCabe Lo Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISER

Sit, Fung, Kwong & Shum
18th Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Dah Sing Bank Limited

Chairman's Statement

On behalf of the board of directors (the "**Board**"), I am pleased to present the audited consolidated financial results of Kenford Group Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") for the year ended 31 March 2008.

Despite the arising from certain structured financial arrangements, the overall performance of the core business of the Group recorded a sound improvement. For the year ended 31 March 2008, turnover and net profit of the Group recorded HK$552.9 million and HK$17.7 million respectively, representing an increase of 2.9% and a decrease of 61.8% as compared to HK$537.3 million and HK$46.3 million for last year. The net profit before the tax and loss on financial assets amounted to HK$58.6 million, representing a 16% growth. The loss on financial assets was non-recurring in nature and the Board believes that the principal activities of the Group remain strong and intact and the Group continues to maintain a healthy liquidity position and has sufficient financial resources to meet its ordinary operation and capital expenditure.

During the year, the Company had successfully raised HK$18 million from the market through placement of new shares of the Company. The fund raised enhanced the capital base of the Company and provided strong resource for the Group to expand its core business and to explore new business opportunities in the future.

Facing the on-going changing business environment in the Mainland China, many small-scale factories are experiencing difficulties in running their business. This adverse factor in turn benefits us by knocking out the weak market players in an accelerating manner. With high adaptability, experienced management team and high financial liquidity, our market position could further be enhanced.

Looking ahead, the persistent market fluctuation of raw material costs, the surge of labour cost in the Dongguan region, the instability in power supply, the appreciation of Renminbi and the slowdown of the global capital market pose as challenges to the industry. In response, the Group has been implementing prudent cost control as well as business models to cope with these challenges against our business. We have been re-engineering our manufacturing processes and our supply chain processes continuously for cost saving purpose. Our management realises the importance of shifting towards semi-automation in order to reduce the reliance on intensive labour. Our management realises the prolong impact of the appreciation of Renminbi on the Group and has been sourcing appropriate tools to minimize our risk exposure. Currently, our management takes a prudent approach in minimizing our risks in Renminbi fluctuation exposure by maintaining 100% capital protection short-term deposit with the banker at a reasonable yield. Our management has been modifying our business and strategic plans in order to cope with the dynamic environment.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders for their confidence in the Group, our worldwide customers for their trust and support in our products and services throughout the years, our staffs for their dedication as well as our bankers and business associates for their continuing support.

By order of the Board
Lam Wai Ming
Chairman

Hong Kong, 25 July 2008

Management Discussion and Analysis

BUSINESS REVIEW

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. Besides the loss arising from certain structured financial arrangements, during the year under review, the Group's overall business performance was satisfactory. For the year ended 31 March 2008, turnover and net profit of the Group were HK$552.9 million and HK$17.7 million respectively, representing an increase of 2.9% and a decrease of 61.8% as compared to HK$537.3 million and HK$46.3 million for last financial year.

The decrease in net profit was due to the loss of HK$40.7 million arising from certain structured financial arrangements. In the announcement dated 31 January 2008, the Directors had stated that the Group's results for the financial year ended 31 March 2008 would be adversely affected as a result of the loss arising from certain structured product contracts entered into by the Company with a bank to minimise its potential foreign exchange risk exposure to appreciation of Renminbi. In summary:

– Such contracts were fully settled before 31 March 2008. There will be no further loss arising from such structured financial arrangement in the financial years of 2008/09 and beyond. Please refer to note 30(a)(ii) to the Financial Statement.

– The Directors consider that this is an one-off but non-recurring event.

– The Executive Directors and the newly-recruited financial controller will be responsible for risk management to prevent re-occurrence of similar incident. One of the new guidelines adopted is by maintaining 100% capital protection for principal as guaranteed by a reputable bank when entering into any future arrangement for financial products.

– While the total loss from these contracts amounted to HK$40.7 million, the Group's financial position is still sound and solid. Net borrowing was HK$1.2 million as at 31 March 2008 as compared to HK$13.2 million as at 31 March 2007.

The net profit before tax and the loss arising from certain structured financial arrangements amounted to HK$58.6 million, representing a 16% growth. The Board believes that the core businesses of the Group are strong. The Group will continue to concentrate on improving its profitable core businesses and developing those businesses which are potentially profitable.

DIVIDEND

The Board has recommended the payment of a final dividend of HK1.5 cents per share (2007: a final dividend of HK2.0 cents and a special final dividend of HK1.0 cent). An interim dividend for the six months ended 30 September 2007 at the rate of HK2.3 cents per share (2007: HK1.5 cents) was paid on 30 January 2008 to the shareholders of the Company.

PROSPECTS

The sub-prime mortgage financial crisis of 2007 affects the US economy and the risk of recession is apparently increasing. The operating environment for the consumer electronic industry will continue to be difficult. The Group will set up a risk management committee comprising the Executive Directors and the financial controller to cope with the dynamic environment such as the appreciation of Renminbi, the price fluctuation of raw materials, the increase of labour costs and the changing business environment.

The production of our new plant is expected to commence at the second half of the calendar year of 2008. Our production capacity is expected to increase by approximately 25% to 33% thereafter. With the increased production capacity, we are positive to cater for future increase in market shares and strengthen cost control by economies of scale.

To maintain a stable growth of revenue, the Group secures quality customers for existing products and enriches its product mix. It focuses on higher margin customers and products to enhance profitability. To enhance our competitiveness, the Group injects resources in developing our research and development capabilities so as to bring more differentiated products with value added features to the market. Our strategy remains to concentrate on developing better lifestyle products in ODM, OEM and OBM instead of traditional electrical appliances. We will explore more business opportunities in other new products categories and other niche markets. To stay in line with our future organic and/or generic growth in the market, we will explore appropriate business opportunities in synergy with our business strategies to help us create greater value for our shareholders.

FINANCIAL REVIEW

For the year ended 31 March 2008, the Group recorded a turnover of HK$552.9 million (2007: HK$537.3 million), representing an increase of approximately 2.9% over that of last year. The product line for electrical hair care products remains the focus of the Group. The turnover attributable to the sale of electrical hair care products accounted for approximately HK$533.9 million, representing approximately 96.6% of the turnover of the Group. The maintenance of a stable turnover was due to the recognition of our products by the worldwide markets. We have developed a stable customer base and have built up long-term relationship with many customers. Our innovative and high quality products make us distinctive from the other market players as well. Turnover to Asia has experienced persistent increase over the past four years whereas turnover to the other markets was stable.

Our gross profit margin improved from 18.8% to 20.6%. The significant improvement was due to the more than proportionate increase in sales over the increase in cost of sales, the high recognition of our high margin products by the markets and efficient running of cost control. Our Group has been working hard on alternate sourcing of materials in order to keep our costs under control.

Our net profit margin was 3.2% but it reached 10.6% before the loss arising from certain structured financial arrangements of HK$40.7 million while that in the last year was 8.6%. Distribution cost was 1.5% of turnover while administrative expenses increased by 12.1% over that of last year.

CAPITAL STRUCTURE

The market capitalisation of the Company as at 31 March 2008 was approximately HK$112.7 million.

During the year, the share capital structure of the Company has been changed with details shown in note to the financial statements. The Company entered into two subscription agreements dated 13 December 2007 ("**Subscription Agreements**") with Classics Fund Ltd. – Special Situations Fund-USD and CorporActive Fund Limited ("**Subscribers**") respectively. Pursuant to the Subscription Agreements, the Company agreed to issue an aggregate of 30,000,000 new ordinary shares of HK$0.001 each at a subscription price of HK$0.6 each (representing a discount of approximately 9.09% to the closing price of HK$0.66 per share as quoted on the Stock Exchange on 13 December 2007). The gross proceeds of the subscription were HK$18,000,000. After taking into account the expenses incurred in the subscription, the net proceeds of the subscription was approximately HK$17,578,000. Details of the Subscription Agreements were disclosed in the announcement of the Company dated 14 December 2007. Completion of the subscription took place in January 2008. The net proceeds of the subscription of approximately HK$17,578,000 were not yet utilised as at 31 March 2008. It is intended that the said proceeds will be used to finance future business development in the People's Republic of China, as disclosed in the announcement of the Company dated 14 December 2007.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the Group had cash and cash equivalents balances of approximately HK$126.7 million (2007: HK$116.8 million). As at 31 March 2008, the Group's net current assets were approximately HK$108.6 million (2007: HK$82.4 million). The net debt to equity (the interest bearing borrowing less cash over total equity) as at 31 March 2008 was 0.6% while that as at 31 March 2007 was 8.0%. The current ratio as at 31 March 2008 maintained at 1.6 (2007: 1.4). The Group has been maintaining a healthy liquidity position and has sufficient financial resources to meet the requirements of its ordinary operation and capital expenditure.

As at 31 March 2008, the Group had aggregate banking facilities of HK$241.8 million (2007: HK$211.0 million), of which HK$127.9 million (2007: HK$130.3 million) was utilised. As at 30 June 2008, the Group had aggregate banking facilities of HK$241.8 million, of which HK$113.7 million was utilised. On 21 July 2008, one of the Group's principal bankers further granted an additional banking facility of HK$37 million to the Group.

CONTINGENT LIABILITIES

(i) A High Court action was commenced by WIK Far East Limited (the "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 of the Company have confirmed that no settlement has been reached by the parties and no judgments 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 of the Company have jointly and severally agreed and undertaken to indemnify the Group from and against any of such liability.

CONTINGENT LIABILITIES (Continued)

(ii) The Company has executed guarantees amounting to approximately HK$241.8 million (2007: HK$211.0 million) with respect to banking facilities made available to its subsidiaries. As at 31 March 2008, the borrowings outstanding against the facilities amounted to approximately HK$127.9 million (2007: HK$130.3 million).

CHARGES ON ASSETS

The Group has no charges on assets as at 31 March 2008 (2007: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group's sales are mainly denominated in US dollars while purchases are principally denominated in HK dollars, US dollars and Japanese Yen. Certain costs of the Group are denominated in Renminbi. Since HK dollars has been pegged to US dollars the Group's exposure to the currency risk in US dollars was minimal. Most of the Group's liquid fund is placed in principal guaranteed short-term dual currencies deposits in various banks during the year ended 31 March 2008. Currently, our management takes a prudent approach in minimising our risks in Renminbi fluctuation exposure by maintaining 100% capital protection short-term deposit with the banker at a reasonable yield.

STAFF AND REMUNERATION POLICIES

As at 31 March 2008, the Group employed approximately 54 (2007: 59) Hong Kong staff and operates a defined contribution pension scheme. The number of staff and seasonal workers employed by our factories in China was maintained at approximately 3,300 (2007: 3,000) during the financial year ended 31 March 2008.

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

During the financial year ended 31 March 2008, the Group had a pre-IPO share option scheme and a share option scheme (details of which are set out under the heading "Share Option Scheme") for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations. As at 31 March 2008, there were no outstanding share options under the pre-IPO share option scheme and the right to grant further share options under the pre-IPO share option scheme has been terminated. No share option has been granted under the share option scheme.

Report of the Directors

The board of directors (the "**Board**") of Kenford Group Holdings Limited (the "**Company**") herein present the annual report and the audited financial statements (the "**Financial Statements**") of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities and other particular of the subsidiaries are set out in Note 19 to the Financial Statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 7 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES 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 the Company (the "**Shares**") or the listed warrants issued by the Company (the "**Warrants**") (together with the Shares, the "**Securities**") during the year ended 31 March 2008.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the Consolidated Income Statement on page 36.

The Board now recommends the payment of a final dividend of HK1.5 cents per Share (2007: a final dividend of HK2 cents and a special final dividend of HK1 cent) for the year ended 31 March 2008, amounting to approximately HK$6.5 million (2007: HK$12 million, comprising final dividend and special final dividend), payable to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 29 August 2008. Together with the interim dividend of HK2.3 cents per Share, paid in January 2008 (2007: HK1.5 cent) amounting to HK$9.97 million (2007: HK6 million), the total dividends for the year ended 31 March 2008 will be HK3.8 cents (2007:HK4.5 cents) per Share.

Subject to the approval of shareholders with regard to the proposed payment of the final dividends at the forthcoming annual general meeting, the dividend warrants will be dispatched to shareholders on or about Thursday, 4 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 August 2008 to Friday, 29 August 2008, both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to qualify for the proposed final dividend and/or to ascertain the right to attend the forthcoming annual general meeting of the Company, all transfers of Shares duly accompanied by the relevant Share certificates, and the appropriate transfer forms must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 25 August 2008. The last day in Hong Kong of dealings in Company's Shares with entitlement to final dividend will be on Thursday, 21 August 2008. Shares of the Company will be traded ex-dividend as from Friday, 22 August 2008.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 16 to the Financial Statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the movements in the issued Share capital, share options and Warrants of the Company during the year are set out on notes 27 and 28 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out on page 39.

DIRECTORS

The directors of the Company (the "**Directors**") who held office during the year and up to the date of this report are:

Executive Directors:
Lam Wai Ming *(Chairman)*
Tam Chi Sang *(Managing Director)*
Chan Kwok Tung, Donny *(Resigned on 16 June 2008)*

Independent Non-Executive Directors:
Chiu Fan Wa
Li Chi Chung
Li Tat Wah

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

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Biographical details of the existing Directors and the senior management of the Group are set out on pages 21 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam Wai Ming and Mr. Tam Chi Sang, the Executive Directors, has renewed their respective service agreement with the Company for a fixed term from 16 June 2008 to 12 March 2011 and continuing thereafter on an annual basis until terminated in accordance with the terms of the agreement. Their service agreements may be terminated by not less than three months' prior notice in writing served by either party on the other terminating on or after the fixed term . The Board will consider whether the service agreement should continue three months before the expiry of the fixed term.

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 37 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.

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 2008, 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 Securities and Futures Ordinance ("**SFO**")), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Long position in the Securities of the Company

Name of Director	Nature of interest	Total number of Shares	Percentage of issued Shares
Mr Lam Wai Ming	Corporate interest	275,400,000 *(Note 1)*	63.55%
Mr Tam Chi Sang	Corporate interest	275,400,000 *(Note 2)*	63.55%
Mr Chan Kwok Tung, Donny	Corporate interest	16,200,000 *(Note 3)*	3.74%

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

Long position in the Securities of the Company (Continued)

Notes:

(1) Mr Lam Wai Ming was taken to be interested in an aggregate of 275,400,000 Shares as follows:

(i) Mr Lam Wai Ming was taken to be interested in an aggregate of 244,800,000 Shares held by Achieve Best Limited ("**Achieve Best**") and Beaute Inc ("**Beaute**") respectively as to:

(a) 40,800,000 Shares were held by Achieve Best which was wholly-owned by Mr Lam Wai Ming and he was the sole director of Achieve Best. Mr Lam Wai Ming was therefore taken to be interested in 40,800,000 Shares that Achieve Best was interested;

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

(ii) Mr Lam Wai Ming was 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.

(2) Mr Tam Chi Sang was taken to be interested in an aggregate of 275,400,000 Shares as follows:

(i) Mr Tam Chi Sang was taken to be interested in an aggregate of 244,800,000 Shares held by Realchamp International Inc ("**Realchamp**") and Beaute respectively as to:

(a) 40,800,000 Shares were held by Realchamp which was wholly-owned by Mr Tam Chi Sang and he was the sole director of Realchamp. Mr Tam Chi Sang was therefore taken to be interested in the 40,800,000 Shares that Realchamp was interested;

(b) 204,000,000 Shares were held by Beaute which was owned as to 50% by Apex Prima and 50% by Potentasia. Apex Prima was wholly-owned by Mr Lam Wai Ming and Potentasia was wholly-owned by Mr Tam Chi Sang. Mr Tam Chi Sang was also a director of Beaute and the sole director of Potentasia. Mr Tam Chi Sang was therefore taken to be interested in the 204,000,000 Shares that Beaute was interested; and

(ii) Mr Tam Chi Sang was 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.

(3) Mr Chan Kwok Tung, Donny was taken to be interested in an aggregate of 16,200,000 Shares as follows:

(i) Mr Chan Kwok Tung, Donny was taken to be interested in an aggregate of 14,400,000 Shares held by Champion Sight Investments Inc ("**Champion Sight**"). Champion Sight was wholly-owned by Mr Chan Kwok Tung, Donny and he was the sole director of Champion Sight; and

(ii) Mr Chan Kwok Tung, Donny was 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.

Mr. Chan Kwok Tung, Donny resigned as the Director on 16 June 2008.

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

Long position in the shares in the associated corporation

Name of Director	Name of associated corporation	Class of shares	Nature of interest	Total number of shares held
Mr Lam Wai Ming	Beaute	Ordinary share	Corporate interest	2 *(Note)*
Mr Tam Chi Sang	Beaute	Ordinary share	Corporate interest	2 *(Note)*

Note: Beaute was owned as to 50% by Apex Prima and 50% by Potentasia. Apex Prima was wholly-owned by Mr Lam Wai Ming and Potentasia was wholly-owned by Mr Tam Chi Sang. Both Mr Lam Wai Ming and Mr Tam Chi Sang were the directors of Beaute. Mr Lam Wai Ming and Mr Tam Chi Sang were therefore taken to be interested in the shares in Beaute through their respective interests in Apex Prima and Potentasia.

Save as disclosed above, as at 31 March 2008, none of the Directors or chief executive of the Company had or was deemed (or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code) 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 2008, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and underlying shares of the Company, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in Securities of the Company

Name of substantial shareholder	Number of Shares held (other than under equity derivatives)	Number of Shares held under equity derivatives *(Note 1)*	Total number of Shares held	Percentage of issued Shares
Beaute	204,000,000	25,500,000	229,500,000	52.96%
Apex Prima *(Note 2)*	204,000,000	25,500,000	229,500,000	52.96%
Potentasia *(Note 3)*	204,000,000	25,500,000	229,500,000	52.96%
Achieve Best	40,800,000	5,100,000	45,900,000	10.59%
Realchamp	40,800,000	5,100,000	45,900,000	10.59%

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

Long position in Securities of the Company (Continued)

Notes:

1. 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 warrantholders. The subscription price of the Warrants is HK$0.60 per Share with a subscription period from 16 June 2005 to 13 June 2008. During the financial year ended 31 March 2008, there were 1,136,000 Shares issued as a result of the exercise of subscription rights attached to the Warrants.

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

3. Potentasia was taken to be interested in an aggregate of 204,000,000 Shares held by Beaute which was owned as to 50% by Mr Lam Wai Ming and 50% by Mr Tam Chi Sang.

Save as disclosed above, as at 31 March 2008, no person (other than Directors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

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**").

The following is the summary of the principal terms of the Share Option Scheme and the Pre-IPO Share Option Scheme:

I) Share Option Scheme

(a) Purpose

The purpose of the Share Option Scheme is to enable the Group and any entity in which any member of the Group as enlarged by the acquisition of the Kario Company Limited and its subsidiary ("**Kario Group**"), or, in respect of any period before the completion of such acquisition, deemed to have been so enlarged as if the Company were the holding company of the Kario Group (the "**Enlarged Group**") holds an equity interest (the "**Invested Entities**") to recruit and retain high calibre Eligible Persons (as defined in paragraph (b) below) 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.

SHARE OPTION SCHEME (Continued)

I) Share Option Scheme (Continued)

(b) Who may join

Any person belonging to any of the following classes who, in the sole discretion of the Board, have contributed or will contribute to the growth and development of the Enlarged Group or any Invested Entity are defined as Eligible Persons:–

(i) any employee (whether full time or part time), senior executive or officer, manager, director (including executive, non-executive and independent non-executive director) or consultant of any members of the Enlarged Group or any Invested Entity;

(ii) any consultant, adviser or agent engaged by any member of the Enlarged Group or any Invested Entity, who, under the terms of relevant engagement with the Enlarged Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company;

(iii) any vendor, supplier of goods or services or customer of or to any member of the Enlarged Group or Invested Entity who, under the terms of relevant agreement with the Enlarged Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company; and

(iv) any discretionary trust whose discretionary objects include the persons as described in (i), (ii) and/or (iii) above;

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 a right granted to subscribe for Shares pursuant to the Share Option Scheme at a price calculated in accordance with paragraph (c) below and "Options" shall be construed accordingly (the "**Options**").

(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 date on which the offer of a grant of Option pursuant to the Share Option Scheme (the "**Offer**") is made to an Eligible Person pursuant to the Share Option Scheme (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, any Eligible Person who accepts an Offer in accordance with the terms of the Share Option Scheme (the "**Grantee**") shall pay HK$1.00 to the Company as consideration for the grant.

SHARE OPTION SCHEME (Continued)

I) Share Option Scheme (Continued)

(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 16 June 2005 (the "**Listing Date**") (such ten (10)% shall represent 40,000,000 Shares) unless the Company obtains a fresh approval from the holders of the Shares (the "**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.

SHARE OPTION SCHEME (Continued)

I) Share Option Scheme (Continued)

(e) Maximum entitlement of each Grantee (Continued)

(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 27th 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.

During the financial year ended 31 March 2008, no option was 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 full-time 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 HK$0.55 (the "**Offer Price**");

(b) the option period (the "**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;

(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;

SHARE OPTION SCHEME (Continued)

II) Pre-IPO Share Option Scheme (Continued)

(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 27 May 2005.

Particulars of outstanding options under Pre-IPO Share Option Scheme at the beginning and at the end of the financial year ended 31 March 2008 and the details of share options granted, exercised, cancelled and lapsed during the year were as follows:

Name of grantee	Date of grant	Exercise period of share option	Exercise price of share option *HK$*	No. of shares options held at 1 April 2007	No. of shares options granted during the year	No. of shares options exercised during the year	No. of shares options cancelled/ lapsed during the year	No. of share options held at 31 March 2008
Senior management								
Mr Kwong Pak Chuen, Patrick Senior Engineering Manager	28 May 2005	16 December 2005 to 13 June 2008*	One third of 0.55	1,200,000	–	(1,200,000)	–	–
Mr Wong Siu Man Former Senior Materials Manager#	28 May 2005	16 December 2005 to 13 June 2008*	One third of 0.55	600,000	–	–	(600,000)	–
Mr Lam Wai Hung Administration Manager	28 May 2005	16 December 2005 to 13 June 2008*	One third of 0.55	1,000,000	–	(1,000,000)	–	–
				2,800,000	–	(2,200,000)	(600,000)	–

* 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.

Due to the resignation of Mr. Wong Siu Man as the Senior Materials Manager of the Group, the outstanding 600,000 share options granted to Mr. Wong Siu Man were automatically lapsed under the Pre-IPO Share Option Scheme during the year ended 31 March, 2008.

Save as disclosed above, no option was granted, exercised, cancelled and lapsed by the Company under the Pre-IPO Share Option Scheme during the financial year ended 31 March 2008.

SHARE OPTION SCHEME (Continued)

Fair Value of the Pre-IPO Share Options

For the determination of the fair value of the Share Options granted under the pre-IPO Share Option Scheme (the "**Pre-IPO Share Options**"), reference was made to the Binomial Option Pricing Model. A number of factors such as the exercise price and the life of the options, the market price and volatility of the underlying shares, and the risk-free interest rate for the life of the options were taken in account. In addition, it requires input of assumptions that have significant sensitivity effects, including the approximation of the stock price at the date of grant of the Pre-IPO Share Options, expected stock price volatility, expected dividend, etc. Any changes in the subjectivity input assumptions may materially affect the estimation of the fair value of an option. The fair value of the Pre-IPO Share Options granted by using Binomial Option Pricing Model was approximately HK$0.2501 per share option.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, 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.

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.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 83 and 84.

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 37 to the Financial Statements.

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

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members 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 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 arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

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

(c) Professional tax advice recommended

Intending holders of Shares 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 70% of the total sales for the year and sales to the largest customer included therein amounted to approximately 24%.

Purchases from the Group's five largest suppliers accounted for approximately 28% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 8%.

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 had any beneficial interest in the Group's five largest customers and suppliers.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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 financial year ended 31 March, 2008, except for the deviation from the CG Code Provision A.2.1. The Company as published its corporate governance report, details of which are set out on pages 24 to 32 of this annual report.

AUDITORS

The first Financial Statements of the Company for the year ended 31 March 2005 was audited by BDO McCabe Lo & Company, the first auditors of the Company. On 1 August 2005, the practice of BDO McCabe Lo & Company was reorganized as BDO McCabe Lo Limited. The Financial Statements of the Company for the year ended 31 March 2006, 2007 and 2008 have been audited by BDO McCabe Lo Limited who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

Save as disclosed above, there have been no other changes of the auditors of the Company in the past four years.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$1,500 (2007: HK$10,847).

On behalf of the Board
KENFORD GROUP HOLDINGS LIMITED

Lam Wai Ming
Chairman
Hong Kong, 25 July 2008

DIRECTORS

Executive Directors

Mr Lam Wai Ming, aged 49, joined the Group in January 1989. Mr Lam is currently the Executive Director and the Chairman of the Company. He is responsible for supervision and management of the sales and marketing affairs of the Group.

Mr Lam has over 20 years of experience in trading and manufacturing of electrical appliances. He is the brother of Mr Lam Wai Hung, the Administration Manager of the Group.

Mr Tam Chi Sang, aged 48, joined the Group in July 1991. Mr Tam is currently the Executive Director and Managing Director of the Company. He is responsible for supervision and management of the production, quality control, engineering and design affairs of the Group.

Mr Tam has over 20 years of experience in the trading and manufacturing of electrical appliances. He is also the director of Hong Kong Electrical Appliances Manufacturers Association.

Independent Non-Executive Directors

Mr Chiu Fan Wa, *FCCA, FCPA (Practising), ACA, ACIS, ACS*, aged 43, has been the Independent Non-Executive Director of the Company since March 2005. He is also currently serving as the chairman of the Audit Committee, the chairman of the Nomination Committee and a member of the Remuneration Committee, being the board committees of the Company. Mr Chiu 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 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, the Associate Member of the Institute of the Chartered Accountants in England and Wales, an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators, United Kingdom.

Mr Li Chi Chung, aged 39, has been the Independent Non-Executive Director of the Company since March 2005. Mr. Li is also currently serving as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee, being the board committees of the Company. Mr. Li is currently a solicitor practising in Hong Kong. Mr. Li obtained a bachelor degree in laws from The University of Sheffield in England in 1990. He was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. Mr. Li is a non-executive director of Richfield Group Holdings Limited, a company listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Li is an independent non-executive director of Eagle Nice (International) Holdings Limited and Anhui Tianda Oil Pipe Company Limited respectively, all of which are companies listed on the main board of the Stock Exchange. He is also an independent non-executive director of PINE Technology Holdings Limited which is a company listed on GEM. He is the company secretary of Prime Investments Holdings Limited and Mandarin Entertainment (Holdings) Limited which are companies listed on the main board of the Stock Exchange, and Sungreen International Holdings Limited which is a company listed on GEM.

DIRECTORS (Continued)

Independent Non-Executive Directors (Continued)

Mr Li Tat Wah, aged 38, has been the Independent Non-Executive Director of the Company since March 2005. He is also currently serving as the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee, being the board committees of the Company. Mr Li has extensive experience in information technology. He holds a master degree of business administration from 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

Ms Tse Wun Ying *MA, CPA, FCCA, ACA,* aged 47, joined the Group in May 2008. She is the Company Secretary and Qualified Accountant of the Company and the Financial Controller of the Group. Ms Tse graduated from the Hong Kong Polytechnic University in Accountancy in 1984. She holds a Master degree in China Accountancy from Guangzhou Jinan University in January 2004. She is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Association of the Chartered Certified Accountants and the associate member of the Institute of the Chartered Accountants in England and Wales. She has over twenty years of experience in financial management in various commercial and industrials sectors. Prior to joining the Group, She was previously a financial controller, qualified accountant and company secretary of several companies listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Mr Kwong Pak Chuen, Patrick, aged 47, 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.

Mr Yeung Kin Wing, Ramo, aged 38, joined the Group in June 1998 and is the Operation Manager of the Group. Mr Yeung has over 17 years' experience in quality management in manufacturing industry. He has obtained a bachelor degree of Business Administration from Lincoln University and a National Diploma in Engineering from Business and Technical Education Council.

DIRECTORS (Continued)

Senior Management (Continued)

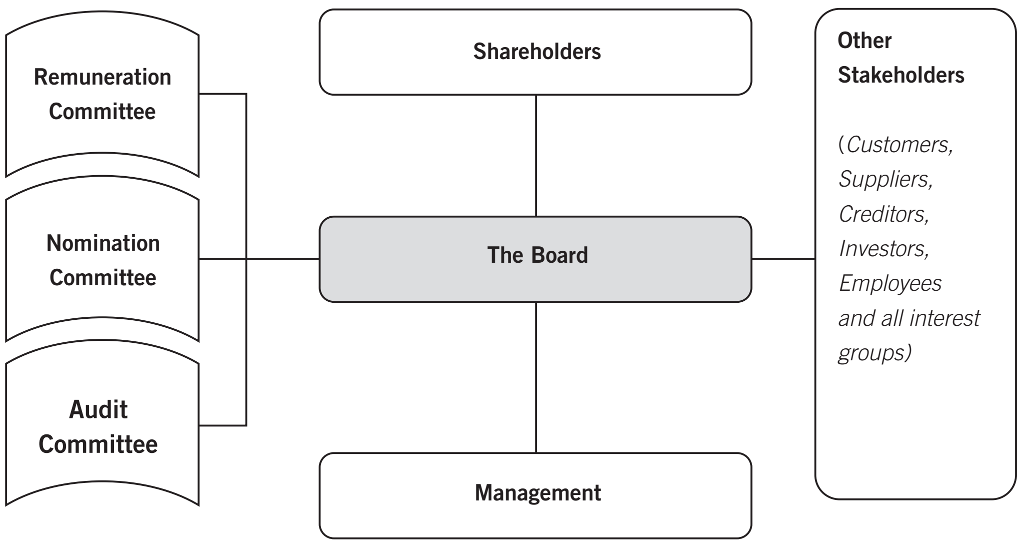
Mr Lam Wai Hung, aged 38, joined the Group in February 1993 and is the Administration Manager of the Group. Mr Lam has over 10 years' experience in factory administration and in handling regulatory compliance in the PRC. Mr Lam is the brother of Mr Lam Wai Ming, the Executive Director and the Chairman of the Company.

Mr Poon Kam Ming, Percy, aged 52, joined the Group in 1997 and is the senior marketing manager of the Group. Mr Poon is responsible for sales and marketing functions of the Group in Europe, North and South America, Australia, Africa and Asia (except the PRC). Mr Poon has over 11 years' experience in sales and marketing of electrical appliances. Prior to joining the Group, Mr Poon has served an international construction company and has earned several years managerial experience. Mr Poon was awarded a degree of Master of Science and a degree of Bachelor of Science in Civil Engineering from University of Saskatchewan. Mr Poon is the brother-in-law of Mr Lam Wai Ming, the Executive Director and the Chairman of the Company.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the board of directors (the "**Board**") of Kenford Group Holdings Limited (the "**Company**"), 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the financial year ended 31 March 2008, except for the deviation from the CG Code Provision A.2.1. This corporate governance report contains the detailed explanations on the Company's practices in compliance with the applicable CG Code provisions and the considered reasons for such deviation.

To enhance accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders, the Company is dedicated to develop an appropriate framework of corporate governance for the Company and its subsidiaries (collectively, the "**Group**"), the chart of which is shown as below. The Group will keep on reviewing and improving our corporate governance practices and procedures from time to time to ensuring the commitment of the corporate governance standard and striving for the enhancement of shareholder value.



DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the directors of the Company (the "**Directors**") have confirmed that they fully complied with the required standards as set out in the Model Code throughout the financial year ended 31 March 2008.

BOARD OF DIRECTORS

Board functions

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, reviews the corporate governance standard of the Company and sets appropriate policies pursuant to the Company objectives.

BOARD OF DIRECTORS (Continued)

Board compositions

The Board of Directors of the Company comprised six Directors, of which three were Executive Directors, namely, Mr Lam Wai Ming (Chairman), Mr Tam Chi Sang (Managing Director), Mr Chan Kwok Tung, Donny (resigned on 16 June 2008); and three were Independent Non-Executive Directors, namely, Mr Chiu Fan Wa, Mr Li Chi Chung and Mr Li Tat Wah. The biographical details of the existing Directors of the Company and the relationships among them as at the date of this report are set out in the "Directors and Senior Management Profile" section on pages 21 to 23 of this annual report. Save as disclosed in this annual report, none of our Directors has any business, financial, or family interests with each other and the Company.

The Board maintains two Executive Directors and three Independent Non-Executive Directors from 16 June 2008. The Board believes it is a balanced composition as each of the Directors has his own skills, expertise, professional qualifications and appropriate experiences to effectively oversee the business of the Group. It can effectively exercise independent judgement for the business activities of the Group to safeguard the interests of the shareholders and to improve standard in corporate governance to fulfill the demands of the shareholders and stakeholders of the Group.

During the financial year ended 31 March 2008, the Board complied at all times with the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors. One of the Independent Non-Executive Directors is a professional accountant, which is in compliance with the requirement of the Listing Rules. Each of our Independent Non-Executive Directors has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered that all of the Independent Non-Executive Directors to be independent.

The Company has arranged insurance cover of "Directors' and Officers' Liabilities Insurance" for Directors, officers and senior management of the Group. The insurance coverage is reviewed annually.

Board delegation

The Board delegates the authorities to the board committees and the senior management of the Company to provide professional advice and monitor the daily operation of the Group on issues which require discussion, expertise knowledge and experience to make the decision. The three committees of the Board, namely, Remuneration Committee, Nomination Committee and Audit Committee are responsible for making recommendation on the specified matters in line with the terms of reference adopted by the Board set out separately. The senior management is responsible for supervision on the daily operation of the Group by functions. Besides, in order to improve the effectiveness of the management of the Group, a management services company has been established under the Group. To overview the corporate structure of the Group, please refer to page 33 of this annual report. The said management services company has invited all the Executive Directors of the Company and most of the senior management of the Group to form the board of directors to provide quality management services to the Group.

BOARD OF DIRECTORS (Continued)

Board and Board committees and general meetings

The total number of the meetings and the individual attendance of each Director in person at each of the meetings during the financial year ended 31 March 2008 were as follows:

	Number of meetings attended				
Name of Directors	Board meetings *(Note)*	Remuneration Committee meetings	Nomination Committee meetings	Audit Committee meetings	Shareholders' General Meeting
Executive Directors					
Mr Lam Wai Ming	24/24	N/A	N/A	N/A	1/1
Mr Tam Chi Sang	23/24	N/A	N/A	N/A	1/1
Mr Chan Kwok Tung, Donny *(resigned on 16 June 2008)*	21/24	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr Chiu Fan Wa	6/24	3/3	3/3	2/2	1/1
Mr Li Chi Chung	6/24	3/3	3/3	2/2	0/1
Mr Li Tat Wah	6/24	3/3	3/3	2/2	1/1

Note: There were twenty four (24) Board Meetings held during the financial year ended 31 March 2008 which included five (5) meetings with formal notice and agenda, one (1) meeting of the Committee of Directors and one (1) meeting held by the chairman with the Independent Non-Executuvie Directors without the Executive Director present.

The notices were given at least 14 days in advance for each of the regular Board meeting to all the Directors so that they could have an opportunity to attend the same in person during the year. On ad hoc basis, the Executive Directors met together upon reasonable notices or by agreement of the Executive Directors to waive the notice of the meetings to discuss the matters as required by business needs. In respect of regular Board meetings, and so far as practicable, an agenda and accompanying board papers were sent in full to all Directors in a timely manner at least 3 days before the intended dates of Board meetings. The company secretary of the Company attended all regular board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company has maintained a procedure for Directors to seek independent professional advice in appropriate circumstances. Minutes of Board meetings and meetings of Board committees are kept by a duly appointed secretary of the meetings and such minutes would be opened for inspection at any reasonable time on reasonable notice by any Director. Minutes of Board meetings and meetings of Board committees had recorded in sufficient details the matters considered by the Board and decisions reached, including any concerns raised by Directors or the representatives of the relevant parties or dissenting views expressed. Draft and final versions of minutes of Board meetings had been sent to all Directors and the representatives of the relevant parties involved in the meetings through electronic means for their comments and records respectively, in both cases within a reasonable time after the meetings held.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has renewed a letter of appointment with each of independent Non-executive Directors commencing on the 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

Remuneration Committee functions

The remuneration committee of the Company (the "**Remuneration Committee**") was established to formulate remuneration policy for the Board's approval. It has adopted the terms of reference which are in line with the Code Provisions set out in the CG Code under Appendix 14 of the Listing Rules.

The principal functions of the Remuneration Committee include reviewing and determining specific remuneration packages for each Executive Director and senior management by reference to corporate goals and objectives as well as share option scheme of the Company.

Remuneration Committee compositions

The Remuneration Committee comprising three Independent Non-Executive Directors namely, Mr Chiu Fan Wa, Mr Li Chi Chung and Mr Li Tat Wah. Mr Li Tat Wah was appointed as the chairman of the Remuneration Committee.

Remuneration Committee meetings

During the financial year ended 31 March 2008, the Remuneration Committee had met three times to discuss the following matters:–

– to review the overall remuneration policy and remuneration packages of the Group;

– to review the basic salary of the Executive Directors and senior management of the Group for the financial year ended 31 March 2007;

– to review the performance bonus of the Executive Directors of the Company for the financial year ended 31 March 2007;

REMUNERATION COMMITTEE (Continued)

Remuneration Committee meetings (Continued)

– to propose the remuneration packages of the Executive Directors and senior management of the Group for the financial year ended 31 March 2008 prior to recommending them to the Board for determination; and

– to note the fact that no compensation paid to the Executive Directors and senior management of the Group in relation to their resignation, if any, during the financial year ended 31 March 2007.

– to review the Directors' Services Agreement renewal.

The details of the number of the Remuneration Committee meetings held during the financial year ended 31 March 2008 and the relevant record of individual attendance of the members of the Remuneration Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings' on page 26 of this corporate governance report.

The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of emoluments of the Directors from the Group for the year are as disclosed in Note 15 to the financial statements.

NOMINATION COMMITTEE

Nomination Committee functions

The nomination committee of the Company (the "**Nomination Committee**") was established to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference which are in line with the Code Provisions set out in the CG Code under Appendix 14 of the Listing Rules.

As a result of the establishment and the adoption of the written terms of reference of the Nomination Committee, it has been developed a formal, considered and transparent procedure for the appointment of new Directors to the Board. There would be plans in place for orderly succession for appointments to the Board. All Directors would be subject to re-election at regular intervals.

A proposal for the appointment of a new Director will be considered and reviewed by the Nomination Committee. The Nomination Committee will consider the skills and expertise of the candidates as well as personal ethics, integrity and the willingness to commit time to the affairs of the Group. All candidates must be able to meet the standards set out in the Listing Rules. A candidate who is to be appointed as an Independent Non-Executive Directors should also be meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Nomination Committee compositions

The Nomination Committee comprising three Independent Non-Executive Directors namely, Mr Chiu Fan Wa, Mr Li Chi Chung and Mr Li Tat Wah. Mr Chiu Fan Wa was appointed as the chairman of the Nomination Committee.

NOMINATION COMMITTEE (Continued)

Nomination Committee meetings

During the financial year ended 31 March 2008, the Nomination Committee had met three times to discuss the following matters:–

– to consider the structure, size, and composition of the Board for the financial year ended 31 March 2007;

– to consider no new Board member be nominated and introduced to the Board;

– to consider the re-election of the Directors of the Company at the annual general meeting of the Company held on 7 September 2007.

The details of the number of the Nomination Committee meetings held during the financial year ended 31 March 2008 and the relevant record of individual attendance of the members of the Nomination Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings' on page 26 of this corporate governance report.

AUDITORS' REMUNERATION

During the financial year ended 31 March 2008, the Company engaged BDO McCabe Lo Limited as the external auditors of the Company to perform audit and non-audit services. The audit fee was approximately HK$570,000 and other non-audit service fee was approximately HK$43,600 for the year ended 31 March 2008.

AUDIT COMMITTEE

Audit Committee functions

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. 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.

Audit Committee composition

The Audit Committee comprises three Independent Non-Executive Directors namely Mr Chiu Fan Wa, 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.

AUDIT COMMITTEE (Continued)

Audit Committee meetings

During the financial year ended 31 March 2008, the Audit Committee had met two times to discuss the following matters:–

– to review the final results for the year ended 31 March 2007 of the Group prior to recommending them to the Board for approval;

– to review the interim results for the six months ended 30 September 2007 of the Group prior to recommending them to the Board for approval;

– to review the effectiveness of the internal control system; and

– to review the selection and re-appointment of the external auditors of the Company for the financial year ended 31 March 2008 prior to recommending them to the Board for approval and the Board had agreed with the Audit Committee's view on this matter.

The details of the number of the Audit Committee meetings held during the financial year ended 31 March 2008 and the relevant record of individual attendance of the members of the Audit Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings' on page 26 of this corporate governance report.

As at the date of this corporate governance report, the Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the financial year ended 31 March 2008 in conjunction with the Group's external auditors.

As at the date of this corporate governance report, the Board agrees the proposal of re-appointment of the external auditors of the Company, BDO McCabe Lo Limited, for the financial year ending 31 March 2009.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company uses a number of formal communications channels to communicate with shareholders and investors for the performance of the Company. These include: (i) the publication of interim and annual reports and/or dispatching circular, notices, and other announcements and notifications; (ii) conducting annual general meeting or extraordinary general meeting (if any) which provides a forum for Shareholders of the Company to raise comments and exchange views with the Board; and (iii) updating the websites with the corporate information, achievements and new development of the Group. The public float capitalization as at 31 March 2008 has been shown in page 33 of this annual report.

To strengthen the investors' relationship, the Company provides different ways for investors to access the soft and hard copies of the Company's information. The printed copies of this annual report in both English and Chinese languages will be dispatched to the Shareholders of the Company in late July 2008. Shareholders can obtain corporate communications free of charge by notice in writing to the Company Secretary of the Company. This annual report in both English and Chinese language is also available on the following websites:–

(a) www.hkex.com.hk;

(b) www.equitynet.com.hk/0464;

(c) www.kenford.com.hk.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT (Continued)

During the financial year ended 31 March 2008, no extraordinary general meeting was held. At the annual general meeting of the Company held at Miramar Function Rooms II-III, Basement II, Hotel Miramar, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on 7 September 2007 at 10:30 a.m., the following ordinary resolutions had been passed: (i) the receipt and adoption of the audited consolidated accounts and the reports of the Directors and auditors for the year ended 31 March 2007; (ii) the re-election of Directors and the authorization to the board of Directors to fix the Directors' remuneration; (iii) the re-appointment of the auditors of the Company and the authorization of the board of Directors to fix the auditors' remuneration; and (iv) the grant of the proposal of the general mandates to the Directors to exercise the powers of the Company to issue Shares and to repurchase Shares and Warrants respectively. The Company will inform the shareholders in its circulars convening general meetings the procedures for voting by poll and the rights of shareholders to demand a poll and will ensure compliance with the requirements on the poll voting procedures contained in the Listing Rules and the constitutional documents of the Company.

The details of the number of the annual general meeting of the Company held during the financial year ended 31 March 2008 and the relevant record of individual attendance of the Directors, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on page 26 of this corporate governance report.

The forthcoming annual general meeting of the Company will be held on Friday, 29 August 2008. The notice of the annual general meeting of the Company will be published and be dispatched to the Shareholders of the Company in due course.

INTERNAL CONTROL AND RISK MANAGEMENT

The Company believes that improvement in its internal control system will enhance its operational management efficiency and effectiveness. The Company has set up an internal audit department in February 2008. The Audit Committee has met with the internal auditor and discussed with the Board about the internal control report. The Board also through the Audit Committee conducted a review of the effectiveness of the system of internal control of the Group which cover all material controls, including financial, operational and compliance control and risk management functions.

The Group's internal control for financial risks includes ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use as well as for publication, ensuring compliance with relevant legislation and regulations, and implementing credit risk management. The Directors are responsible for overseeing the preparation of accounts for the financial year to ensure such accounts give a true and fair view of the state of affairs of the Group. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. As at the date of this corporate governance report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern required to be disclosed.

The Group's internal control for operational risks includes: (i) maintaining and ensuring compliance with ISO9001 under the standards under the family of ISO 9000, a series of international standards on quality management and quality assurance developed by the International Organisation for Standardization, for the quality control of the Group's production; (ii) maintaining and implementing a sound network system to avoid computer viruses or other system malfunctions; and (iii) maintaining a team of staff for products development. Besides, the Group has been maintaining product liability insurance for most types of the Group's products against possible claims relating to personal injury or property damage arising from the use of the products manufactured by the Group.

The Group's internal control for compliance risks includes maintaining a team of professionals with accounting, financial management, financial risk control (including credit assessment), and corporate governance expertise (including regulatory compliance) to monitor the ongoing activities of the Group to avoid the breach of financial regulations, Listing Rules, companies ordinance requirements and other regulations and laws. The Group would seek for advice from external advisers on accounting, financial and legal issues if necessary.

MANAGEMENT FUNCTIONS

The Board has delegated aspects of its management and administration functions to the management. The management should report back and obtain prior approval from the Board before making decisions or entering into any agreements or arrangements to discharge its functions. The Directors clearly understand the Group's delegation arrangements in place. The key terms and conditions relative to the Directors' appointments have been set out in their service agreements and/or letters of appointments.

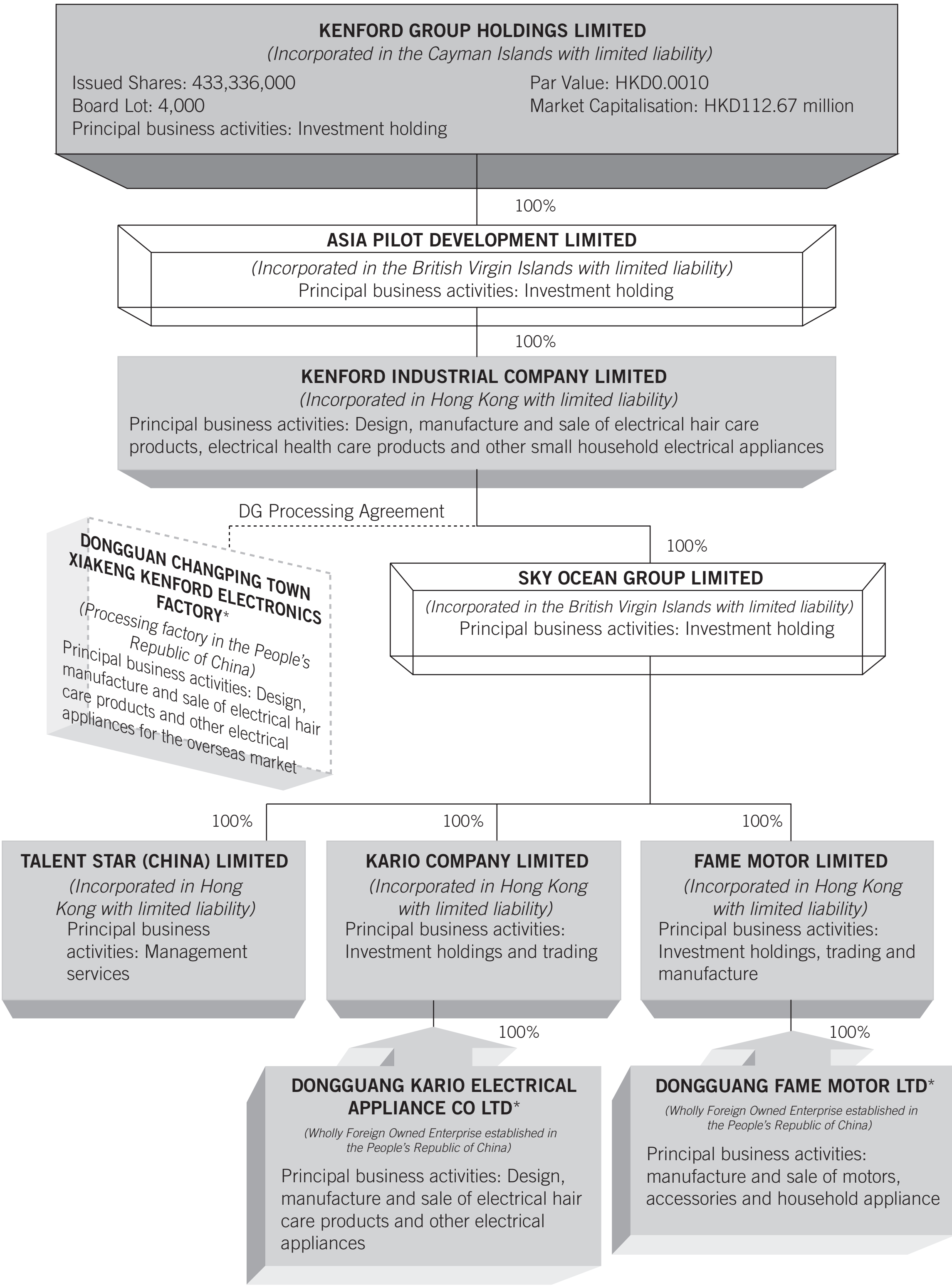
LOOKING FORWARD

The Company has renewed the service agreements of the Executive Directors for a fixed term from 16 June 2008 to 12 March 2011 and the letters of appointment of the Independent Non-Executive Directors for a term of one year to 15 June 2009.

The Group will keep on reviewing and improving its corporate governance standards from time to time and the Board will take necessary actions to ensure the compliance with the provisions of the CG Code introduced by the Stock Exchange.

CORPORATE STRUCTURE OF THE GROUP

The following chart provides the overview of the corporate structure of Kenford Group Holdings Limited and its subsidiaries (the "**Group**") as at 31 March 2008.



* The English names are translated from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

BDO McCabe Lo Limited
Certified Public Accountants
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TO THE SHAREHOLDERS OF KENFORD GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kenford Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 82, which comprise the consolidated and Company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO McCabe Lo Limited
Certified Public Accountants

Chow Tak Sing, Peter
Practising Certificate number P04659

Hong Kong, 25 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	5	**552,891**	537,273
Cost of sales		**(439,020)**	(436,406)
Gross profit		**113,871**	100,867
Other income and gains	6	**8,238**	8,086
Distribution costs		**(8,172)**	(7,162)
Administrative expenses		**(48,601)**	(43,368)
Loss on financial assets at fair value through profit or loss, net	30(a)(ii)	**(40,674)**	–
Profit from operations	8	**24,662**	58,423
Finance costs	10	**(6,737)**	(7,915)
Profit before income tax expense		**17,925**	50,508
Income tax expense	11	**(235)**	(4,193)
Profit attributable to equity holders of the Company		**17,690**	46,315
Dividends:	13		
Interim dividend paid		**9,967**	6,000
Final dividend proposed			
– Ordinary		**6,500**	8,000
– Special		**–**	4,000
		16,467	18,000
Earnings per share (cents)			
– Basic	14	**4.343**	11.579
– Diluted	14	**4.343**	11.558

Consolidated Balance Sheet

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**130,077**	96,167
Payments for leasehold land held for own use under operating leases	17	**4,067**	3,236
Goodwill	18	**1,403**	1,403
Total non-current assets		**135,547**	100,806
Current assets			
Inventories	20	**72,414**	55,853
Trade and bills receivables	21	**86,299**	94,719
Deposits, prepayments and other receivables		**8,075**	7,940
Tax recoverable		**1,104**	–
Cash and cash equivalents	22(a)	**126,680**	116,841
Total current assets		**294,572**	275,353
Total assets		**430,119**	376,159
LIABILITIES			
Current liabilities			
Trade and bills payables	23	**70,068**	55,430
Accruals and other payables		**21,648**	15,690
Borrowings – due within one year	24	**84,232**	84,779
Bank advances for discounted bills	21	**7,461**	31,466
Obligations under finance leases – due within one year	25	**2,544**	1,973
Tax payable		**66**	3,583
Total current liabilities		**186,019**	192,921
Non-current liabilities			
Borrowings – due after one year	24	**31,014**	8,367
Obligations under finance leases – due after one year	25	**2,611**	3,501
Deferred tax liabilities	26	**9,627**	6,434
Total non-current liabilities		**43,252**	18,302
Total liabilities		**229,271**	211,223
Net current assets		**108,553**	82,432
Total assets less current liabilities		**244,100**	183,238
TOTAL NET ASSETS		**200,848**	164,936
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**433**	400
Share premium		**55,496**	36,317
Merger reserve		**942**	942
Share-based compensation reserve		**–**	700
Properties revaluation reserve		**28,015**	9,111
Exchange fluctuation reserve		**3,051**	330
Retained profits		**106,411**	105,136
Proposed final dividend		**6,500**	12,000
TOTAL EQUITY		**200,848**	164,936

On behalf of the Board

Lam Wai Ming
Director

Tam Chi Sang
Director

Balance Sheet

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19	**58**	58
Current assets			
Deposits, prepayments and other receivables		**150**	202
Amounts due from subsidiaries	19	**48,583**	34,546
Cash and cash equivalents		**9,057**	16,610
Total current assets		**57,790**	51,358
Total assets		**57,848**	51,416
LIABILITIES			
Current liabilities			
Accruals and other payables		**375**	194
Net current assets		**57,415**	51,164
TOTAL NET ASSETS		**57,473**	51,222
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**433**	400
Reserves	29	**57,040**	50,822
TOTAL EQUITY		**57,473**	51,222

On behalf of the Board

Lam Wai Ming
Director

Tam Chi Sang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Notes	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Share-based compen-sation reserve HK$'000	Properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Proposed final dividend HK$'000	Retained profits attributable to share-holders of the Company HK$'000	Total HK$'000
At 1 April 2007		400	36,317	942	700	9,111	330	12,000	105,136	164,936
Exchange realignments		–	–	–	–	–	2,721	–	–	2,721
Profit for the year		–	–	–	–	–	–	–	17,690	17,690
Total recognised income and expense		–	–	–	–	–	2,721	–	17,690	20,411
Change in valuation of leasehold buildings	16	–	–	–	–	23,391	–	–	–	23,391
Deferred tax arising from change in valuation of leasehold buildings	26	–	–	–	–	(4,721)	–	–	–	(4,721)
Effect of changes in tax rate	26	–	–	–	–	234	–	–	–	234
Issue of shares	27	33	19,051	–	–	–	–	–	–	19,084
Share issue expenses		–	(422)	–	–	–	–	–	–	(422)
Lapse upon non-exercise of share options		–	–	–	(150)	–	–	–	150	–
Exercise of share option		–	550	–	(550)	–	–	–	–	–
Proposed 2007 final dividend for the warrant exercised during the year		–	–	–	–	–	–	98	(98)	–
2007 final dividend paid		–	–	–	–	–	–	(12,098)	–	(12,098)
Interim dividend paid		–	–	–	–	–	–	–	(9,967)	(9,967)
Proposed final dividend		–	–	–	–	–	–	6,500	(6,500)	–
At 31 March 2008		433	55,496	942	–	28,015	3,051	6,500	106,411	200,848

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Share-based compen-sation reserve HK$'000	Properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Proposed final dividend HK$'000	Retained profits attributable to share-holders of the Company HK$'000	Total HK$'000
At 1 April 2006	400	36,317	942	1,000	9,111	12	1,200	76,521	125,503
Exchange realignments	–	–	–	–	–	318	–	–	318
Profit for the year	–	–	–	–	–	–	–	46,315	46,315
Total recognised income and expense	–	–	–	–	–	318	–	46,315	46,633
Lapse upon non–exercise of share options	–	–	–	(300)	–	–	–	300	–
2006 final dividend paid	–	–	–	–	–	–	(1,200)	–	(1,200)
Interim dividend paid					–	–	–	(6,000)	(6,000)
Proposed special final dividend	–	–	–	–	–	–	4,000	(4,000)	–
Proposed final dividend	–	–	–	–	–	–	8,000	(8,000)	–
At 31 March 2007	400	36,317	942	700	9,111	330	12,000	105,136	164,936

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Profit before income tax expense		**17,925**	50,508
Adjustments for:			
Depreciation of property, plant and equipment		**13,843**	13,664
Amortisation of payments for leasehold land held for own use under operating leases		**74**	72
Loss on disposal of property, plant and equipment		**288**	157
Interest income		**(1,950)**	(1,607)
Interest expenses		**6,737**	7,915
Operating profit before working capital changes		**36,917**	70,709
Increase in inventories		**(16,561)**	(1,646)
Decrease/(increase) in trade and bills receivables		**8,420**	(25,356)
(Increase)/decrease in deposits, prepayments and other receivables		**(135)**	539
Increase in trade and bills payables		**14,638**	9,139
Increase in accruals and other payables		**5,958**	229
Cash generated from operations		**49,237**	53,614
Income tax (paid)/refunded		**(6,493)**	1,426
Net cash from operating activities		**42,744**	55,040
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(9,184)**	(12,536)
Payments for construction in progress		**(11,536)**	–
Payments to acquire payments for leasehold land held for own use under operating leases		**(724)**	–
Proceeds from disposal of property, plant and equipment		**407**	268
Interest received		**1,950**	1,607
Net cash used in investing activities		**(19,087)**	(10,661)
Cash flows from financing activities			
Net proceeds from issuance of shares		**18,662**	–
(Decrease)/increase in trust receipt loans		**(2,510)**	20,575
Bank borrowings raised		**36,450**	–
Repayment of bank borrowings		**(11,840)**	(8,240)
Interest paid		**(6,737)**	(7,915)
(Decrease)/increase in bank advances for discounted bills		**(24,005)**	12,932
Repayment of principal portion of obligations under finance leases		**(2,299)**	(841)
Dividends paid		**(22,065)**	(7,200)
Net cash (used in)/from financing activities		**(14,344)**	9,311
Net increase in cash and cash equivalents		**9,313**	53,690
Cash and cash equivalents at beginning of year		**116,841**	63,334
Effect of foreign exchange rate changes		**526**	(183)
Cash and cash equivalents at end of year	22(a)	**126,680**	116,841

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 were 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 Rooms 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.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) In the current year, the Group has applied all new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new HKFRSs did not affect recognition or measurement of the amounts recognised in the financial statements for the current or prior accounting periods. As a result, no prior period adjustment has been required. However, the adoption of "HKFRS 7 Financial Instruments: Disclosures" and "Amendment to HKAS 1, Presentation of Financial Statements: Capital Disclosures" resulted a much extensive disclosures in respect of financial instruments and an additional disclosure on capital management policy respectively. Comparative information has been restated to achieve a consistent presentation.

(b) Potential Impact Arising On The New Accounting Standards Not Yet Effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [4]
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [4]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements [3]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes [2]
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2008
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2009

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) Potential Impact Arising On The New Accounting Standards Not Yet Effective (Continued)

The directors of the Group anticipate that the adoption of the above new or revised HKFRSs does not result in substantial changes to the Group's accounting policies except that there will be changes in disclosures required by HKAS 1 (Revised) and HKFRS 8 in future.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain leasehold land and buildings in Hong Kong, buildings in the PRC and financial instruments, which are measured at fair values or revalued amounts as explained in the accounting policies set out below.

(c) Use of estimate and judgments

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 32.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (HK$), which is the same as the functional currency of the Company.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity so as to obtain benefits from its activities, that entity is classified as a subsidiary. The consolidated financial statements comprise of the results of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

A subsidiary is an entity in which the Company is able to exercise its control on it. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's balance sheet, investments in subsidiaries are carried at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

(c) Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as a separate asset with any impairment in carrying value being charged to the consolidated income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Certain leasehold land and buildings in Hong Kong and leasehold buildings in the PRC components held for use in the production or for administrative purpose are stated in the balance sheet at their revalued amounts being the fair value on the basis of their existing use at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially for that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such property is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of property is charged as an expense to the extent it exceeds the balance, if any, held in the properties revaluation reserve relating to the previous revaluation of that asset.

Upon disposal, the relevant portion of the properties revaluation reserve realised in respect of previous valuations is released from the properties revaluation reserve to retained profits.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date. The estimated useful lives are as follows:

Leasehold land and buildings in Hong Kong	42 years
Leasehold buildings in the PRC	20-45 years
Leasehold improvements	The shorter of the lease terms or 5 years
Plant and machinery	10 years
Fixtures, furniture and equipment	5 years
Motor vehicles	5 years
Moulds	5 years

The asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than the asset's estimated recoverable amount.

Construction in progress represents buildings on which construction work has not been completed. Construction in progress is carried at cost which include development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. No depreciation is provided in respect of construction in progress until it is completed and is ready for its intended use. On completion, constructions in progress are transferred to the appropriate category of property, plant and equipment. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for intended use.

The gain or loss on disposal of an item of property, plant and equipment other than leasehold building is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis to the consolidated income statement.

When the lease payments cannot be allocated reliably between land and building elements, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

(f) Foreign currencies

Transactions entered into by Group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "exchange fluctuation reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the exchange fluctuation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange fluctuation reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arisen are recognised in the exchange fluctuation reserve.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in the consolidated income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that the separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or loss on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade and bills receivables), and also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(ii) Impairment loss on financial assets

Objective evidence that the asset is impaired includes observable data that comes to the attention of the Group includes the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

For loans and receivables, an impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment reversed does not exceed what the amortised cost would have the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities were incurred. The Group's accounting policy for each category is as follows:

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

- Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vi) Derecognition

The Group derecognises a financial asset where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the objection specified in the relevant contract is discharged, cancelled or expires.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Employee benefits

(i) Defined contribution retirement plan

Obligations for contribution to defined contribution retirement plan are recognised as an expense in the consolidated income statement when the services are rendered by the employees.

(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.

(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 payment are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(i) Share-based payment

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period with a corresponding increase in the share-based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods or services received unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share-based payments, a liability is recognised at the fair value of the goods or services received.

When the option is exercised, the amount recognised in the share-based compensation reserve is transferred to share premium account. When the option lapses, the amount recognised in the share-based compensation reserve is released directly to retained profits.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(k) Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales in the consolidated income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal products projects are recognised in the consolidated income statement as incurred.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated 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.

(m) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. First-in, first-out basis is used to determine the cost of ordinarily interchangeable items.

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.

(n) 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.

Commission 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.

(o) Income taxes

Income taxes for the year 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 consolidated income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) 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 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.

(q) Dividends

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

Final dividends proposed by the directors 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.

(r) Segment reporting

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

In accordance with the Group's internal financial reporting system, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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. For example, segment assets may include inventories, trade and bills receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before inter-company balances and inter-company transactions are eliminated as part of the consolidation process, except to the extent that such inter-company balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Impairment of other assets

At each balance sheet date, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- payments for leasehold land held for own use under operating leases; and
- investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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 under another HKFRS, in which case the reversal of impairment loss is treated as a revaluation increase under that HKFRS.

5. 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.

6. OTHER INCOME AND GAINS

	2008 **HK$'000**	2007 HK$'000
Reimbursement of mould costs	**686**	3,362
Interest income	**1,950**	1,607
Gain on foreign currencies contracts	**–**	419
Sample sales	**94**	237
Compensation received	**1,146**	686
Sundry income	**4,362**	1,775
	8,238	8,086

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

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:

	2008 **HK$'000**	2007 HK$'000
Europe	**343,137**	343,428
North and South America	**90,238**	85,291
Asia	**92,116**	66,482
Australia	**17,081**	33,729
Africa	**10,319**	8,343
	552,891	537,273

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

	2008 **HK$'000**	2007 HK$'000
Hong Kong	**198,750**	205,346
PRC (excluding Hong Kong)	**229,966**	169,410
	428,716	374,756
Goodwill	**1,403**	1,403
	430,119	376,159

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(b) Geographical segments (Continued)

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

	2008 HK$'000	2007 HK$'000
Hong Kong	**97**	509
PRC (excluding Hong Kong)	**23,327**	17,730
	23,424	18,239

8. PROFIT FROM OPERATIONS

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

	2008 HK$'000	2007 HK$'000
Auditors' remuneration	**625**	613
Cost of inventories recognised as an expense	**439,020**	436,406
Depreciation of property, plant and equipment		
– Owned	**12,731**	12,219
– Held under finance leases	**1,112**	1,445
Exchange gain, net	**(350)**	(51)
Loss on disposal of property, plant and equipment	**288**	157
Staff costs (Note 9)		
– Basic salaries bonuses, allowances and benefits in kind	**89,677**	71,718
Less: Amount paid under PRC sub-processing agreements	**(55,413)**	(44,375)
	34,264	27,343
Impairment loss on trade receivables	**–**	359
Reversal of impairment loss on trade receivables	**(68)**	–
Minimum lease payments under operating leases	**1,660**	1,018
Research and development costs (Note (i))	**3,912**	4,067
Write-down of inventories	**1,590**	3,736

Note:

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

9. STAFF COSTS

	2008 HK$'000	2007 HK$'000
Staff costs (including directors' emoluments (Note 15(a))) comprise:		
Salaries and welfare expenses	**87,134**	71,222
Retirement benefits scheme contributions	**2,543**	496
	89,677	71,718

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
– bank borrowings and overdrafts, which are wholly repayable within five years	**683**	1,252
– trust receipt loans	**5,760**	6,567
– finance leases	**294**	96
	6,737	7,915

11. INCOME TAX EXPENSE

The amount of taxation charged to the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Current tax – Hong Kong Profits Tax		
– tax for the year	**1,578**	3,917
– under provision in respect of prior years	**198**	58
Current tax – PRC Enterprise Income Tax ("EIT")		
– tax for the year	**96**	–
	1,872	3,975
Deferred tax (Note 26)		
– current year	**(676)**	147
– (over)/under provision in respect of prior years	**(848)**	71
– attributable to decrease in tax rate	**(113)**	–
	(1,637)	218
Income tax expense	**235**	4,193

11. INCOME TAX EXPENSE (Continued)

No provision for profit tax in the Cayman Islands or British Virgin Islands has been made as the Group had no income assessable for profit tax in these jurisdictions for the year. Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profits for the year. On 27 February 2008, the Financial Secretary of the Hong Kong Special Administrative Region Government proposed a reduction in the Hong Kong Profits Tax rate from 17.5% to 16.5% with effect from the fiscal year 2008/09. As a result of the change in tax rate, the change in the carrying amounts of deferred tax assets and liabilities is reflected in the consolidated financial statements of the Group for the year.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), Dongguan Kario Electrical Appliance Co., Ltd. ("DG Kario"), being a foreign investment enterprise, is subject to EIT rate of 24%, together with the local EIT at a rate of 3%, DG Kario is subject to the aggregate EIT at a rate of 27%. 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.

Pursuant to the PRC EIT law passed by the Tenth National People's Congress on 16 March 2007, the EIT rates for domestic and foreign enterprises are unified at 25% and was effective from 1 January 2008. All the Group's subsidiaries in PRC are subject to Mainland China Enterprise Income Tax at rate of 25% (2007: 27%).

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

	2008 **HK$'000**	2007 HK$'000
Profit before income tax expense	**17,925**	50,508
Tax calculated at the Hong Kong Profits Tax rate of 17.5% (2007: 17.5%)	**3,137**	8,839
Effect of different tax rates of a subsidiary operating in other jurisdiction	**374**	228
Tax concessions of a PRC subsidiary	**(467)**	(420)
Tax effect of income not taxable in determining taxable profit (Note (i))	**(1,631)**	(4,327)
Effect on deferred tax balances resulting from decrease in tax rate	**(113)**	–
Utilisation of temporary differences previously not recognised	**(631)**	(600)
Tax effect of expense not deductible for tax purpose	**508**	181
(Over)/under provision of deferred tax liability in prior years	**(848)**	76
Under provision of current tax in respect of prior years	**198**	58
Others	**(292)**	158
Income tax expense	**235**	4,193

Note:

(i) This amount mainly represented the tax effect of the 50% of assessable profits of a subsidiary, Kenford Industrial Company Limited ("Kenford HK") which was exempted under Departmental Interpretation and Practice Notes No. 21 issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of all the Kenford HK manufacturing profits as offshore in nature and non-taxable.

12. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders includes an amount of HK$9,654,000 (2007: HK$20,712,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim, paid HK$0.023 (2007: HK$0.015) per share	9,967	6,000
Final, proposed HK$0.015 (2007: HK$0.02) per share	6,500	8,000
Special, proposed HK$Nil (2007: HK$0.01) per share	–	4,000
	16,467	18,000

The Directors recommended a final dividend of HK$0.015 (2007: a final dividend of HK$0.02 and a special dividend of HK$0.01). This proposed dividend is not reflected as a dividend payable at 31 March 2008. It is reflected as an appropriation of retained profits for the year ended 31 March 2008 according to the HKAS 10 "Events After the Balance Sheet Date".

14. 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:

	2008 HK$'000	2007 HK$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the Company)	17,690	46,315

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	407,362	400,000
Effect of dilutive potential ordinary shares: Share options	–	701
Weighted average number of ordinary shares for the purpose of diluted earnings per share	407,362	400,701
Basic earnings per share (HK cents)	4.343	11.579
Diluted earnings per share (HK cents)	4.343	11.558

15. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments:

	2008	2007
	HK$'000	HK$'000
Fees	**7,268**	288
Salaries, allowances and other benefits	**1,794**	7,143
Discretionary bonuses	**3,548**	1,500
Retirement benefits scheme contributions	**36**	36
	12,646	8,967

The remuneration of directors for the year ended 31 March 2008 is set out below:

	Fees	**Salary**	**Discretionary bonuses**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors					
Mr. Lam Wai Ming	3,380	878	2,650	12	6,920
Mr. Tam Chi Sang	2,220	576	585	12	3,393
Mr. Chan Kwok Tung, Donny (Note (i))	1,380	340	313	12	2,045
Independent Non-executive Directors					
Mr. Chiu Fan Wa	96	–	–	–	96
Mr. Li Chi Chung	96	–	–	–	96
Mr. Li Tat Wah	96	–	–	–	96
	7,268	1,794	3,548	36	12,646

Note:

(i) Mr. Chan Kwok Tung, Donny resigned on 16 June 2008.

15. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments: (Continued)

The remuneration of directors for the year ended 31 March 2007 is set out below:

	Fees	Salary	Other benefits	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Mr. Lam Wai Ming	–	2,630	357	1,500	12	4,499
Mr. Tam Chi Sang	–	2,340	344	–	12	2,696
Mr. Chan Kwok Tung, Donny	–	1,313	159	–	12	1,484
Independent Non-executive Directors						
Mr. Chiu Fan Wa	96	–	–	–	–	96
Mr. Li Chi Chung	96	–	-	–	–	96
Mr. Li Tat Wah	96	–	–	–	–	96
	288	6,283	860	1,500	36	8,967

Bonuses granted to directors are based on performance.

There were no arrangements under which a director waived or agreed to waive any remuneration for the year ended 31 March 2008 (2007: Nil).

(b) Five highest paid individuals:

The five highest paid individuals for the year ended 31 March 2008 included three directors (2007: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) individuals during the year are summarised as follows:

	2008	2007
	HK$'000	HK$'000
Salaries, allowances and other benefits	**2,204**	2,029
Discretionary bonuses	**253**	246
Retirement benefits scheme contributions	**24**	24
	2,481	2,299

The emoluments fall within the following band:

	Number of individuals	
	2008	2007
Emolument band		
HK$1,000,001 – HK$1,500,000	**2**	2

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join the Group or upon joining the Group or as compensation for loss of office for the year ended 31 March 2008 (2007: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings in Hong Kong (Note (i), (iii)) HK$'000	Leasehold buildings in the PRC (Note(ii), (iii)) HK$'000	Leasehold improve-ments HK$'000	Plant and Machinery (Note (iv)) HK$'000	Fixtures, Furniture and equipment (Note (iv)) HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction in Progress HK$'000	Total HK$'000
Cost or valuation									
At 1 April 2007	13,090	46,458	7,236	35,500	15,796	1,309	46,021	–	165,410
Additions	–	–	211	4,687	1,465	270	4,531	11,536	22,700
Disposals	–	–	–	(1,798)	(126)	–	–	–	(1,924)
Reclassification	–	–	–	–	–	–	327	(327)	–
Surplus on revaluation	6,110	14,355	–	–	–	–	–	–	20,465
Currency realignment	–	1,387	176	313	135	58	6	526	2,601
At 31 March 2008	19,200	62,200	7,623	38,702	17,270	1,637	50,885	11,735	209,252
Comprising:									
At cost	–	–	7,623	38,702	17,270	1,637	50,885	11,735	127,852
At valuation – 2008	19,200	62,200	–	–	–	–	–	–	81,400
	19,200	62,200	7,623	38,702	17,270	1,637	50,885	11,735	209,252
Accumulated depreciation and impairment									
At 1 April 2007	313	1,123	5,157	20,248	10,436	1,027	30,939	–	69,243
Charge for the year	313	1,135	684	3,424	2,401	97	5,789	–	13,843
Written back on disposals	–	–	–	(1,112)	(117)	–	–	–	(1,229)
Eliminated on revaluation	(626)	(2,300)	–	–	–	–	–	–	(2,926)
Currency realignment	–	42	67	61	54	20	–	–	244
At 31 March 2008	–	–	5,908	22,621	12,774	1,144	36,728	–	79,175
Cost or valuation									
At 1 April 2006	13,090	46,000	5,702	30,634	14,498	965	36,871	–	147,760
Additions	–	–	1,491	5,839	1,428	331	9,150	–	18,239
Disposals	–	–	–	(1,020)	(157)	–	–	–	(1,177)
Currency realignment	–	458	43	47	27	13	–	–	588
At 31 March 2007	13,090	46,458	7,236	35,500	15,796	1,309	46,021	–	165,410
Comprising:									
At cost	–	–	7,236	35,500	15,796	1,309	46,021	–	105,862
At valuation – 2007	13,090	46,458	–	–	–	–	–	–	59,548
	13,090	46,458	7,236	35,500	15,796	1,309	46,021	–	165,410
Accumulated depreciation and impairment									
At 1 April 2006	–	–	4,484	17,270	8,089	893	25,563	–	56,299
Charge for the year	313	1,116	663	3,591	2,474	131	5,376	–	13,664
Written back on disposals	–	–	–	(617)	(135)	–	–	–	(752)
Currency realignment	–	7	10	4	8	3	–	–	32
At 31 March 2007	313	1,123	5,157	20,248	10,436	1,027	30,939	–	69,243
Net book value									
At 31 March 2008	19,200	62,200	1,715	16,081	4,496	493	14,157	11,735	130,077
At 31 March 2007	12,777	45,335	2,079	15,252	5,360	282	15,082	–	96,167

16. 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 lease.

(ii) The Group's interests in leasehold buildings in the PRC are held under medium-term lease.

(iii) The directors valuation at 31 March 2007 on leasehold land and buildings in Hong Kong and leasehold buildings in the PRC were made reference to independent valuation at 31 March 2006 carried out by Norton Appraisal Limited on the basis of market value in existing use.

At 31 March 2008, the leasehold land and buildings in Hong Kong and leasehold buildings in the PRC were revalued on a basis of market value in existing use by qualified valuers from an independent firm, Norton Appraisal Limited.

Had the properties been carried at cost less accumulated depreciation and impairment, their carrying value would have been HK$10,972,000 and HK$33,718,000 (2007: HK$11,253,000 and HK$34,591,000) respectively.

(iv) The net book values 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	**Total** HK$'000
At 31 March 2008	5,965	672	6,637
At 31 March 2007	4,659	1,360	6,019

17. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

Group

	HK$'000
Cost	
At 1 April 2006	4,994
Currency realignment	62
At 31 March 2007	5,056
Additions	724
Currency realignment	191
At 31 March 2008	5,971
Accumulated amortisation	
At 1 April 2006	1,747
Charge for the year	72
Currency realignment	1
At 31 March 2007	1,820
Charge for the year	74
Currency realignment	10
At 31 March 2008	1,904
Net book value	
At 31 March 2008	4,067
At 31 March 2007	3,236

The Group's interests in payments for leasehold land held for own use under operating leases comprises:

	2008 **HK$'000**	2007 HK$'000
Leasehold land situated in the PRC:		
Medium-term leases	**4,067**	3,236

18. GOODWILL

Group

	2008	2007
	HK$'000	HK$'000
Cost		
At 1 April and 31 March	**1,403**	1,403
Impairment		
At 1 April and 31 March	**–**	–
Carrying amount		
At 31 March	**1,403**	1,403

The amount represents goodwill arising on the acquisition of interests in Kario Company Limited ("Kario HK") and its subsidiaries (collectively referred to as the "Kario Group"), which was completed on 23 March 2005.

Goodwill has been allocated to one single cash generating unit, Kario Group. The recoverable amount has been determined based on a value in use calculation. The calculation applies cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 9.7%. Cash flow for the first financial period is based on expected sales orders estimated by the management. Cash flow for the second to fifth financial periods are extrapolated using the steady 10% growth rate. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

19. INVESTMENTS IN SUBSIDIARIES

Company

	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**58**	58

The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 31 March 2008 are as follows:

Name of company	Form of business structure	Place of incorporation/ registration and operation	Issued and paid–up share/ registered capital	Percentage of ownership interest attributable to the Company		Principal activities
				Directly	Indirectly	
Asia Pilot Development Limited	Corporation	The British Virgin Islands ("BVI")	US$1	100%	–	Investment holding
Kenford HK	Corporation	Hong Kong	HK$1,000,000	–	100%	Design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances
Sky Ocean Group Limited	Corporation	BVI	US$1	–	100%	Investment holding
Kario HK	Corporation	Hong Kong	HK$10,000	–	100%	Investment holding and trading
DG Kario	Corporation	The People's Republic of China	HK$17,600,000	–	100%	Design, manufacture and sale of electrical hair care products and other electrical appliances
Talent Star (China) Limited	Corporation	Hong Kong	HK$1	–	100%	Managerial services for group companies
Fame Motor Limited	Corporation	Hong Kong	HK$1	–	100%	Investment holding and trading
Dongguan Fame Motor Limited	Corporation	The People's Republic of China	US$1,000,000	–	100%	Design, manufacture and sale of motors

None of the subsidiaries had any debt securities subsisting at the end of year or at any time during the year.

20. INVENTORIES

Group

	2008	2007
	HK$'000	HK$'000
Raw materials	**47,623**	36,350
Work in progress	**6,489**	4,381
Finished goods	**18,302**	15,122
	72,414	55,853

21. TRADE AND BILLS RECEIVABLES

Group

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

	2008	2007
	HK$'000	HK$'000
Trade receivables	**69,982**	62,868
Bills receivables	**16,317**	31,851
	86,299	94,719

The aging analysis of trade receivables is as follows:

	2008	2007
	HK$'000	HK$'000
Aged:		
Within 60 days	**56,885**	50,168
61 – 120 days	**12,405**	9,625
121 – 365 days	**212**	3,022
More than 365 days	**480**	53
	69,982	62,868

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

The Group transferred certain bills of exchange amounting to HK$7,461,000 (2007: HK$31,466,000) to banks with recourse in exchange for cash during the year. The transactions have been accounted for as collateralised bank advances.

21. TRADE AND BILLS RECEIVABLES (Continued)

Included in trade and bills receivables are trade receivables (net of impairment losses) with the following aging analysis using allowed credit term as of the balance sheet date:

	2008 HK$'000	2007 HK$'000
Current (Note (a))	**63,347**	38,183
60 days past due	**6,117**	20,795
61 to 120 days past due	**85**	1,087
121 to 365 days past due	**11**	2,762
More than 365 days past due	**422**	41
Amount past due at balance sheet date but not impaired (Note (b))	**6,635**	24,685
	69,982	62,868

Note:

(a) The balance that were neither past due nor impaired relate to customers for whom there was no recent history of default.

(b) The balance that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on the past experience, the management estimated that the carrying amounts could be fully recovered.

The below table reconciled the impairment loss allowance of trade receivables for the year:

	2008 HK$'000	2007 HK$'000
At beginning of the year	**359**	–
Impairment loss recognised	**–**	359
Reversal of impairment loss previously recognised	**(68)**	–
Bad debts written off	**(1)**	–
At end of the year (Note (c))	**290**	359

Note:

(c) The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(g)(ii).

22. SUPPLEMENTAL INFORMATION TO CONSOLIDATED CASH FLOW STATEMENT

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

Group

	2008	2007
	HK$'000	HK$'000
Cash available on demand	**108,800**	97,066
Short-term fixed rate deposits	**17,880**	19,775
	126,680	116,841

(b) Major non-cash transactions

During the year ended 31 March 2008, the Group acquired property, plant and equipment for approximately HK$1,980,000 (2007: HK$5,703,000), which was settled through finance lease arrangements.

23. TRADE AND BILLS PAYABLES

Group

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

	2008	2007
	HK$'000	HK$'000
Aged:		
Within 60 days	**39,975**	47,446
61 – 120 days	**26,633**	4,594
121 – 365 days	**2,831**	3,049
More than 365 days	**629**	341
	70,068	55,430

24. BORROWINGS

Group

	2008 **HK$'000**	2007 HK$'000
Unsecured bank borrowings comprise:		
Trust receipt loans	**76,029**	78,539
Other loans	**39,217**	14,607
	115,246	93,146

At 31 March 2008, total current and non-current borrowings were repayable as follows:

	2008 **HK$'000**	2007 HK$'000
Within one year	**84,232**	84,779
More than one year, but not exceeding two years	**5,203**	4,740
More than two years, but not exceeding five years	**15,610**	3,627
More than five years	**10,201**	–
	115,246	93,146
Amount due within one year included in current liabilities	**(84,232)**	(84,779)
	31,014	8,367

The bank borrowings carry interest at rates ranging from 1.5% to 2.65% (2007: 1.5% to 2%) per annum above the one, two, three or six month(s) HIBOR (Hong Kong Interbank Offered Rate).

25. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of machinery and equipment under finance lease, as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	2008			2007		
	Minimum lease payments HK$'000	**Interest HK$'000**	**Present value HK$'000**	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
Not later than one year	**2,681**	**(137)**	**2,544**	2,245	(272)	1,973
Later than one year and not later than five years	**2,664**	**(53)**	**2,611**	3,700	(199)	3,501
	5,345	**(190)**	**5,155**	5,945	(471)	5,474

The present value of future lease payments are analysed as:

	2008 HK$'000	2007 HK$'000
Current liabilities	**2,544**	1,973
Non-current liabilities	**2,611**	3,501
	5,155	5,474

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 16(iv)).

26. DEFERRED TAX

The movement of the Group's deferred tax assets and liabilities during the year is as follows:

Deferred tax assets/(liabilities)

	Accelerated depreciation allowance HK$'000	Provisions HK$'000	Properties revaluation HK$'000	Total HK$'000
At 1 April 2007	(3,342)	–	(3,092)	(6,434)
Credit to income	401	965	158	1,524
Charge to equity	–	–	(4,721)	(4,721)
Effect of change in tax rate (charged)/credited to income	168	(55)	–	113
Effect of change in tax rate credited to equity	–	–	234	234
Currency realignment	–	–	(343)	(343)
At 31 March 2008	(2,773)	910	(7,764)	(9,627)

	Accelerated depreciation allowance HK$'000	Tax losses HK$'000	Properties revaluation HK$'000	Total HK$'000
At 1 April 2006	(3,137)	17	(2,980)	(6,100)
(Charge)/credit to income	(205)	(17)	4	(218)
Currency realignment	–	–	(116)	(116)
At 31 March 2007	(3,342)	–	(3,092)	(6,434)

27. SHARE CAPITAL

Company

	2008 Number '000	**2008 HK$**	2007 Number '000	2007 HK$
Authorised share capital				
Ordinary shares of HK$0.001 each				
At beginning of the year and end of the year	**1,000,000**	**1,000,000**	1,000,000	1,000,000
Issued share capital				
Ordinary shares of HK$0.001 each				
At beginning of the year	**400,000**	**400,000**	400,000	400,000
Exercise of share options (Note (i))	**2,200**	**2,200**	–	–
Exercise of warrant subscription rights (Note (ii))	**1,136**	**1,136**	–	–
Placing allotment (Note (iii))	**30,000**	**30,000**	–	–
At end of the year	**433,336**	**433,336**	400,000	400,000

Notes:

(i) During the year, the options holders exercised 2,200,000 share options to subscribe for 2,200,000 ordinary shares in the Company at HK$0.183 per share.

(ii) During the year, the warrants holders exercised 2,272,000 warrants to subscribe for 1,136,000 ordinary shares in the Company at HK$0.6 per share.

(iii) On 13 December 2007, arrangements were made for private placement to independent private investors of 30,000,000 shares of HK$0.6 each in the Company, representing a discount of approximately 9.09% to the closing market price of the Company's shares on 13 December 2007.

27. SHARE CAPITAL (Continued)

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").

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 fully vested 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 (i.e. 16 June 2005), 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

A total of 100,000,000 warrants were issued by the 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 dated 31 May 2005) 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. During the year, 2,272,000 warrants were exercised to subscribe for 1,136,000 ordinary shares of the Company at HK$0.6 per share. At 31 March 2008, 97,728,000 warrants were outstanding and lapsed on 13 June 2008.

Group

Capital management policy

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the year ended 31 March 2008 and 2007.

28. SHARE-BASED PAYMENT

The Company has a Pre-IPO Share Option Scheme for eligible employees of the Group. Details and movements of the share options are as follows:

	2008		2007	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
Outstanding at the beginning of the year	**0.1833**	**2,800,000**	0.1833	4,000,000
Exercise of share options	**0.1833**	**(2,200,000)**	–	–
Lapse upon non-exercise of share options	**0.1833**	**(600,000)**	0.1833	(1,200,000)
Outstanding at the end of year	**–**	**–**	0.1833	2,800,000

The weighted average exercise price for the year ended 31 March 2008 was HK$0.1833 (2007: HK$0.1833).

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 Group's share-based compensation reserve. An amount of share option expense of approximately HK$1,000,000 has been recognised with a corresponding adjustment recognised in the Group's share based compensation reserve during the year ended 31 March 2006.

During the year ended 31 March 2008, an amount of approximately HK$150,000, in respect of the above vested options, has been reversed from the share-based compensation reserve and transferred to retained earnings as a result of lapse of non-exercise share options.

The above share options were granted on 28 May 2005. The fair value of the options determined at the date of grant using the Binomial option pricing model was approximately HK$ 0.2501 per share option.

The following assumptions were used to calculate the fair values of share options:

Share price (Note (a))	HK$ 0.55
Strike price (Note(b))	HK$ 0.1833
Minimum exercise price (Note (c))	HK$ 0.6875
Expected life of options (Note (d))	3 years
Expected volatility	34.8%
Expected dividend yield	10.57%
Risk free rate	4.96%

For the purposes of calculating the fair value, no adjustment has been made in respect of expected forfeitures, due to lack of historical data.

The Binomial option pricing model requires the input of highly subjective assumptions, including the volatility of share price. The changes in subjective input assumptions can materially affect the fair value estimate.

28. SHARE-BASED PAYMENT (Continued)

Notes:

(a) The share price of the Company's shares at the date of grant of the options was estimated to be HK$0.55 per share, which is equal to the Offer Price.

(b) The strike price is one third of the Offer Price.

(c) The minimum exercise price is 1.25 times of the Offer Price.

(d) The options life is 3 years from the Listing Date.

29. RESERVES

Company

	Share premium	**Share-based compensation reserve**	**Proposed final dividend**	**Retained Profits** (Note (i))	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007	36,317	700	12,000	1,805	50,822
Lapse upon non-exercise of share options	–	(150)	–	150	–
Exercise of share options	550	(550)	–	–	–
Profit for the year	–	–	–	9,654	9,654
Issue of new share capital	19,051	–	–	–	19,051
Share issue expenses	(422)	–	–	–	(422)
Proposed 2007 dividend for the warrant exercised during the year	–	–	98	(98)	–
2007 final dividend paid	–	–	(12,098)	–	(12,098)
Interim dividend paid	–	–	–	(9,967)	(9,967)
Proposed final dividend	–	–	6,500	(6,500)	–
At 31 March 2008	55,496	–	6,500	(4,956)	57,040

	Share premium	**Share-based compensation reserve**	**Proposed final dividend**	**Retained Profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2006	36,317	1,000	1,200	(1,207)	37,310
Lapse upon non-exercise of share options	–	(300)	–	300	–
Profit for the year	–	–	–	20,712	20,712
2007 final dividend paid	–	–	(1,200)	–	(1,200)
Interim dividend paid	–	–	–	(6,000)	(6,000)
Proposed special dividend	–	–	4,000	(4,000)	–
Proposed final dividend	–	–	8,000	(8,000)	–
At 31 March 2007	36,317	700	12,000	1,805	50,822

Note:

(i) By taking into consideration of the subsequent dividend proposed by the subsidiaries, the directors decided to propose a final dividend of HK$0.015 per share.

30. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group is exposed through its operations to the following risks from its use of financial instruments:

– Market risks (Interest rate risk and Foreign exchange risk)

– Liquidity risk

– Credit risk

Policies for managing these risks are set by the Board and implemented centrally by the management. The policy for each of the above risks is described in more detail below.

(a) Market risks

(i) Interest rate risk

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed interest rates and floating interest rates. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings. Although the board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks. This policy is managed centrally.

The following table details interest rates analysis that the management of the Group evaluates their interest rate risk.

	2008		2007	
	Weighted average effective interest rate (%)	**HK$'000**	Weighted average effective interest rate (%)	HK$'000
Financial assets				
Floating rate deposit				
– Cash and bank	**0.02%**	**24,429**	0.01%	35,636
Financial liabilities				
Floating rate borrowings				
– Trust receipt loans	**4.21%**	**76,029**	6.16%	78,539
– Bank advances from discounted bills	**4.21%**	**7,461**	6.16%	31,466
– Obligations under finance leases	**3.96%**	**5,155**	6.01%	5,474
– Other bank loans	**2.60%**	**39,217**	5.78%	14,607

30. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(a) Market risks (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis

The following table indicates the approximate change in the profit after tax in response to reasonably possible changes in an interest rate to which the Group has significant exposure at the balance sheet date. In determining the effect on profit after tax on the next accounting period, we assume that the change in interest rate had occurred at the balance sheet date and all other variables remain constant. There is no change in the methods and assumptions used in 2007 and 2008.

	2008 Effect on profit after tax ’000	2007 Effect on profit after tax ’000
HIBOR		
Increase by 200 basis points	**(1,527)**	(989)
Decrease by 200 basis points	**1,527**	989

(ii) Foreign exchange risk

Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than their functional currency. The Group's monetary assets and transactions are mainly denominated in RMB, HKD, USD and JPY. The exchange rates among HKD with RMB and JPY are not pegged, and there is fluctuation of exchange rates among these currencies. The management from time to time monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group had entered into certain structured financial arrangements to mitigate its currency risk in 2006 and 2007. These structured financial arrangements were fully settled during the year and a loss amounting to HK$40,674,000 was recognised. The Group did not have any such structured financial arrangements as at 31 March 2008.

30. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(a) Market risks (Continued)

(ii) Foreign exchange risk (Continued)

The carrying amounts of the Group's foreign currency denominated assets and monetary liabilities at the reporting date are as follows:

	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
USD	**125,801**	**28,497**	130,749	18,627
GBP	**1,009**	**–**	15	92
RMB	**2,656**	**12,870**	1,593	7,569
EUR	**650**	**82**	1,362	1,388
JPY	**457**	**118**	2,450	9
KRW	**3**	**–**	3	–
SGD	**5**	**–**	5	–

Sensitivity analysis

The sensitivity analysis on foreign exchange risk includes monetary financial assets and liabilities that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. The following tables indicates the approximate effect on the profit after tax in the next accounting period in response to reasonably possible changes in an exchange rate to which the Group has significant exposure at the balance sheet date.

	2008	2007
	Effect on profit after tax	Effect on profit after tax
	HK$'000	HK$'000
RMB to HK$:		
Appreciates by 2%	**(169)**	(99)
Depreciates by 2%	**169**	99
Euro to HK$:		
Appreciates by 9%	**42**	(2)
Depreciates by 9%	**(42)**	2
JPY to HK$:		
Appreciates by 7%	**20**	141
Depreciates by 7%	**(20)**	(141)
GBP to HK$:		
Appreciates by 7%	**58**	(4)
Depreciates by 7%	**(58)**	4

30. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(b) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of short-term fluctuation in cash flows. The management of the Group is responsible for maintaining a balance between continuity and flexibility of funding through the use of banking facilities in order to meet the Group's liquidity requirements.

The contractual maturities of financial liabilities are shown as below:

	2008 **HK$'000**	2007 HK$'000
In less than one year	**191,783**	192,298
In more than two years but not more than five years	**34,221**	17,763
In more than five years	**14,367**	–
	240,371	210,061

(c) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group exposed to credit risk from loan and receivables. The Group has adopted a credit policy to monitor and mitigate credit risk arising from trade and bills receivables. Credit limit is regularly reviewed and approved by the Board. The Group assesses credit risk based on customer's past due record, trading history, financial condition or credit rating. The Group does not expose to concentration of credit risk.

Without taking account of any collateral held or other credit enhancements, the maximum exposure to credit risk on loan and receivables are the carrying amount of these assets and the maximum exposure to credit risk to the Group is HK$94,374,000 (2007: HK$102,659,000).

31. FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE

The directors considered that the carrying amounts of these categories approximate to their fair value.

32. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and are also discussed below.

Depreciation and impairment of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual values. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

The impairment loss for property, plant and equipment is recognised as the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in notes 4(d) and 4 (s). The recoverable amounts have been determined based on fair value less costs to sell, which are based on the best available information obtained at each balance sheet date, from the disposal of the asset in an arm's length transactions between independent and willing parties, after considering the cost of disposal.

Impairment loss on trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectability and aging analysis of the trade receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Net realisable value of inventories

Net realisable value of inventories represented the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices, current market conditions and the historical experience of manufacturing and selling products of a similar nature. The management of the Group reviews the assessment at each balance sheet date.

Impairment on goodwill

The management of the Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2008 was HK$1,403,000 (2007: HK$1,403,000). More details are given in note 18.

33. 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.

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 organised 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$2,543,000 (2007: HK$496,000).

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees’ final salary and years of service, and is reduced by entitlements accrued under the Group’s retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

34. CONTINGENT LIABILITIES

(i) 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 judgement 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, given that the trial has not yet commenced and the parties are still at a premature 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 defence 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.

(ii) The Company has executed guarantees amounting to approximately HK$242,000,000 (2007: HK$211,000,000) with respect to banking facilities made available to its subsidiaries. As at 31 March 2008, the borrowings outstanding against the facilities amounted to approximately HK$128,000,000 (2007: HK$130,288,000).

In the opinion of the directors, no material liabilities will arise from the above corporate guarantee which arose in the ordinary course of the business and the fair value of the guarantee granted by the Company is immaterial.

35. CAPITAL COMMITMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Commitments for acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	**8,016**	12,184

36. LEASE ARRANGEMENTS

The Group has future minimum lease payments in respect of staff quarters and production properties under non-cancellable operating leases, which are due for payments as follows:

	2008	2007
	HK$'000	HK$'000
Not later than one year	**2,073**	1,007
Later than one year and not later than five years	**4,478**	3,057
	6,551	4,064

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out in notes 19 and 28 above, the Group has the following material related party transactions during the year:

Key management compensation is as follows:

	2008	2007
	HK$'000	HK$'000
Key management compensation:		
Basic salaries	**12,243**	10,610
Discretionary bonus	**3,906**	2,033
Contributions to defined contribution plan	**84**	96
	16,233	12,739

Key management personnel are those persons have authority and responsibility for planning, directing and controlling the activities of the Group, including directors and other senior management, totalling 7 individuals (2007: 8 individuals).

38. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 March 2008 to be Beaute Inc., a company incorporated in the British Virgin Islands.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 July 2008.

CONSOLIDATED INCOME STATEMENTS

	Year ended 31st March,				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	301,634	464,910	403,551	537,273	**552,891**
Cost of sales	(232,979)	(370,729)	(356,874)	(436,406)	**(439,020)**
Gross profit	68,655	94,181	46,677	100,867	**113,871**
Other income and gains	6,790	12,215	8,588	8,086	**8,238**
Impairment loss on land and buildings	(583)	–	–	–	**–**
Distribution costs	(8,356)	(8,020)	(8,309)	(7,162)	**(8,172)**
Administrative expenses	(27,890)	(31,704)	(36,480)	(43,368)	**(48,601)**
Loss on financial assets at fair value through profit or loss, net	–	–	–	–	**(40,674)**
Profit from operations	38,616	66,672	10,476	58,423	**24,662**
Finance costs	(3,495)	(3,912)	(5,728)	(7,915)	**(6,737)**
Gain on disposal of associates	22	–	–	–	**–**
Share of profits and losses of associates	(11)	–	–	–	**–**
Profit before income tax expense	35,132	62,760	4,748	50,508	**17,925**
Income tax expense	(4,056)	(5,357)	(601)	(4,193)	**(235)**
Profit attributable to equity holders of the Company	31,076	57,403	4,147	46,315	**17,690**
Dividends	80,000	40,000	5,200	18,000	**16,467**
Basic earnings per share (cents)	10.36	19.13	1.094	11.579	**4.343**
Diluted earnings per share (cents)	10.36	19.13	1.090	11.558	**4.343**

Five Years Financial Summary

CONSOLIDATED BALANCE SHEETS

	31st March,				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK'000**
		(Restated)	(Restated)		
Non-current assets					
Property, plant and equipment	75,737	78,295	91,461	96,167	**130,077**
Payments for leasehold land held for own use under operating leases	1,790	3,288	3,247	3,236	**4,067**
Goodwill	–	1,403	1,403	1,403	**1,403**
Total non-current assets	77,527	82,986	96,111	100,806	**135,547**
Current assets					
Inventories	50,867	60,881	54,207	55,853	**72,414**
Trade and bills receivable	26,709	46,880	69,363	94,719	**86,299**
Deposits, prepayments and other receivables	4,225	12,617	8,479	7,940	**8,075**
Amounts due from related companies	10,338	–	–	–	**–**
Tax recoverable	–	–	1,866	–	**1,104**
Pledged bank deposit	6,043	6,051	–	–	**–**
Cash and cash equivalents	30,020	77,176	63,334	116,841	**126,680**
Total current assets	128,202	203,605	197,249	275,353	**294,572**
Current liabilities					
Trade and bills payable	38,001	55,298	46,291	55,430	**70,068**
Accruals and other payables	12,133	15,620	15,461	15,690	**21,648**
Dividends payable	17,429	32,489	–	–	**–**
Amount due to a related company	943	–	–	–	**–**
Borrowings-due within one year	61,843	90,004	69,204	84,779	**84,232**
Bank advances for discounted bills	–	–	18,534	31,466	**7,461**
Obligations under finance leases – due within one year	2,387	1,014	457	1,973	**2,544**
Tax payable	317	2,506	48	3,583	**66**
Total current liabilities	133,053	196,931	149,995	192,921	**186,019**
Net current assets/(liabilities)	(4,851)	6,674	47,254	82,432	**108,553**
Total assets less current liabilities	72,676	89,660	143,365	183,238	**244,100**
Non-current liabilities					
Borrowings – due after one year	7,841	7,622	11,607	8,367	**31,014**
Obligations under finance leases – due after one year	930	599	155	3,501	**2,611**
Deferred tax liabilities	2,734	2,823	6,100	6,434	**9,627**
Net assets	61,171	78,616	125,503	164,936	**200,848**
Capital and reserves					
Share capital	58	100	400	400	**433**
Reserves	61,113	78,516	125,103	164,536	**200,415**
Equity attributable to equity holders of the Company	61,171	78,616	125,503	164,936	**200,848**

Note:

Pursuant to the adoption of all applicable HKFRSs in 2006, certain figures have been restated as explained in note 2(c) to the 2006 annual report.