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)

2009 Annual Report

Contents

Corporate Information

DIRECTORS

Executive Directors
Lam Wai Ming *(Chairman)*
Tam Chi Sang *(Managing Director)*

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

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WEBSITES

www.kenford.com.hk
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AUDITORS

BDO 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 Fulcrum Group (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

Record Turnover at HK$769.3 million, increased by 39.1%

Record Net Profit at HK$51 million, increased by 188%

Earnings per share increased to 11.8 cents

Return on Equity increased to 21.8%

Cash and Bank balance maintained at HK$116.3 million

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 2009.

In the first half of the Financial Year, the turnover and net profit of the Group increased notably by 52.5% and 21.6% respectively against last year. Continuing the good performance of the first half year, the Group delivered record sales for the entire year in the amount of HK$769,330,000, an increase of 39.1%, and a full year profit of HK$50,956,000, a 188% increase, when compared with the last financial year. The surge in turnover was attributable to increased sales to existing customers and success of new products launched during the year. Gross profit margin was approximately 19.07% and 17.3% respectively in the first half year and the entire financial year, down from 23.9% and 20.6% respectively against the corresponding period last year. Although raw material and commodity prices stablised in the fourth quarter of 2008 after hitting historical highs in the first three quarters of 2008 and appreciation of the Renminbi slowed down during the year under review, the Group still felt pressure on its profit margin from the deteriorating consumer market resulting from the global economic downturn. In combat, the management has implemented a series of cost control measures so as to maintain profit margin at a reasonable level.

While confident of the economic downturn easing at some point in time, the Group saw the worsening of business environment in Mainland China and severe challenges have been posed to manufacturers, especially the smaller ones. With weaker players ousted in the industry consolidation, competent players operating on solid foundation can expect to see their market presence and competitiveness enhanced notably. Led by an experienced management team and boasting strong adaptability and liquidity, the Group expects its market position to keep strengthening.

Looking ahead, the Group will continue to focus on developing high quality electrical hair-care products and allocating resources to emerging market and for exploiting growth opportunities. To improve competitiveness and revenue, the Group will keep enriching its product portfolio and adding variety. The new plant in Changping, Dongguan which commenced full operation in the first quarter of 2009 has boosted our production capacity, which enables us to enjoy greater economies of scale and in turn attain greater market share. Moreover, the management has taken relevant measures to address different risk exposures of the Group. Through re-engineering of our manufacturing processes and supply chain processes, we were able to save cost, and active efforts were made to manage cash flow and maintain liquidity during the year. We continued to promote our own brand "Kario" in the PRC market aiming for strong return in the long run. We also modified our business and strategic plans to align with changing market dynamics.

On behalf of the Board, I would like to express my sincere gratitude to shareholders for their confidence in the Group, our customers worldwide for their trust and support in our products and services over the years, our employees 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, 17 July 2009

INDUSTRY REVIEW

2008 was a turbulent year with major international financial institutions collapsing starting in September and triggered a worldwide economic downturn. The series of happening, like dominos, is clear evidence that economic boundaries are fading and the world is all in the same boat. With the banking sector exerting a stronger credit grip and asset prices falling, businesses are forced to tighten their belts and consumers have been spending less. These phenomena have prompted governments to introduce massive economic stimulus packages, which have yet to return significant results. The common view has been that the global economy and consumer confidence will take a while still to rebound.

However, when it comes to hair care and styling products, with Europeans and Americans preferring to "Do It Yourself" ("DIY") which includes styling and caring for their hair at home, those markets continue to be the most important destinations for related exports from the PRC. Furthermore, the impact of the global financial crisis has had relatively milder impact on the PRC which is expected to recover at a faster pace than other countries. The demand for both basic necessities as well as other consumer products has been rising. So the PRC market is also another important destination of our hair care products.

In the first three quarters of 2008, the prices of commodities and raw materials such as copper, lead, alloy and plastics increased to their historical highs in the global market and came down some by the end of 2008. As for the Renminbi, it appreciated by 0.4% during the year under review. With the prices of materials such as copper, lead, alloy and plastics, which are the major components of our hair care products, softened some at the end of 2008 and the Renminbi relatively stable during the year, we felt less pressure on our production cost as compared with the previous year.

Following the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations ("RoHS Regulations") which was introduced by the European Union on 1 July 2006, the Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH Regulations") regulation was opened for registration on 1 June 2008 and took effect on 1 June 2009 and impacted the industry. The RoHS Regulations prohibits the use of 6 hazardous substances such as lead, mercury and cadmium in electrical and electronic equipment, and promulgates higher anti-carcinogenic and environmental protection requirements. The REACH Regulations demands EU suppliers to inform their clients of the use of 15 chemical substances in their products and whether they make up more than 0.1% of the total weight of their products. This has prompted buyers of hair-care products and manufacturers to be extra prudent in production and sale. Furthermore, it has led to an increase in production cost to ensure compliance with relevant equipment, testing and technology standards. As a leading manufacturer of hair care products in the PRC, the Group possesses professional equipment and technology for putting out products that comply with international standards including those of the REACH Regulations.

BUSINESS REVIEW

The Group designs, manufactures and sells electrical hair care products, electrical health care products and other small household electrical appliances. During the year under review, it achieved encouraging overall business performance. For the year ended 31 March 2009, the turnover and net profit of the Group were HK$769,330,000 and HK$50,956,000 respectively, representing an increase of 39.1% and 188% as compared to HK$552,891,000 and HK$17,690,000 in the last financial year.

We now market our products in approximately 52 countries. Hair care products which accounted for 96.2% of our total turnover included hairdryer, hair straightener, air brush, curling iron, drop tong, split tong and hair crimper. The remaining 3.8% of the total turnover was from health/personal products and kitchenware products which included electric massager, footbath, facial sauna, hot sterilizer, wax heater, coffee maker, juicer, ice crusher, vacuum cleaner and torch. Products of the two streams are sold by the Group through importers and brand owners to beauty supply retailers and wholesalers, chain stores, mass merchandisers, warehouse clubs, catalogue and grocery stores. Currently, the four major clients on group basis accounted for approximately 74% of total turnover. During the year under review, the Group secured 6 new clients.

The Group has been relentless on product research and development and pushing for advancement in production technology. It continued to conduct research and development of new products during the year to satisfy specific demands of clients. During the year under review, the Group introduced more than 20 brand new hair care products. Besides, in order to improve product quality and ensure its products meeting the requirements of various new EU regulations, the Group also injected more resources into its professional laboratories.

In the wake of a global economic downturn that some called the most severe in a century, the Group has set up a risk management committee comprising two executive directors and the financial controller to make sure that it is able to promptly respond to changes in the economic and market environment. The Group has identified different risk categories and taken measures to address them. Initiatives undertaken by the Group to mitigate different risks are summarised as follows:

a. Credit Risk – Credit Control Committee was set up to ensure better management of account receivables. Active assessment of exposure in relation to different stakeholders is conducted with special focus on cash flow/liquidity.

b. Liquidity Risk – It is the Group's policy to maintain adequate and stable cash and bank balances at around HK$100 million at all times. The Group also has strong support from major bankers.

c. Foreign Exchange Risk – Presently, the Group has no holding of quoted equity investments, bonds or debentures. One of the guidelines it works by is to maintain 100% capital protection for principal as guaranteed by a reputable bank when entering into any future arrangement for financial products.

d. Interest Rate Risk – The interest rate for the Group's borrowings is based on the mark up on HIBOR and LIBOR. Presently, the HIBOR and LIBOR are both relatively low.

e. Supplier Risk – The Group strengthened its purchase team to channel out more efficient/and boosted the efficiency of its supply chain.

f. Inventory Risk – Production was carefully managed to cap excess inventory and risk of obsolescence and write-downs.

g. Capital Expenditure – The Group carefully monitored capital expenditure to keep it in line with sales volume and investments.

h. Operational Risk – The Group periodically reviewed the risk of loss resulting from external events as well as internal factors.

i. Business Risk – The Group strengthened the marketing team to deal with the risk of lower revenues resulting from reduced sales volume, price pressure or competition. The Group marketed products with the support of sales staff, who are backed by its marketing, category management, engineering, creative services and customer service teams. These people work closely together to develop policies and distribution strategies and to design packaging and develop new products and new additions to existing product lines.

j. Political Risk – The Group is prepared to face the risk of loss from changes in a country's political structure, policies and rules and regulations. During the year, substantial amendments were made to the Labour Law in China putting stringent requirements on employment conditions. Since the Group has been complying with national laws in employment of staff and has kept improving employee welfare, its operation has not been affected by those amendments and it boasts a very stable workforce.

We try to manage risks without scarifying opportunities. We continue to allocate resources to emerging markets and to facilitate exploitation of growth opportunities.

The Board believes that the core businesses of the Group are strong with the markets it sells to being highly mature and competitive. We believe we have certain key competitive advantages, such as engineering expertise, the ability to innovate, sourcing and supply chain know-how, ordering and logistic management capabilities and productive co-development relationship with customers. These attributes will allow us to maintain or gain market share. The Group will continue to concentrate on improving its profitable core businesses and developing those businesses showing potential for profit.

DIVIDEND

The Board now recommends the payment of a final dividend of HK1.3 cents per share and a special final dividend of HK1 cent per share (2008: a final dividend of HK1.5 cents and no special final dividend) for the year ended 31 March 2009, amounting to approximately HK$9.97 million (2008: HK$6.5 million), payable to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 15 September 2009. Together with the interim dividend of HK2.7 cents per share, paid on 22 January 2009 (2008: HK2.3 cents) amounting to HK$11.70 million (2008: HK$9.97 million), the total dividends for the year ended 31 March 2009 will be HK5 cents per share (2008: HK3.8 cents). Subject to the approval of shareholders with regard to the proposed payment of the final dividend and special final dividend at the forthcoming annual general meeting, the dividend warrants will be dispatched to shareholders on or about Friday, 25 September 2009.

PROSPECTS

We expect the coming 2009/2010 financial year to be another challenging year, but that it will also be full of opportunities for the Group. The Group will exercise prudence in looking for the right opportunities amid challenges in its strive to develop and strengthen business.

Our new plant in Changping, Dongguan, the PRC commenced production in March 2009 and will eventually boost our overall production capacity by approximately 30% increasing our annual production from approximately eight million units to eleven million units. We are positive about our ability to gain a bigger share of the market in the future and enjoy cost benefit from economies of scale.

The current financial crisis has undoubtedly affected every business corporation including some of our clients who, in their bid to release liquidity pressure, have taken the approach of first selling their stocks before placing new orders. Some of our clients have also requested us to shorten delivery time. Such orders had increased by 30% in the first quarter of 2009. Anticipating such ordering pattern changes, the Group has been prepared to hasten production and logistic arrangement to meet the needs of those clients. Although the Group is well-known for its innovative products of high-quality and competitive prices, it will not be complacent. It will work hard on securing more orders from existing cooperative projects with key clients and enhancing its products so as to cater to demand for medium and high-end products. With the slowdown in the increase in the prices of raw materials and labour costs, the Group has been able to stabilise related expenditure and in turn improve its profit margin. We will continue to look for ways to reduce distribution, general and administrative expenses, while striving for market expansion and bigger shares in high-growth areas such as the PRC. We expect revenue from Asia to continue to grow rapidly.

The Group will continue to focus on strengthening its research and development capabilities for developing innovative products with strong value-added features that can help improve its margin. The strategic focus of the Group remains to be developing better lifestyle products in ODM, OEM and OBM modes instead of traditional electrical appliances. It will also develop its own "Kario" in the PRC market and explore more business opportunities in other new products categories and other niche markets. We will push for organic growth by exploring business opportunities promising synergy with our business strategies. The endeavour will allow us to create greater value for our shareholders.

FINANCIAL REVIEW

For the year ended 31 March 2009, the Group recorded a turnover of HK$769,330,000 (2008: HK$552,891,000), representing a notable increase of approximately 39.1% against the last financial year. Turnover attributable to the sales of electrical hair care products accounted for approximately HK$740,476,000, representing approximately 96.2% of the turnover of the Group. The increase in turnover of the Group was attributable to the success of several new products launched during the year under review and the Group having secured bigger market shares in Europe, America and Asia. Turnover from Europe, America and Asia increased to HK$415,834,000, HK$168,258,000 and HK$149,904,000, up by 21.2%, 86.5% and 62.7%, respectively.

Gross profit margin of the Group was approximately 17.3% for the year versus 20.6% last year and net profit margin was 6.6%, an increase from 3.2% and a decrease from 10.6% (excluding the loss arising from certain structured financial arrangements) in the last financial year. The narrower gross profit margins were the result of rise in raw material and labour costs. However, the rise in material costs slowed down towards the end of the year and the management has been working hard on identifying alternative material sources to control material expenses.

The percentages of distribution costs and administrative expenses to turnover were about 1.2% and 9.1% respectively.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2009, the Group had approximately HK$116,263,000 cash and cash equivalents balances (2008: HK$126,680,000). The Group's net current assets were approximately HK$126,917,000 (2008: HK$108,553,000). The net debt to equity ratio (the interest bearing borrowings less cash over total equity) as at 31 March 2009 was net cash while that as at 31 March 2008 was 0.6%. The current ratio of the Group as at 31 March 2009 was maintained at 1.8 (2008: 1.6). The Group is in a healthy liquidity position and has sufficient financial resources to meet the requirements of its ordinary operation and capital expenditure.

As at 31 March 2009, the Group had aggregate banking facilities of HK$212,873,000 (2008: HK$241,800,000), of which HK$109,309,000 (2008: HK$127,900,000) was used. The interest rate varies from HIBOR/LIBOR plus 0.4% to 1.5%. The decrease in banking facilities was from repayment of term loans and consolidation of unused banking facilities. The Group continued to enjoy strong support from major bankers and maintain a reasonable amount of banking facilities during the year under review.

The market capitalisation of the Company as at 31 March 2009 was approximately HK$110,501,000.

CHARGES ON ASSETS

The Group had no charges on assets as at 31 March 2009 (2008: 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 the HK dollars has been pegged to the US dollars, the Group's exposure to the currency risk in US dollars has been minimal. Most of the Group's liquid fund was placed in principal guaranteed short-term dual currencies deposits in various banks during the year under review. The management takes a prudent approach in minimising risks from exposure to Renminbi fluctuation by maintaining 100% capital protection short-term deposit with banks at a reasonable yield.

STAFF AND REMUNERATION POLICIES

As at 31 March 2009, the Group had approximately 60 employees (2008: 54) in Hong Kong. It operates a defined contribution pension scheme. As for the number of full-time and seasonal workers employed by its factories in China, it was maintained at approximately 2,987 (2008: 3,300) during the year under review.

People are our most important asset and are indispensable to our success in the competitive marketplace. We thus offer comprehensive remuneration packages and provide various fringe benefits, including training, medical and insurance coverage, as well as retirement benefits. During the year under review, the Group organised internal training courses at least once a month for staff at all levels and provided external training courses to some senior executives. Topics of the training courses included moral, ethic, languages, technical and management skills. The Group also organised hundreds of on-the-job training programmes at its production plants in PRC and principal office in Hong Kong.

The Group has in place a share option scheme for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of its operations. As at 31 March 2009, no share option has been granted under the Share Option Scheme.

CONTINGENT LIABILITIES

The contingent liabilities are disclosed in Note 35 in the Section headed “Notes to the Financial Statements”.

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 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in Note 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 of 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 2009.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the Consolidated Income Statement on page 33.

The Board now recommends the payment of a final dividend of HK1.3 cents per share and a special final dividend of HK1 cent per share (2008: a final dividend of HK1.5 cents and no special final dividend) for the year ended 31 March 2009, amounting to approximately HK$9.97 million (2008: HK$6.5 million), payable to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 15 September 2009. Together with the interim dividend of HK2.7 cents per share, paid on 22 January 2009 (2008: HK2.3 cents) amounting to HK$11.7 million (2008: HK9.97 million), the total dividends for the year ended 31 March 2009 will be HK5 cents per share (2008: HK3.8 cents). Subject to the approval of shareholders with regard to the proposed payment of the final dividend and special final dividend at the forthcoming annual general meeting, the dividend warrants will be dispatched to shareholders on or about Friday, 25 September 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 10 September 2009 to Tuesday, 15 September 2009, 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 special 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 Wednesday, 9 September 2009. The last day in Hong Kong of dealings in the shares with entitlement to final dividend and special final dividend will be on Monday, 7 September 2009. Shares of the Company will be traded ex-dividend as from Tuesday, 8 September 2009.

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 28 and 29 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out on page 36.

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:
Mr. Lam Wai Ming *(Chairman)*
Mr. Tam Chi Sang *(Managing Director)*

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

In accordance with Article 87 of the Company's articles of association, Mr. Chui Fan Wa and Mr. Li Chi Chung 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 19 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Chui Fan Wa, Mr. Li Chi Chung and Mr. Li Tat Wah, the independent non-executive directors, has entered into a letter of appointment with the Company commencing on 16 June 2009 to 15 June 2010 for a term of one year.

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 38 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 2009, 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	Approximate percentage of issued Shares
Mr. Lam Wai Ming	Corporate interest	244,800,000 *(Note 1)*	56.49%
Mr. Tam Chi Sang	Corporate interest	244,800,000 *(Note 2)*	56.49%

Notes:

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

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

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

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

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

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

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 of shares held	Class of shares	Nature of interest	Total number
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 2009, 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 2009, 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 shareholders	Number of Shares held	Approximate percentage of issued Shares
Beaute	204,000,000	47.08%
Apex Prima *(Note 1)*	204,000,000	47.08%
Potentasia *(Note 2)*	204,000,000	47.08%
Achieve Best	40,800,000	9.42%
Realchamp	40,800,000	9.42%

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

Long position in Securities of the Company (Continued)

Notes:

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

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

Save as disclosed above, as at 31 March 2009, 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**").

The following is the summary of the principal terms of the 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.

(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;

SHARE OPTION SCHEME (Continued)

(b) Who may join (Continued)

(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)

(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.

(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.

SHARE OPTION SCHEME (Continued)

(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 2009, no option was granted by the Company under the Share Option Scheme.

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 81 to 82.

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 38 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 78% 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 2009, except for the deviation from the CG Code Provision A.2.1. Under this CG code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lam Wai Ming holds the position of Chairman currently and is deemed to be the Chief Executive Officer. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies and development plans. The Board believes that the balance of power and authority is adequately ensured.

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. In May 2009, the merger of BDO McCabe Lo Limited and Shu Lun Pan Horwath Hong Kong CPA Limited took place and the practice was reorganized as BDO Limited. The Financial Statements of the Company for the year ended 31 March 2006, 2007, 2008 and 2009 have been audited by BDO 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 five years.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$11,218 (2008: HK$1,500).

On behalf of the Board
KENFORD GROUP HOLDINGS LIMITED

Lam Wai Ming
Chairman
Hong Kong, 17 July 2009

DIRECTORS

Executive Directors

Mr. Lam Wai Ming, aged 50, joined the Group in January 1989. Mr Lam is currently the executive director and the chairman of the Company and a member of the Remuneration Committee, being the board committee of the Company. Mr. Lam is principally responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues were discussed by the Board in a timely and constructive manner. Mr. Lam is also responsible for the overall management and corporate strategies as well as supervising sales and marketing functions 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 subsidiaries of the Company in the PRC and the brother-in-law of Mr. Poon Kam Ming, Percy, the Senior Marketing Manager of the Group.

Mr. Tam Chi Sang, aged 49, joined the Group in July 1991. Mr. Tam is currently the executive director and managing director of the Company and a member of the Remuneration Committee, being the board committee of the Company. Mr. Tam is responsible for supervision and management of the purchasing, 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. Mr. Tam 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 44, has been the independent non-executive director of the Company since March 2005. Mr. Chiu is also currently serving as the chairman of the Audit Committee and 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. Mr. Chiu 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. Chiu is an independent non-executive director of Yunnan Enterprises Holdings Limited (Stock Code: 455) which is a company listed on the main board of the Stock Exchange ("Main Board")

Mr. Li Chi Chung, aged 40, 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 (Stock Code: 8136), 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 (Stock Code: 2368), a company listed on the Main Board. Mr. Li is also an independent non-executive director of PINE Technology Holdings Limited (Stock Code: 8013) which is a company listed on GEM. Mr. Li is the company secretary of Prime Investments Holdings Limited (Stock Code: 721) and China Mandarin Entertainment (Holdings) Limited (formerly known as Mandarin Entertainment (Holdings) Limited (Stock Code: 009) which are companies listed on Main Board, and China Nonferrous Metals Company Limited (formerly known as Sungreen International Holdings Limited), (Stock Code: 8306) which is a company listed on GEM. From 15 October 2007 to 13 February 2009, Mr. Li was an independent non-executive director of Anhui Tianda Oil Pipe Company Limited, a company listed on Main Board.

DIRECTORS (Continued)

Independent Non-Executive Directors (Continued)

Mr. Li Tat Wah, aged 39, has been the independent non-executive director of the Company since March 2005. Mr. Li 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. Mr. Li holds a master degree of business administration from University of Surrey (U.K.). Mr. Li 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 48, joined the Group in May 2008. Ms. Tse 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. Ms. Tse obtained a Master degree in China Accountancy from Guangzhou Jinan University in January 2004. Ms. Tse 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. Ms. Tse has over 20 years of experience in financial management in various commercial and industrials sectors. Prior to joining the Group, Ms. Tse was previously a financial controller/chief financial officer, qualified accountant and company secretary of several companies listed on the Main Board.

Mr. Kwong Pak Chuen, Patrick, aged 48, joined the Group in June 1999 and is the Senior Engineering Manager of the Group. Mr. Kwong has over 20 years of 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. Mr. Kwong graduated from The University of Warwick with a master degree of Science in Engineering Business Management.

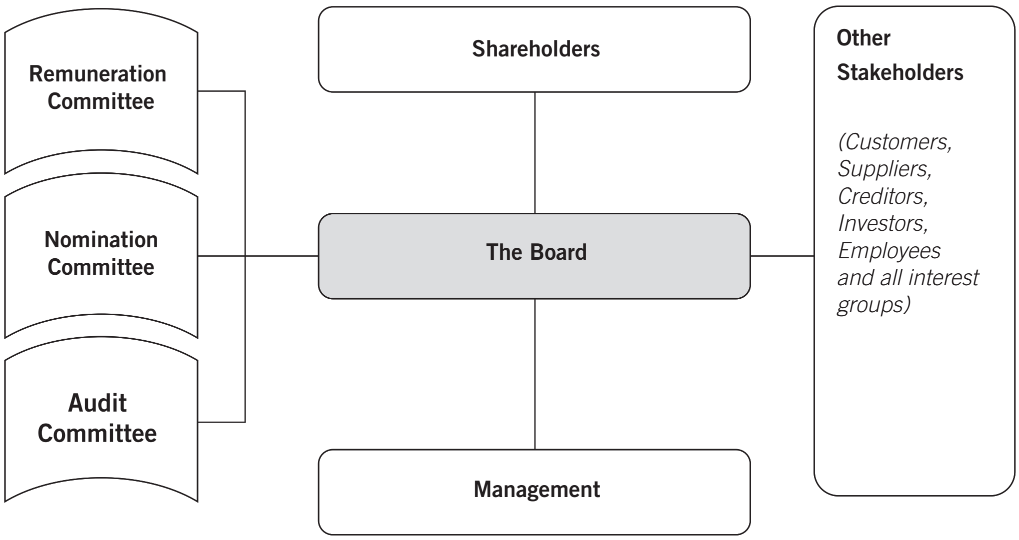
Mr. Yeung Kin Wing, Ramo, aged 39, joined the Group in June 1998 and is the Operation Manager of the Group. Mr. Yeung has over 18 years of experience in quality management in manufacturing industry. Mr. Yeung has obtained a bachelor degree of Business Administration from Lincoln University and a National Diploma in Engineering from Business and Technical Education Council.

Mr. Lam Wai Hung, aged 39, joined the Group in February 1993 and is the Administration Manager of the subsidiaries of the Company in the PRC. Mr. Lam has over 10 years of 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 53, 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 of experience in sales and marketing of electrical appliances. Prior to joining the Group, Mr. Poon served an international construction company and earned several years of 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 2009, 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 below. The Group will keep on reviewing and improving our corporate governance practices and procedures from time to time to ensure the commitment of the corporate governance standard and strive 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 2009.

BOARD OF DIRECTORS

Board functions

The Board oversees the strategic development and 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's 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) and 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 19 to 20 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 2009, 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 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 30 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 2009 were as follows:

	Number of meeting 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	18/18	5/5	1/2	N/A	1/1
Mr Tam Chi Sang	18/18	5/5	1/2	N/A	1/1
Mr Chan Kwok Tung, Donny (resigned on 16 June 2008)	4/18	0/5	0/2	N/A	0/1
Independent Non-Executive Directors					
Mr Chiu Fan Wa	5/18	5/5	2/2	3/3	1/1
Mr Li Chi Chung	5/18	5/5	2/2	3/3	0/1
Mr Li Tat Wah	5/18	5/5	2/2	3/3	1/1

Note: There were eighteen (18) Board Meetings held during the financial year ended 31 March 2009 which included four (4) meetings with formal notice and agenda.

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 renewed a letter of appointment with each of the independent non-executive directors commencing on 16 June 2009 for a term of one year.

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 terms of reference of the Remuneration Committee were amended in July 2008 to the effect that the Remuneration Committee shall include two executive directors appointed by the Board in addition to the three independent non-executive directors from time to time. The majority of the members of the Remuneration Committee must be independent non-executive directors of the Company.

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 the share option scheme of the Company.

Remuneration Committee composition

The Remuneration Committee comprises three independent non-executive directors namely, Mr. Chiu Fan Wa, Mr. Li Chi Chung and Mr. Li Tat Wah and two executive directors namely, Mr. Lam Wai Ming and Mr. Tam Chi Sang. Mr. Li Tat Wah was appointed as the chairman of the Remuneration Committee.

Remuneration Committee meetings

During the financial year ended 31 March 2009, the Remuneration Committee had met five 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 2008;
- to review the performance bonus of the executive directors of the Company for the financial year ended 31 March 2008;

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 2009 prior to recommending them to the Board for determination; and

– to note the fact that no compensation had been paid to the executive directors and senior management of the Group in relation to their resignation, if any, during the financial year ended 31 March 2008.

The details of the number of the Remuneration Committee meetings held during the financial year ended 31 March 2009 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 23 of this corporate governance report.

The Directors are remunerated with reference to their respective duties and responsibilities 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, consistent 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 composition

The Nomination 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 was appointed as the chairman of the Nomination Committee.

NOMINATION COMMITTEE (Continued)

Nomination Committee meetings

During the financial year ended 31 March 2009, 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 2008;

– 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 to be held on 29 August 2008.

The details of the number of the Nomination Committee meetings held during the financial year ended 31 March 2009 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 23 of this corporate governance report.

AUDITORS' REMUNERATION

During the financial year ended 31 March 2009, the Company engaged BDO Limited as the external auditors of the Company to perform audit and non-audit services. The audit fee was approximately HK$645,000 and other non-audit service fee was approximately HK$125,000 for the year ended 31 March 2009.

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 renewed on 17 July 2009 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 2009, the Audit Committee had met two times to discuss the following matters:

– to review the final results of the Group for the year ended 31 March 2008 prior to recommending them to the Board for approval;

– to review the interim results for the six months ended 30 September 2008 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 2009 prior to recommending them to the Board for approval and the Board had agreed with the Audit Committee's view on this matter.

– to discuss with our external auditors any significant or unusual items reflected in interim and annual report.

– to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system.

The details of the number of the Audit Committee meetings held during the financial year ended 31 March 2009 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 23 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 2009 in conjunction with the Group's external auditors.

As at the date of this corporate governance report, the Board agrees to the proposal of re-appointment of the external auditors of the Company, BDO Limited, for the financial year ending 31 March 2010.

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 2009 has been shown in page 30 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 2009. 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.irasia.com/listco/hk/kenford;

(c) www.kenford.com.hk.

During the financial year ended 31 March 2009, no extraordinary general meeting was held. At the annual general meeting of the Company held at Ballroom Four, 18/F, The Mira Hong Kong, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on 29 August 2008 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 2008; (ii) the declaration of final dividend; (iii) the re-election of Directors and the authorization to the board of Directors to fix the Directors' remuneration; (iv) the re-appointment of the auditors of the Company and the authorization of the board of Directors to fix the auditors' remuneration; and (v) the grant of the general mandates to the Directors to exercise the powers of the Company to issue Shares and to repurchase Shares respectively. The Company will ensure that shareholders are familiar with the detailed procedures for conducting 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 general meeting of the Company held during the financial year ended 31 March 2009 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 23 of this corporate governance report.

The forthcoming annual general meeting of the Company will be held on Tuesday, 15 September 2009. 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 Company has engaged two qualified accountants with appropriate working experiences in the Finance & Accounting Department of the Group. The Board, was also satisfied with the adequacy of resources of the Company, qualifications and experiences of staff of the Company's accounting and financial reporting function and their training programs and budget.

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 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.

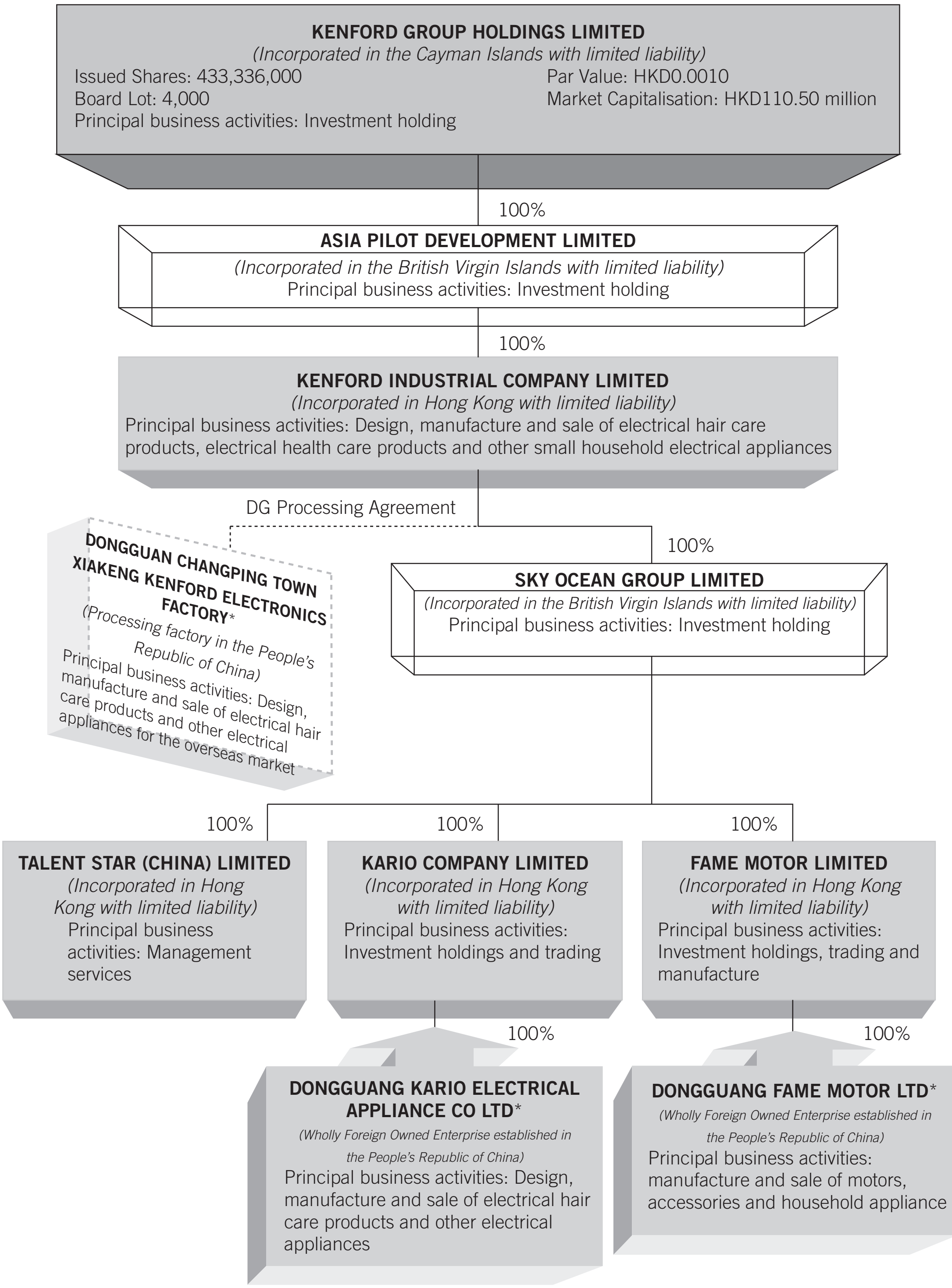
LOOKING FORWARD

The Company 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 2010. 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

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 2009.



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

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執業會計師
香港干諾道中一百一十一號
永安中心二十五樓
電話:(八五二)二五四一 五〇四一
傳真:(八五二)二八一五 二二三九

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 33 to 80, which comprise the consolidated and Company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the 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 contents 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 2009 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 Limited
Certified Public Accountants

Chow Tak Sing, Peter
Practising Certificate Number P04659

Hong Kong, 17 July 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	5	**769,330**	552,891
Cost of sales		**(636,227)**	(439,020)
Gross profit		**133,103**	113,871
Other income and gains	6	**8,069**	8,238
Distribution costs		**(9,544)**	(8,172)
Administrative expenses		**(69,762)**	(48,601)
Loss on financial assets at fair value through profit or loss, net	31(a)(ii)	**–**	(40,674)
Profit from operations	8	**61,866**	24,662
Finance costs	10	**(4,432)**	(6,737)
Profit before income tax expense		**57,434**	17,925
Income tax expense	11	**(6,478)**	(235)
Profit for the year		**50,956**	17,690
Dividends:	13		
Interim dividend paid		**11,700**	9,967
Final dividends proposed			
– Ordinary		**5,633**	6,500
– Special		**4,333**	–
		21,666	16,467
Earnings per share (cents)			
– Basic	14	**11.759**	4.343
– Diluted	14	**11.759**	4.343

Consolidated Balance Sheet

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	16	**138,892**	130,077
Payments for leasehold land held for own use under operating leases	17	**3,996**	4,067
Goodwill	18	**1,403**	1,403
Total non-current assets		**144,291**	135,547
Current assets			
Inventories	20	**62,043**	72,414
Trade and bills receivables	21	**105,086**	86,299
Deposits, prepayments and other receivables		**9,512**	8,075
Tax recoverable		**–**	1,104
Cash and cash equivalents	22	**116,263**	126,680
Total current assets		**292,904**	294,572
Total assets		**437,195**	430,119
Liabilities			
Current liabilities			
Trade payables	24	**59,426**	70,068
Accruals and other payables		**25,547**	21,648
Borrowings – due within one year	25	**69,666**	84,232
Bank advances for discounted bills	21	**2,802**	7,461
Obligations under finance leases – due within one year	26	**2,656**	2,544
Current tax liabilities		**5,890**	66
Total current liabilities		**165,987**	186,019
Non-current liabilities			
Borrowings – due after one year	25	**25,811**	31,014
Obligations under finance leases – due after one year	26	**2,025**	2,611
Deferred tax liabilities	27	**9,265**	9,627
Total non-current liabilities		**37,101**	43,252
Total liabilities		**203,088**	229,271
Net current assets		**126,917**	108,553
Total assets less current liabilities		**271,208**	244,100
Total net assets		**234,107**	200,848
Capital and reserves attributable to equity holders of the Company			
Share capital	28	**433**	433
Share premium		**55,496**	55,496
Merger reserve		**942**	942
Properties revaluation reserve		**28,015**	28,015
Exchange fluctuation reserve		**3,554**	3,051
Proposed dividends		**9,966**	6,500
Retained profits		**135,701**	106,411
Total equity		**234,107**	200,848

On behalf of the Board

Lam Wai Ming
Director

Tam Chi Sang
Director

Balance Sheet

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	19	**58**	58
Current assets			
Deposits, prepayments and other receivables		**129**	150
Amounts due from subsidiaries	19	**68,610**	48,583
Cash and cash equivalents	22	**1,273**	9,057
Total current assets		**70,012**	57,790
Total assets		**70,070**	57,848
Liabilities			
Current liabilities			
Accruals and other payables		**358**	375
Net current assets		**69,654**	57,415
Total assets less current liabilities		**69,712**	57,473
Total net assets		**69,712**	57,473
Capital and reserves			
Share capital	28	**433**	433
Reserves	30	**69,279**	57,040
Total equity		**69,712**	57,473

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 2009

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2008	433	55,496	942	28,015	3,051	6,500	106,411	200,848
Exchange realignments recognised directly in equity	–	–	–	–	503	–	–	503
Profit for the year	–	–	–	–	–	–	50,956	50,956
Total recognised income for the year	–	–	–	–	503	–	50,956	51,459
2008 final dividend paid	–	–	–	–	–	(6,500)	–	(6,500)
Interim dividend paid	–	–	–	–	–	–	(11,700)	(11,700)
Proposed final dividend	–	–	–	–	–	5,633	(5,633)	–
Proposed special dividend	–	–	–	–	–	4,333	(4,333)	–
At 31 March 2009	433	55,496	942	28,015	3,554	9,966	135,701	234,107

	Notes	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Share-based compensation reserve HK$'000	Properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Proposed dividends HK$'000	Retained profits HK$'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
Change in valuation of leasehold buildings	16	–	–	–	–	23,391	–	–	–	23,391
Deferred tax arising from change in valuation of leasehold buildings	27	–	–	–	–	(4,721)	–	–	–	(4,721)
Effect of changes in tax rate	27	–	–	–	–	234	–	–	–	234
Net income recognised directly in equity		–	–	–	–	18,904	2,721	–	–	21,625
Profit for the year		–	–	–	–	–	–	–	17,690	17,690
Total recognised income and expense for the year		–	–	–	–	18,904	2,721	–	17,690	39,315
Issue of shares		33	19,051	–	–	–	–	–	–	19,084
Share issue expenses		–	(422)	–	–	–	–	–	–	(422)
Lapse upon non-exercise of share options		–	–	–	(150)	–	–	–	150	–
Exercise of share options		–	550	–	(550)	–	–	–	–	–
Proposed 2007 final dividend for the warrant exercised during the year		–	–	–	–	–	–	98	(98)	–
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

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Profit before income tax expense		**57,434**	17,925
Adjustments for:			
Depreciation of property, plant and equipment		**15,919**	13,843
Amortisation of payments for leasehold land held for own use under operating leases		**71**	74
Loss on disposal of property plant and equipment, net		**63**	288
Interest income		**(454)**	(1,950)
Write-down of inventories		**3,253**	1,590
Impairment/(reversal of impairment) of trade receivables		**1,000**	(68)
Interest expenses		**4,432**	6,737
Operating profit before working capital changes		**81,718**	38,439
Decrease/(increase) in inventories		**7,118**	(18,151)
(Increase)/decrease in trade and bills receivables		**(19,787)**	8,488
Increase in deposits, prepayments and other receivables		**(1,437)**	(135)
(Decrease)/increase in trade payables		**(10,642)**	14,638
Increase in accruals and other payables		**3,900**	5,958
Cash generated from operations		**60,870**	49,237
Income tax refunded		**349**	–
Income tax paid		**(321)**	(6,493)
Net cash from operating activities		**60,898**	42,744
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(15,055)**	(9,184)
Payments for construction in progress		**(7,801)**	(11,536)
Payments to acquire leasehold land held for own use under operating leases		**–**	(724)
Proceeds from disposal of property, plant and equipment		**1,373**	407
Interest received		**454**	1,950
Net cash used in investing activities		**(21,029)**	(19,087)
Cash flows from financing activities			
Net proceeds from issuance of shares		**–**	18,662
Increase in trust receipt loans		**(14,566)**	(2,510)
Bank borrowings raised		**–**	36,450
Repayment of bank borrowings		**(5,203)**	(11,840)
Interest paid		**(4,432)**	(6,737)
Decrease in bank advances for discounted bills		**(4,659)**	(24,005)
Repayment of principal portion of obligations under finance leases		**(3,250)**	(2,299)
Dividends paid		**(18,200)**	(22,065)
Net cash used in financing activities		**(50,310)**	(14,344)
Net (decrease)/increase in cash and cash equivalents		**(10,441)**	9,313
Cash and cash equivalents at beginning of year		**126,680**	116,841
Effect of foreign exchange rate changes		**24**	526
Cash and cash equivalents at end of year	22	**116,263**	126,680

1. GENERAL INFORMATION

Kenford Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 10 November 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 June 2005. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its 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 AMENDMENTS AND NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

(a) In the current year, the Group has applied, for the first time, all new amendments and interpretations 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.

Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
HK(IFRIC) – Interpretation 12	Service Concession Arrangements
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these amendments and interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods and no prior period adjustment has been recognised.

(b) Potential impact arising on the new or revised standards, amendments and interpretations not yet effective

The Group has not yet applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation [4]
Amendment to HKAS 39	Eligible Hedged Items [3]
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [4]
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments [4]
Amendments to HK(IFRIC) – Interpretation 9 and HKAS 39	Embedded Derivatives [5]

2. ADOPTION OF AMENDMENTS AND NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

(b) Potential impact arising on the new or revised standards, amendments and interpretations not yet effective (Continued)

HKAS 1 (Revised)	Presentation of Financial Statements [4]
HKAS 23 (Revised)	Borrowing Costs [4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations [4]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [4]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes [6]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate [4]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation [7]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [3]
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers [8]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 January 2009
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for annual periods beginning on or after 1 July 2008
7 Effective for annual periods beginning on or after 1 October 2008
8 Effective for transfers of assets from customers received on or after 1 July 2009

The adoption of HKAS 1 (Revised) will result in changes in presentation of the primary statements of the financial statements and HKFRS 8 will result in changes in disclosure.

HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 April 2009.

Other than those stated above, the Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations and the directors of the Company so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 "HKFRS") 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 and the Hong Kong Companies Ordinance.

(b) Basis of measurement

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

(c) Use of estimates and judgments

The preparation of these consolidated 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 33.

(d) Functional and presentation currency

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

4. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements 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.

(b) Subsidiaries

A subsidiary is an entity in which the Company is able to exercise control. 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 less 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 period.

(d) Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings in Hong Kong and leasehold buildings in the PRC held for use in the production or for administrative purposes 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 from 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

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

An asset 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 property, plant and equipment on which construction work has not been completed. Construction in progress is carried at cost which includes 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 its carrying amount, and is recognised in the consolidated income statement.

(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 land. 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.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 foreign 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 foreign 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 foreign 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. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets at fair value through profit or loss

These assets 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 losses 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; and
- 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. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

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 at fair value through profit or loss (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.

At each balance sheet date subsequent to initial recognition, financial liabilities 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.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade payables and other short-term monetary liabilities, bank and other borrowings, which are initially measured at fair value, net of directly attributable costs incurred, and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised within "finance costs" in the consolidated income statement.

Gains or losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

(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 contract 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 financial asset expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement".

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

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans 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 Hong Kong 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 are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave 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 the 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

Assets held under finance leases are initially recognised as an asset at their fair value or, if lower, the present value of the minimum lease payments. 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.

The total rentals payable under the operating leases are charged to the consolidated income statement on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

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

(k) Research and development cost

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

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. Cost is calculated using the first-in, first-out method.

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

(n) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

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 consolidated 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 higher 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

	2009 **HK$'000**	2008 HK$'000
Reimbursement of mould costs	**963**	686
Interest income	**454**	1,950
Sample sales	**40**	94
Compensation received	**3,707**	1,146
Rental income	**127**	116
Sundry income	**2,778**	4,246
	8,069	8,238

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 segment

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 turnover 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 turnover by geographical location of customers:

	2009 **HK$'000**	2008 HK$'000
Europe	**415,835**	343,137
North and South America	**168,258**	90,238
Asia	**149,904**	92,116
Australia	**24,404**	17,081
Africa	**10,929**	10,319
	769,330	552,891

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

	2009 **HK$'000**	2008 HK$'000
Hong Kong	**191,855**	198,750
PRC (excluding Hong Kong)	**243,937**	229,966
	435,792	428,716
Goodwill	**1,403**	1,403
	437,195	430,119

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:

	2009 **HK$'000**	2008 HK$'000
Hong Kong	**3,003**	97
PRC (excluding Hong Kong)	**22,629**	23,327
	25,632	23,424

8. PROFIT FROM OPERATIONS

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

	2009 **HK$'000**	2008 HK$'000
Auditors' remuneration	**645**	625
Cost of inventories recognised as an expense	**636,227**	439,020
Depreciation of property, plant and equipment		
– owned	**14,396**	12,731
– held under finance leases	**1,523**	1,112
Amortisation of payments for leasehold land held for own use under operating leases	**71**	74
Exchange loss/(gain), net	**2,874**	(350)
Loss on disposal of property, plant and equipment, net	**63**	288
Impairment/(reversal of impairment) of trade receivables (Note 21)	**1,000**	(68)
Minimum lease payments under operating leases	**2,259**	1,660
Research and development costs (Note)	**5,214**	3,912
Write-down of inventories	**3,253**	1,590

Note:

Research and development costs comprised mainly salaries paid to engineers who are responsible for the research and development functions. Such amounts were included in staff costs.

9. STAFF COSTS

	2009 HK$'000	2008 HK$'000
Staff costs (including directors' emoluments (Note 15(a))) comprise:		
Salaries and welfare expenses	**129,247**	87,134
Retirement benefits scheme contributions	**5,827**	2,543
	135,074	89,677
Salaries and welfare expenses included the amount paid under PRC sub-processing agreements	**80,907**	55,413

10. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
– bank borrowings and overdrafts wholly repayable within five years	**129**	683
– bank borrowings not wholly repayable within five years	**786**	–
– trust receipt loans	**3,312**	5,760
– finance leases	**205**	294
	4,432	6,737

11. INCOME TAX EXPENSE

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000
Current tax – Hong Kong Profits Tax		
– tax for the year	**4,592**	1,578
– (over)/under provision in respect of prior years	**(375)**	198
Current tax – PRC Enterprise Income Tax ("EIT")		
– tax for the year	**2,735**	96
– over provision in respect of prior years	**(52)**	–
	6,900	1,872
Deferred tax (Note 27)		
– current year	**(422)**	(676)
– over provision in respect of prior years	**–**	(848)
– attributable to decrease in tax rate	**–**	(113)
	(422)	(1,637)
Income tax expense	**6,478**	235

11. INCOME TAX EXPENSE (Continued)

No provision for profit tax for group entities in the Cayman Islands or the British Virgin Islands has been made as these entities had no income assessable for profit tax in these jurisdictions for current and prior years. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced the corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/09. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profits for the year.

Pursuant to the new PRC EIT Law promulgated on 16 March 2007, the EIT rate for foreign-invested enterprises will be unified at 25% effective from 1 January 2008. The new law and related implementation regulations will change the tax rate from 33% to 25% for all group entities in the PRC from 1 January 2008 onwards.

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

	2009 HK$'000	2008 HK$'000
Profit before income tax expense	**57,434**	17,925
Tax calculated at the Hong Kong Profits Tax rate of 16.5% (2008: 17.5%)	**9,477**	3,137
Effect of different tax rates of subsidiaries operating in other jurisdictions	**754**	374
Tax concessions for a PRC subsidiary	**–**	(467)
Tax effect of income not taxable in determining taxable profit (Note)	**(4,198)**	(1,631)
Tax effect of expense not deductible for tax purposes	**580**	508
Effect on deferred tax balances resulting from decrease in tax rate	**–**	(113)
Utilisation of temporary differences previously not recognised	**–**	(631)
Over provision of deferred tax liability in prior years	**–**	(848)
(Over)/under provision of current tax in respect of prior years	**(427)**	198
Others	**292**	(292)
Income tax expense	**6,478**	235

Note:

This amount mainly represents the tax effect of the 50% of assessable profits of a subsidiary, Kenford Industrial Company Limited, 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 of its manufacturing profits as offshore in nature and non-taxable.

12. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders includes an amount of HK$30,439,000 (2008: HK$9,654,000) (Note 30) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Interim, paid HK$0.027 (2008: HK$0.023) per share	**11,700**	9,967
Final, proposed HK$0.013 (2008: HK$0.015) per share	**5,633**	6,500
Special, proposed HK$0.01 (2008: HK$ Nil) per share	**4,333**	–
	21,666	16,467

The directors recommended a final dividend of HK$0.013 per share and a special final dividend of HK$0.01 per share (2008: a final dividend of HK$0.015 per share). These proposed dividends are not reflected as a dividend payable at 31 March 2009. They are reflected as appropriations of retained profits 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:

	2009	2008
Profit for the year (HK$'000)	**50,956**	17,690
Weighted average number of ordinary shares in issue (thousands)	**433,336**	407,362
Basic and diluted earnings per share (HK cents) (Note)	**11.759**	4.343

Note:

There were no dilutive potential ordinary shares in issue during the year ended 31 March 2009.

15. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of directors for the year ended 31 March 2009 is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension HK$'000	Total HK$'000
Executive Directors					
Mr. Lam Wai Ming	4,472	5,132	4,050	12	13,666
Mr. Tam Chi Sang	3,019	4,526	500	12	8,057
Mr. Chan Kwok Tung, Donny (Note)	426	479	–	3	908
Independent Non-Executive Directors					
Mr. Chiu Fan Wa	96	–	–	–	96
Mr. Li Chi Chung	96	–	–	–	96
Mr. Li Tat Wah	96	–	–	–	96
	8,205	10,137	4,550	27	22,919

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension HK$'000	Total 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)	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

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 2009 (2008: Nil).

Note:

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

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

(b) Five highest paid individuals

The five highest paid individuals for the year ended 31 March 2009 included three directors (2008: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals during the year are summarised as follows:

	2009	2008
	HK$'000	HK$'000
Salaries, allowances and other benefits	**2,538**	2,204
Discretionary bonuses	**310**	253
Retirement benefits scheme contributions	**24**	24
	2,872	2,481

The emoluments fall within the following band:

	Number of individuals	
	2009	2008
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 2009 (2008: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings in Hong Kong (Notes (a), (c)) HK$'000	Leasehold buildings in the PRC (Notes (b), (c)) HK$'000	Leasehold improve-ments HK$'000	Plant and machinery (Note (d)) HK$'000	Fixtures, furniture and equipment (Note (d)) HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation									
At 1 April 2008	19,200	62,200	7,623	38,702	17,270	1,637	50,885	11,735	209,252
Additions	–	–	1,659	6,226	2,300	2,776	4,870	7,801	25,632
Disposals	–	–	–	(1,548)	(664)	(715)	–	–	(2,927)
Reclassification	–	17,403	–	–	–	–	142	(17,545)	–
Currency realignment	–	253	15	109	5	6	99	31	518
At 31 March 2009	19,200	79,856	9,297	43,489	18,911	3,704	55,996	2,022	232,475
Comprising:									
At cost	–	–	9,297	43,489	18,911	3,704	55,996	2,022	133,419
At valuation – 2008	19,200	79,856	–	–	–	–	–	–	99,056
	19,200	79,856	9,297	43,489	18,911	3,704	55,996	2,022	232,475
Accumulated depreciation and impairment									
At 1 April 2008	–	–	5,908	22,621	12,774	1,144	36,728	–	79,175
Charge for the year	457	1,482	958	3,848	2,503	598	6,073	–	15,919
Written back on disposals	–	–	–	(152)	(624)	(715)	–	–	(1,491)
Currency realignment	–	(4)	4	(23)	3	1	(1)	–	(20)
At 31 March 2009	457	1,478	6,870	26,294	14,656	1,028	42,800	–	93,583
Net book value									
At 31 March 2009	18,743	78,378	2,427	17,195	4,255	2,676	13,196	2,022	138,892
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
Net book value									
At 31 March 2008	19,200	62,200	1,715	16,081	4,496	493	14,157	11,735	130,077

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) The Group's interests in leasehold land and buildings are situated in Hong Kong and held under medium-term lease.

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

(c) 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.

At 31 March 2009, the leasehold land and buildings in Hong Kong and leasehold buildings in the PRC were revalued by directors on a basis of recent market transactions on arm's length term. The revalued amount so determined did not differ materially from the carrying amount as at 31 March 2009 and therefore no revaluation adjustment has been recognised.

Had the leasehold land and buildings in Hong Kong and leasehold buildings in the PRC been carried at cost less accumulated depreciation and impairment, their carrying value would have been HK$10,691,000 and HK$32,845,000 (2008: HK$10,972,000 and HK$33,718,000) respectively.

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

	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2009	5,241	336	2,313	7,890
At 31 March 2008	5,965	672	–	6,637

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

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

	2009	2008
	HK$'000	HK$'000
Leasehold land situated in the PRC:		
– medium-term leases	**3,996**	4,067

18. GOODWILL

Group

	HK$'000
Carrying amount	
At 1 April 2007, 31 March 2008 and 31 March 2009	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 at a discount rate of 9.7% per annum. Cash flows for the first financial period is based on expected sales orders estimated by the management. Cash flow for the second to the 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

	2009 **HK$'000**	2008 HK$'000
Unlisted shares, at cost	**58**	58

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

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 31 March 2009 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration and operation	Issued and paid up shares/ registered capital	Percentage of ownership interest attributable to the Company Directly	Indirectly	Principal activities
Asia Pilot Development Limited	Corporation	The British Virgin Island ("BVI")	US$1	100%	–	Investment holding
Kenford Industrial Company Limited	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 Company Limited	Corporation	Hong Kong	HK$10,000	–	100%	Investment holding and trading
Dongguan Kario Electrical Appliance Company Limited ("DG Kario") (Note)	Corporation	The Peoples's Republic of China ("The PRC")	US$4,050,000	–	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 ("DG Fame Motor") (Note)	Corporation	The PRC	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.

Note:

These entities are registered as wholly-foreign owned enterprises under the PRC law. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

20. INVENTORIES

Group

	2009 HK$'000	2008 HK$'000
Raw materials	**35,859**	47,623
Work-in-progress	**4,881**	6,489
Finished goods	**21,303**	18,302
	62,043	72,414

21. TRADE AND BILLS RECEIVABLES

Group

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

	2009 HK$'000	2008 HK$'000
Trade receivables	**98,006**	69,982
Bills receivables	**7,080**	16,317
	105,086	86,299

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

	2009 HK$'000	2008 HK$'000
Aged:		
Within 60 days	**73,583**	56,885
61 – 120 days	**20,760**	12,405
121 – 365 days	**3,283**	212
More than 365 days	**380**	480
	98,006	69,982

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

The Group transferred certain bills of exchange amounting to HK$2,802,000 (2008: HK$7,461,000) 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)

Trade receivables (net of impairment losses) with the following aging analysis using allowed credit term as of the balance sheet date:

	2009 **HK$'000**	2008 HK$'000
Current (Note (a))	**90,525**	63,347
Less than 60 days past due	**5,714**	6,117
61 to 120 days past due	**1,057**	85
121 to 365 days past due	**329**	11
More than 365 days past due	**381**	422
Amount past due at balance sheet date but not impaired (Note (b))	**7,481**	6,635
	98,006	69,982

Notes:

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

(b) The balances 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 of trade receivables for the year:

	2009 **HK$'000**	2008 HK$'000
At beginning of year	**290**	359
Impairment loss recognised	**1,000**	–
Reversal of impairment loss previously recognised	**–**	(68)
Bad debts written off	**(4)**	(1)
At end of year (Note (c))	**1,286**	290

Note:

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

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash available on demand	**116,147**	108,800	**1,273**	9,057
Short-term fixed rate deposits	**116**	17,880	**–**	–
	116,263	126,680	**1,273**	9,057

23. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2009, the Group acquired property, plant and equipment of approximately HK$2,776,000 (2008: HK$1,980,000), which were settled through finance lease arrangements.

24. TRADE PAYABLES

Group

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

	2009	2008
	HK$'000	HK$'000
Aged:		
Within 60 days	**56,904**	39,975
61 – 120 days	**1,489**	26,633
121 – 365 days	**483**	2,831
More than 365 days	**550**	629
	59,426	70,068

25. BORROWINGS

Group

	2009 HK$'000	2008 HK$'000
Unsecured bank borrowings comprise:		
– trust receipt loans	**61,463**	76,029
– other loans	**34,014**	39,217
	95,477	115,246

At 31 March 2009, total current and non-current borrowings were repayable as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**69,666**	84,232
More than one year, but not exceeding two years	**5,203**	5,203
More than two years, but not exceeding five years	**15,610**	15,610
More than five years	**4,998**	10,201
	95,477	115,246
Amount due within one year included in current liabilities	**(69,666)**	(84,232)
	25,811	31,014

The bank borrowings carry interest at rates ranging from 0.4% to 2.62% (2008: 1.5% to 2.65%) per annum above the one, two, three or six month(s) HIBOR (Hong Kong Interbank Offered Rate).

26. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of machinery and equipment under finance lease arrangements, as the rental period amounts to the estimated useful economic lives 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:

	2009			2008		
	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	**2,766**	**(110)**	**2,656**	2,681	(137)	2,544
Later than one year and not later than two years	**976**	**(68)**	**908**	2,232	(48)	2,184
Later than two years and not later than five years	**1,205**	**(88)**	**1,117**	432	(5)	427
	4,947	**(266)**	**4,681**	5,345	(190)	5,155

The present value of future lease payments are analysed as:

	2009 HK$'000	2008 HK$'000
Current liabilities	**2,656**	2,544
Non-current liabilities	**2,025**	2,611
	4,681	5,155

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

27. DEFERRED TAX

Group

The movements of the Group's deferred tax assets/(liabilities) during the year are as follows:

	Note	**Accelerated depreciation allowance** HK$'000	**Provisions** HK$'000	**Properties revaluation** HK$'000	**Total** HK$'000
At 1 April 2008		(2,773)	910	(7,764)	(9,627)
(Charged)/credited to income	11	(26)	282	166	422
Exchange realignments		–	–	(60)	(60)
At 31 March 2009		(2,799)	1,192	(7,658)	(9,265)

	Note	**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)
Credited to income	11	401	965	158	1,524
Charged to equity		–	–	(4,721)	(4,721)
Effect of change in tax rate (charged)/credited to income	11	168	(55)	–	113
Effect of change in tax rate credited to equity		–	–	234	234
Exchange realignments		–	–	(343)	(343)
At 31 March 2008		(2,773)	910	(7,764)	(9,627)

Under the PRC law, withholding tax is imposed on dividends declared in respect of profits earned by subsidiaries in the PRC from 1 January 2008 onwards. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by the subsidiary in the PRC amounting to HK$7,780,750 (2008: Nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

Group and Company

	2009 Number '000	2009 HK$'000	2008 Number '000	2008 HK$'000
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**	1,000,000	1,000
Issued share capital				
Ordinary shares of HK$0.001 each				
At beginning of the year	**433,336**	**433**	400,000	400
Exercise of share options (Note (a))	–	–	2,200	2
Exercise of warrant subscription rights (Note (b))	–	–	1,136	1
Placing allotment (Note (c))	–	–	30,000	30
At end of the year	**433,336**	**433**	433,336	433

Notes:

(a) During the year ended 31 March 2008, the options holders exercised 2,200,000 share options to subscribe for 2,200,000 ordinary shares in the Company at HK$0.1833 per share.

(b) During the year ended 31 March 2008, 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.

(c) 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.

Share option schemes

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.

28. SHARE CAPITAL (Continued)

Share option schemes (Continued)

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. The details of movements of options granted are set out in note 29.

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 ended 31 March 2008, 2,272,000 warrants were exercised to subscribe for 1,136,000 ordinary shares of the Company at a subscription price of HK$0.6 per share. At 31 March 2008, 97,728,000 warrants were outstanding and lapsed on 13 June 2008. No warrants have been granted by the Company for the year and no warrants are outstanding as at 31 March 2009.

Capital management policy

The Group's objectives when managing capital are to safeguard the group entities' 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, sell assets to reduce debts or to obtain bank borrowings. No changes were made in the objectives, policies or processes during the year ended 31 March 2009 and 2008.

29. 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:

	2009		2008	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
Outstanding at beginning of year	–	–	0.1833	2,800,000
Exercise of share options	–	–	0.1833	(2,200,000)
Lapse upon non-exercise of share options	–	–	0.1833	(600,000)
Outstanding at end of year	–	–	–	–

29. SHARE-BASED PAYMENT (Continued)

The weighted average exercise price for the year ended 31 March 2009 was HK$Nil (2008: 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.

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.

30. RESERVES

Company

	Share premium HK$'000	Share-based compensation reserve HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2008	55,496	–	6,500	(4,956)	57,040
Profit for the year	–	–	–	30,439	30,439
2008 final dividend paid	–	–	(6,500)	–	(6,500)
Interim dividend paid	–	–	–	(11,700)	(11,700)
Proposed final dividend	–	–	5,633	(5,633)	–
Proposed special final dividend	–	–	4,333	(4,333)	–
At 31 March 2009	55,496	–	9,966	3,817	69,279

	Share premium HK$'000	Share-based compensation reserve HK$'000	Proposed dividends HK$'000	Retained profits (Note) HK$'000	Total 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

Note:

For the year ended 31 March 2008, 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.

31. 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 may 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 of directors 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.

	2009		2008	
	Weighted average effective interest rate	**Carrying amount HK$'000**	Weighted average effective interest rate	Carrying amount HK$'000
Financial assets				
Floating rate deposit				
– Cash and bank	**0.02%**	**116,147**	0.02%	108,800
Financial liabilities				
Floating rate borrowings				
– Trust receipt loans	**1.68%**	**61,463**	4.21%	76,029
– Bank advances from discounted bills	**1.68%**	**2,802**	4.21%	7,461
– Obligations under finance leases	**2.22%**	**4,681**	3.96%	5,155
– Other bank loans	**0.75%**	**34,014**	2.60%	39,217

31. 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 income tax expense 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 income tax expense on the next accounting period, the management assumes 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 2008 and 2009.

	2009 **Effect on profit after income tax expense** **HK$'000**	2008 Effect on profit after income tax expense HK$'000
HIBOR		
– increase by 200 basis points	**604**	246
– decrease by 200 basis points	**(604)**	(246)

(ii) Foreign exchange risk

Foreign exchange risk arises when group entities enter into transactions denominated in a currency other than their functional currencies. 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 2007 and 2008. These structured financial arrangements were fully settled during the year ended 31 March 2008 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 2009.

31. 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:

	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
USD	**117,557**	**16,708**	125,801	28,497
GBP	**40**	**17**	1,009	–
RMB	**2,610**	**12,817**	2,656	12,870
EUR	**262**	**106**	650	82
JPY	**27**	**–**	457	118
KRW	**2**	**–**	3	–
SGD	**5**	**–**	5	–
	120,503	**29,648**	130,581	41,567

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 income tax expense 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.

	2009	2008
	Effect on profit after income tax expense	Effect on profit after income tax expense
	HK$'000	HK$'000
RMB to HKD:		
– appreciates by 5% (2008: 2%)	**(426)**	(169)
– depreciates by 5% (2008: 2%)	**426**	169
EUR to HKD:		
– appreciates by 10% (2008: 9%)	**13**	42
– depreciates by 10% (2008: 9%)	**(13)**	(42)
JPY to HKD:		
– appreciates by 7% (2008: 7%)	**2**	20
– depreciates by 7% (2008: 7%)	**(2)**	(20)
GBP to HKD:		
– appreciates by 8% (2008: 7%)	**2**	58
– depreciates by 8% (2008: 7%)	**(2)**	(58)

31. 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:

	2009	2008
	HK$'000	HK$'000
In less than one year	**161,379**	191,783
In more than one year but not more than five years	**26,495**	34,221
In more than five years	**5,691**	14,367
	193,565	240,371

(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 loans 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. During the year, the four major customers of the Group accounted for approximately 74% (2008: 61%) of the total turnover of the Group. The Group strives to diversify its business base to ensure that there are no significant concentrations of credit risk.

Without taking account of any collateral held or other credit enhancements, the maximum exposure to credit risk on loans and receivables are the carrying amount of these assets and the maximum exposure to credit risk to the Group is HK$225,618,000 (2008: HK$215,289,000), including HK$116,263,000 (2008: HK$126,680,000), being the amount placed in creditworthy banks.

32. FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE

The directors considered that the carrying amounts of financial assets and financial liabilities approximate to their fair value.

33. 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, revaluation 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 revalued amount of certain property, plant and equipment was based on valuation on these assets conducted by independent firms of professional valuer or directors, as the case may be, using valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the carrying amounts of these assets.

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 2009 was HK$1,403,000 (2008: HK$1,403,000). More details are given in note 18.

34. 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 and DG Fame Motor, wholly owned subsidiaries of the Group, are required to participate in a defined contribution retirement benefit plan organised by the local municipal government in the PRC under which the subsidiaries and the employees are required to make monthly contributions to the plan calculated at 14% of the employees' average monthly salary in the preceding year.

The Group's contributions for the year amounted to approximately HK$5,827,000 (2008: HK$2,543,000).

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 MPF Scheme that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

35. CONTINGENT LIABILITIES

(a) 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.

(b) The Company has executed guarantees amounting to approximately HK$213,000,000 (2008: HK$242,000,000) with respect to banking facilities made available to its subsidiaries. As at 31 March 2009, the borrowings outstanding against the facilities amounted to approximately HK$109,300,000 (2008: HK$128,000,000).

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 insignificant.

36. CAPITAL COMMITMENTS

Group

	2009 HK$'000	2008 HK$'000
Commitments for acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	**6,061**	8,016

37. 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:

	2009 HK$'000	2008 HK$'000
Not later than one year	**2,117**	2,073
Later than one year and not later than five years	**2,853**	4,478
	4,970	6,551

38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out in notes 19, 29 and 35 above, the Group has the following material related party transactions during the year:

Key management compensation is as follows:

	2009 HK$'000	2008 HK$'000
Key management compensation:		
Basic salaries	**22,203**	12,243
Discretionary bonus	**4,950**	3,906
Contributions to defined contribution plan	**75**	84
	27,228	16,233

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 11 individuals (2008: 7 individuals).

39. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 March 2009 to be Beaute Inc., a company incorporated in the British Virgin Islands.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 17 July 2009.

CONSOLIDATED INCOME STATEMENTS

	Year ended 31st March,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	464,910	403,551	537,273	552,891	**769,330**
Cost of sales	(370,729)	(356,874)	(436,406)	(439,020)	**(636,227)**
Gross profit	94,181	46,677	100,867	113,871	**133,103**
Other income and gains	12,215	8,588	8,086	8,238	**8,069**
Distribution costs	(8,020)	(8,309)	(7,162)	(8,172)	**(9,544)**
Administrative expenses	(31,704)	(36,480)	(43,368)	(48,601)	**(69,762)**
Loss on financial assets at fair value through profit or loss, net	–	–	–	(40,674)	**–**
Profit from operations	66,672	10,476	58,423	24,662	**61,866**
Finance costs	(3,912)	(5,728)	(7,915)	(6,737)	**(4,432)**
Profit before income tax expense	62,760	4,748	50,508	17,925	**57,434**
Income tax expense	(5,357)	(601)	(4,193)	(235)	**(6,478)**
Profit for the year	57,403	4,147	46,315	17,690	**50,956**
Dividends	40,000	5,200	18,000	16,467	**21,666**
Basic earnings per share (cents)	19.13	1.094	11.579	4.343	**11.759**
Diluted earnings per share (cents)	19.13	1.090	11.558	4.343	**11.759**

CONSOLIDATED BALANCE SHEETS

	As at 31st March,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(Restated)	(Restated)			
Non-current assets					
Property, plant and equipment	78,295	91,461	96,167	130,077	**138,892**
Payments for leasehold land held for own use under operating leases	3,288	3,247	3,236	4,067	**3,996**
Goodwill	1,403	1,403	1,403	1,403	**1,403**
Total non-current assets	82,986	96,111	100,806	135,547	**144,291**
Current assets					
Inventories	60,881	54,207	55,853	72,414	**62,043**
Trade and bills receivables	46,880	69,363	94,719	86,299	**105,086**
Deposits, prepayments and other receivables	12,617	8,479	7,940	8,075	**9,512**
Tax recoverable	–	1,866	–	1,104	**–**
Pledged bank deposit	6,051	–	–	–	**–**
Cash and cash equivalents	77,176	63,334	116,841	126,680	**116,263**
Total current assets	203,605	197,249	275,353	294,572	**292,904**
Current liabilities					
Trade payables	55,298	46,291	55,430	70,068	**59,426**
Accruals and other payables	15,620	15,461	15,690	21,648	**25,547**
Dividends payable	32,489	–	–	–	**–**
Borrowings-due within one year	90,004	69,204	84,779	84,232	**69,666**
Bank advances for discounted bills	–	18,534	31,466	7,461	**2,802**
Obligations under finance leases – due within one year	1,014	457	1,973	2,544	**2,656**
Current tax liabilities	2,506	48	3,583	66	**5,890**
Total current liabilities	196,931	149,995	192,921	186,019	**165,987**
Net current assets	6,674	47,254	82,432	108,553	**126,917**
Total assets less current liabilities	89,660	143,365	183,238	244,100	**271,208**
Non-current liabilities					
Borrowings-due after one year	7,622	11,607	8,367	31,014	**25,811**
Obligations under finance leases – due after one year	599	155	3,501	2,611	**2,025**
Deferred tax liabilities	2,823	6,100	6,434	9,627	**9,265**
Net assets	78,616	125,503	164,936	200,848	**234,107**
Capital and reserves					
Share capital	100	400	400	433	**433**
Reserves	78,516	125,103	164,536	200,415	**233,674**
Equity attributable to equity holders of the Company	78,616	125,503	164,936	200,848	**234,107**

Note:

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