建福集團控股有限公司
KENFORD GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00464

ANNUAL REPORT 2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Chiu Fan Wa
Choi Hon Keung
Li Chi Chung
Li Tat Wah

COMPANY SECRETARY

Pang Kit Teng

AUDIT COMMITTEE

Chiu Fan Wa *(Chairman)*
Choi Hon Keung
Li Chi Chung
Li Tat Wah

NOMINATION COMMITTEE

Chiu Fan Wa *(Chairman)*
Choi Hon Keung
Li Chi Chung
Li Tat Wah

REMUNERATION COMMITTEE

Li Tat Wah *(Chairman)*
Chiu Fan Wa
Choi Hon Keung
Lam Wai Ming
Li Chi Chung
Tam Chi Sang

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Room 1106-8, Riley House
88 Lei Muk Road, Kwai Chung
New Territories, Hong Kong

Telephone: (852) 2422 8198
Facsimile: (852) 2420 3199
Email: inform@kenford.com.hk

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

BDO Limited

LEGAL ADVISER

Sit, Fung, Kwong & Shum

PRINCIPAL BANKERS

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

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited
www.sprg.com.hk
kenford@sprg.com.hk

CORPORATE WEBSITE

www.kenford.com.hk

STOCK CODE

00464

Highlights

For the year ended 31 March	2012 HK$'000	2011 HK$'000
Operating result		
Turnover	**634,357**	655,541
Gross profit	**114,480**	135,207
EBITDA	**60,459**	93,758
Operating profit	**45,602**	78,520
Net profit	**30,866**	65,656
Per share data	**HK cents**	HK cents
Earnings per share (Basic)	**7.054**	15.151
Earnings per share (Diluted)	**7.042**	15.071
Final dividend per share	**0.700**	2.800
Special dividend per share	**–**	1.200
Total dividend per share for the year	**2.080**	6.100
Net assets per share	**80.4702**	77.3234
Financial position	**HK$'000**	HK$'000
Cash and cash equivalents	**132,547**	144,756
Total assets	**566,055**	564,311
Net assets	**352,135**	335,070
Financial ratio		
Gross profit margin	**18.0%**	20.6%
EBITDA to revenue	**9.5%**	14.3%
Operating profit to revenue	**7.2%**	12.0%
Net profit to revenue	**4.9%**	10.0%
Return on equity	**8.8%**	19.6%
Net cash to equity	**14.1%**	15.6%

Chairman's Statement

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the audited consolidated financial results of Kenford Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2012.

The business environment for the financial year of 2011/2012 (the "**Financial Year**") has been very challenging. Our top brands customers from overseas reduced their sales targets as they were affected by the dampening consumer sentiment due to the increasing global economic turmoil brought about by the debt crises in Europe and a laggard US economic recovery. Though we recorded promising double-digit growth in domestic sales within China and boosted selling prices to both our overseas customers and in the China market, these increases could not fully offset the decline in sales demand.

Simultaneously, Hong Kong manufacturers operating in China faced stiff competition from Mainland manufacturers in procurement of raw materials and attracting sufficient labour. The pool of skilled labour shrank in Guangdong province as many of the workers who were not natives of Guangdong province chose to stay in their home provinces. Because of the shortage of labour, manufacturers had no choice but to pay higher wages and more overtime. The subsequent increase in labour costs compounded by the appreciation of the Renminbi intensified the operating pressures on the business, and as a result, affected the Group's overall profitability.

For the financial year ended 31 March 2012, the Group's consolidated turnover was HK$634,357,000 (FY2011: HK$655,541,000). The Group's net profit was HK$30,866,000 (FY2011: HK$65,656,000). Our cash and cash equivalents balance as at the end of this financial year was HK$132,547,000 (FY2011: HK$144,756,000). Such healthy financial status with net cash position enables the Group to continue paying a satisfactory dividend.

The Board recommended a final dividend of HK0.7 cents per shares for the year. Together with an interim dividend of HK1.38 cents already paid, the total dividend per share would amount to HK2.08 cents per shares for the financial year, representing a payout ratio of 30%.

During the financial year, the Group had invested HK$8,906,000 in upgrading the manufacturing equipment and facilities to implement our "Lean Programme" to improve production efficiency as part of its emphasis on cost rationalization. The Group expects to invest HK$18,000,000 in the coming fiscal year to be better prepared to capture future growth opportunities.

It is expected that the coming year of 2012/2013 would be full of uncertainties and challenges. Under these conditions, the Group shall strive to maintain a healthy financial and liquidity position. Moving forward, our veteran management team will focus on formulating business strategies and continue to implement highly stringent cost control measures to offset rising operating cost pressures. At the same time, the Group will further invest in research and development to create innovative products with strong value-added features that can boost our margins. The strategic focus of the Group in developing lifestyle haircare products superior to traditional electrical appliances will remain unchanged. Guided by the motto of "Better Ideas, Better Design, Better Quality," the Group will continue to enrich its product portfolio.

On behalf of the Board, I would like to extend my sincere gratitude to the entire workforce for their diligence and commitment during the year. I would further like to thank our shareholders for their confidence in the Group, our customers worldwide for their trust and support of our products and services, as well as our bankers and business partners for their ongoing support.

By Order of the Board

Lam Wai Ming
Chairman

Hong Kong, 29 June 2012

COMPANY PROFILE

Kenford Group Holdings Limited and its subsidiaries (the "**Group**") was founded in 1984 and was listed on the Hong Kong Stock Exchange in 2005. The Group is principally engaged in the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small electrical household appliances. The Group is headquartered in Hong Kong with a manufacturing base in Dongguan, PRC.

The Group's products are mainly sold on Original Design Manufacturing (ODM), Original Equipment Manufacturing (OEM) and Original Brand Manufacturing (OBM) bases. Its customers are mainly leading brand owners and importers who will then resell the products to beauty supply retailers and wholesalers, chain stores, mass merchandisers, warehouse clubs, catalogues and grocery stores.

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

The Group usually participates in the Hong Kong Electronics Fair Autumn Edition every October and the Exhibition of Cosmoprof Asia, Hong Kong every November so as to increase awareness of and promote products.

FINANCIAL REVIEW

For the year ended 31 March 2012, the Group recorded a turnover of HK$634,357,000 (2011: HK$655,541,000), a decrease of 3.2% from the previous financial year. The slight decrease in turnover was attributable to the drop of demand from our top brand overseas customers who were affected by the dampening consumer sentiment due to the increasing global economic turmoil brought about by the debt crises in Europe and a slow US economic recovery. Though we recorded HK$182,344,000 (2011: HK$117,120,000) in domestic sales within China, a promising 55.7% growth rate, and boosted selling prices to both our overseas customers and in the China market, these increases could not fully offset the decline in sales demand. For the year ended 31 March 2012, turnover attributable to the sales of electrical haircare products accounted for approximately HK$623,184,000 (2011: HK$635,531,000), representing about 98.2% (2011: 96.9%) of the turnover of the Group. The remaining HK$11,173,000 (2011: HK$20,010,000), representing about 1.8% (2011: 3.1%), was for the sales of electrical healthcare products and other small household electrical appliances.

During the year, the Group reported a gross profit of HK$114,480,000 (2011: HK$135,207,000), representing a gross profit margin of 18.0% (2011: 20.6%). The decrease was due to the increase of material prices and rising labour costs compounded by the appreciation of the Renminbi, all of which drove production costs upwards. Had we reclassified salary of HK$8,066,000 under "Administrative Expenses" incurred by one of the major subsidiaries in Dongguan as wages under "Cost of Sales" similar to the presentation of the financial year ended 31 March 2011, the gross profit margin would have been changed to 16.8% instead of the 18.0% as stated above. The change of presentation for the financial year under review was caused by the complete restructuring of this subsidiary from a contract processing factory to a Wholly Foreign Owned Enterprise "WOFE" in August 2011.

In line with the drop of gross profit, operating profit for the year ended 31 March 2012 was HK$45,602,000 (2011: HK$78,520,000), representing a decrease of 41.9% from the previous financial year. The percentage of distribution costs and administrative expenses to turnover were about 1.9% and 11.0% respectively against 1.8% and 9.1% in the last financial year. The significant increase in administrative expenses was caused by the change of presentation as stated above.

During the year, the Group recognised an unrealised loss arising from changes in fair value of equity securities held for trading of HK$752,000 (2011: HK$460,000). As a result of the temporary surge in market volatility immediately prior to 31 March 2012, fair value of these securities dropped significantly. Accordingly, the Group had to account for this drop in fair value in profit or loss. This item did not affect the cash flow of the Group for the financial year under review.

Earning before interest expense, tax, depreciation and amortization ("**EBITDA**") dropped to HK$60,459,000 (2011: HK$93,758,000), a decrease of 35.5% from the previous financial year. Affected by the increase in operating expenses and the inclusion of the negative impact on the changes in fair value of the equity securities held for trading, EBITDA over revenue ("**EBITDA Margin**") was 9.5% compared to 14.3% in the previous financial year.

Profit for the year dropped to HK$30,866,000, a decrease of 53.0% from HK$65,656,000 of the financial year ended 31 March 2011.

Basic earnings per share amounted to HK7.054 cents, a decrease of 53.4% from HK15.151 cents of the Corresponding Period.

The Board of Directors ("**The Board**") has proposed a final dividend of HK0.7 cents per share (2011: a final dividend of HK2.8 cents and a special final dividend of HK1.2 cents per share), totalling HK$3,072,000 (2011: HK$17,333,000) for the financial year ended 31 March 2012. Together with the interim dividend of HK1.38 cents per share (2011: HK2.1 cents per share) already declared and paid, total dividends for the year amount to HK2.08 cents per share (2011: HK6.1 cents per share) representing a pay-out ratio of 29.5% (2011: 40.3%).

BUSINESS REVIEW

Market Review

During the financial year, the exports markets were very soft. In particular, exports to Europe experienced a significant decline in the fourth quarter of the financial year. Troubled by the sluggish recovery of the US economy and the recent market turmoil caused mainly by the EURO Zone debt crisis, the overall consumption of electrical goods in both the US and Europe remained weak. We believe that the pace of global economic growth will remain slow in the coming year.

Amidst this challenging market environment, the demand for the Group's haircare products in Asia, especially, China, showed promising growth of 45.0% in this financial year. The stronger demand enabled the Group to reduce its dependence on the European market to 42.6% in the financial year ended 31 March 2012 from 52.7% in the previous financial year. The turnover contribution from the America decreased slightly to 9.9% during this financial year from 11.9% in the preceding financial year. At the same time, the turnover contribution from Asia increased to 42.7% in this financial year from 28.5% in the last financial year. As more and more consumers demand hair beauty products in the emerging markets, such as Colombia, Dubai, Iran, Lithuania and Ukraine, the Group believes that the geographical proportion of revenue should be more evenly distributed in the coming years.

Most of the Group's customers are famous global brands. Our five major customers accounted for approximately 79.0% and 75.7% of the Group's total turnover in the current financial year and the previous financial year, respectively.

Management Discussion and Analysis

Operation Review

With the PRC Government encouraging investors to change their processing factory operations into wholly foreign owned enterprises ("**WFOE**") through incentive schemes, the Group had completed the process of changing the processing factory operation in Dongguan to a WFOE in August 2011.

In order to sustain our competitiveness in this industry, the Group is devoting more resources to the research and development ("**R&D**") of new, innovative and value-added applications in haircare products especially in the area of hair nutrition, over-heating indicators, quiet performance and faster drying times. During the year under review, the Group successfully incorporated a number of innovative features, such as hair dryers with hair temperature sensor and hair straighteners with infrared emission.

Besides our in-house R&D team, the Group also collaborates with university and other research teams in the development of new products. The cooperation with The Hong Kong Polytechnic University and research teams in Japan has delivered cost-effective research results. The strengthened R&D capabilities enable the Group to more quickly develop and efficiently ramp up production of our new products. It also provides new business momentum for the Group to tap industry opportunities domestically and overseas.

During the current financial year, the Group faced the same operating challenges as other manufactures in Mainland China, such as slow recovery in the exports markets, the appreciating Renminbi and increased operation costs and general expenses. The monthly minimum wage in Dongguan increased from RMB920 to RMB1,100 effective March 2011 and is expected to rise further to RMB1,320 in 2012. Though there has been less upward pressure, the market still expects the RMB to appreciate by 1-2% by the end of this calendar year. But with the macroeconomic uncertainty, prices for metal commodities, such as copper, lead, and aluminum alloy, are declining which can provide some relief to the cost pressure on the Group.

Labour shortage remained as a serious issue in China, which has led to significant increases in labour costs and has inevitably placed a heavier burden on the manufacturing process. The Group realises that in the long run, it is necessary to transform itself from a labour intensive operation into a more capital-intensive enterprise. It has strived to improve the competitiveness of the production by adopting the "Lean Programme" since late 2010. The objective of this programme is to increase production efficiency and reduce costs and wastage by investing more in automation and re-designing the production set up and workflow. In this financial year, the Group had already invested HK$9m in acquiring new machineries and equipment and upgrading manufacturing facilities. It is expected that approximately HK$18m will be invested in production automation and set up during the next fiscal year.

With the ultimate goal of enhancing staff retention, cohesion and sense of belonging, the Group organised a wide range of activities for the staff and management such as forums to exchange ideas, and training programmes to share knowledge.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the Group had approximately HK$132,547,000 cash and cash equivalent balances (2011: HK$144,756,000). The Group's net current assets were approximately HK$202,359,000 (2011: HK$184,829,000). The current ratio of the Group as at 31 March 2012 was maintained at 2.0 (2011: 1.9) and the net cash to equity ratio (cash less the interest bearing borrowings over total equity) was 14.1% (2011: 15.6%).

As at 31 March 2012, the Group had aggregate banking facilities of HK$176,643,000 (2011: HK$214,549,000), of which HK$83,062,000 (2011: HK$92,442,000) was used. The borrowings comprised bank loan facilities of HK$44,703,000 (2011: HK$29,255,000), trade finance facilities of HK$37,741,000 (2011: HK$62,070,000) and the obligation under finance leases HK$618,000 (2011: HK$1,117,000). Other than obligation under finance lease, the maturity profile of the Group's borrowings falling due within one year and in the second to the fifth year amounted to HK$68,389,000 and HK$14,055,000, respectively (2011: HK$69,622,000 and HK$21,703,000, respectively). The bank borrowings carry interest at rates ranging from HIBOR/LIBOR plus 0.4% to 2.25% (2011: 0.4% to 1.5%) or 1% below the Prime Rate (2011: 1%).

The Group has maintained a healthy liquidity position and has accumulated sufficient financial resources to meet working capital and capital expenditure requirements.

CHARGES ON ASSETS

The Group had no charges on assets as at 31 March 2012 (2011: Nil), except for the assets charged under finance leases.

FOREIGN EXCHANGE EXPOSURE

The Group's financial statements are denominated in Hong Kong dollars. The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi and United States dollars. As the Hong Kong dollars remains pegged to United States dollars, there is no material exchange risk in this respect. To manage the appreciation of the Renminbi, the Group has successfully increased its revenue in Mainland China in order to hedge Renminbi receipts and Renminbi payments on an ongoing basis. All of the Group's bank loan facilities were denominated in Hong Kong dollars and carried interest at floating rates.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2012, the Group employed 53 employees (2011: 57) in Hong Kong and employed a total work force of approximately 2,440 (2011: 2,355) inclusive of all its staff and workers in China. The Group's remuneration policy is built on the principle of equitable, incentive-based where applicable, performance-oriented and market-competitive remuneration packages to employees. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

DIVIDENDS

The Board of Directors has proposed the payment of a final dividend of HK0.7 cents per share (2011: a final dividend of HK2.8 cents per share and a special final dividend of HK1.2 cents per share) for the year ended 31 March 2012. This amounts to approximately HK$3,072,000 (2011: HK$17,333,000), payable to the shareholders of the Company whose names appear on the register of members of the Company as at Friday, 10 August 2012. Together with the interim dividend of HK1.38 cents per share (2011: HK2.1 cents per share) amounting to approximately HK$6,057,000 (2011: HK$9,100,000), the total dividends for the year ended 31 March 2012 will be HK2.08 cents per share (2011: HK6.1 cents per share) amounting to approximately HK$9,129,000 (2011: HK$26,433,000). Subject to the approval of shareholders with regard to the proposed payment of the final dividend at the forthcoming annual general meeting, the dividend warrants will be dispatched to shareholders on or about Friday, 7 September 2012.

PROSPECTS

The outlook for the future is mixed with challenges and opportunities. The Group believes the key challenges include: 1) a significant slowdown in the economy and consumption, especially demand in Europe, China and the US, may affect capacity utilisation and top-line growth 2) reduced orders during the run-up for holiday seasons, such as Christmas and Chinese New Year, will have an impact on workforce planning 3) price pressure as customers may demand lower selling price due to the price declines for metal commodities 4) manufacturing cost pressure as the labour shortage is very serious in Guangdong province which may not improve in the near future.

Nevertheless, the Group is cautiously optimistic about the opportunities in the coming financial year. We believe there would be another wave of industry consolidation, which would benefit larger exporters, such as the Group, in the long run. The Group intends to continue investing in automation to be better prepared to capture future growth opportunities. Last but not least, the Group shall strive to maintain a healthy financial and liquidity position to reap the rewards from our development of new products and innovative product features.

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 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of the subsidiaries are set out in Note 19 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by products and geographical location is set out in Note 5 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2012.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2012 are set out in the Consolidated Statement of Comprehensive Income on page 37.

The Board recommends the payment of a final dividend of HK0.7 cents per share (2011: a final dividend of HK2.8 cents per share and a special final dividend of HK1.2 cents per share) for the year ended 31 March 2012, amounting to approximately HK$3,072,000 (2011: HK$17,333,000), payable to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 10 August 2012. Together with the interim dividend of HK1.38 cents per share, already paid, (2011: HK2.1 cents per share) amounting to approximately HK$6,057,000 (2011: HK$9,100,000), the total dividends for the year ended 31 March 2012 will be HK2.08 cents per share (2011: HK6.1 cents per share) amounting to approximately HK$9,129,000 (2011: 26,433,000). Subject to the approval of shareholders with regard to the proposed payment of the final dividend at the forthcoming annual general meeting, the dividend warrants will be dispatched to shareholders on or about Friday, 7 September 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 31 July 2012 to Thursday, 2 August 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. Members whose names appear on the register of members of the Company at the close of business on Monday, 30 July 2012 will be entitled to attend and vote at the annual general meeting. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged 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, for registration not later than 4:30 p.m. on Monday, 30 July 2012.

In order to ascertain the entitlement to the final dividend to be approved at the annual general meeting, the register of members of the Company will be closed from Wednesday, 8 August 2012 to Friday, 10 August 2012, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged 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, for registration not later than 4:30 p.m. on Tuesday, 7 August 2012.

The record date for the final dividend will be on Friday, 10 August 2012. The last day in Hong Kong of dealings in the Shares with entitlement to final dividend will be on Friday, 3 August 2012. Shares will be traded ex-dividend as from Monday, 6 August 2012. It is expected that the final dividend will be paid on Friday, 7 September 2012.

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 AND SHARE OPTIONS

Details of the movements in the issued share capital and share options of the Company during the year are set out in Notes 28 and 29 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out on page 40.

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. Choi Hon Keung (appointed on 15 August 2011)
Mr. Li Chi Chung
Mr. Li Tat Wah

In accordance with Article 86.(3), Mr. Choi Hon Keung shall hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

In accordance with Article 87 of the Company's articles of association, Mr. Li Tat Wah 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 22 to 24 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment 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 SHARES OF THE COMPANY

As at 31 March 2012, 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 shares 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)*	55.78%
	Personal	395,000	0.09%
Mr. Tam Chi Sang	Corporate interest	244,800,000 *(Note 2)*	55.78%
	Personal	395,000	0.09%

(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 SHARES OF THE COMPANY (Continued)

Long position in the underlying shares of the Company

Details are set out in the section headed "SHARE OPTION SCHEME" below.

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

As at 31 March 2012, 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 the shares of the Company

Name of substantial shareholders	Number of Shares held	Approximate percentage of issued Shares
Beaute	204,000,000	46.48%
Apex Prima *(Note 1)*	204,000,000	46.48%
Potentasia *(Note 2)*	204,000,000	46.48%
Achieve Best	40,800,000	9.30%
Realchamp	40,800,000	9.30%

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 2012, 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**") which will remain in force for a period of ten (10) years.

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 recruit and retain high caliber 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 the share option scheme of the Company;

(iii) any vendor, supplier of goods or services or customer of or to any member of the Enlarged Group or Invested Entity who, under the terms of relevant agreement with the Enlarged Group or the relevant Invested Entity, is eligible to participate in the 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**").

SHARE OPTION SCHEME (Continued)

(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.

(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.

SHARE OPTION SCHEME (Continued)

(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.

(iii) Each grant of option to an Eligible Person who is a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive director(s) of the Company (excluding the independent non-executive director who is the grantee of the option).

(iv) Where the Board proposes to grant any option to an Eligible Person who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, and such option, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the past 12-month period up to and including the date of grant (a) representing in aggregate more than 0.1% of the total number of Shares in issue and (b) having an aggregate value (on the assumption that all such options had been exercised and all Shares allotted), based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant or, if that date is not a business day, the business day immediately before that date, in excess of HK$5,000,000, such further grant of options must be approved by the Shareholders.

(f) Term of the Share Option Scheme

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

SHARE OPTION SCHEME (Continued)

(g) Grant of Share Option

Particulars of the Share Option Scheme are set out in Note 29 to the Financial Statements.

As at 31 March 2012, 6,720,000 share options remained outstanding under the Share Options Scheme and the details of the movements of the said outstanding share options were as follow:

Name of grantee	Date of grant	Exercise period	Exercise price per share (HK$)	At 1 April 2011	Exercised during the year	Lapsed during the year	At 31 March 2012	% of total Issued shares
Director								
Lam Wai Ming	22 February 2010	2011.02.22 – 2015.05.26	0.5	395,000	395,000	–	–	0%
								0%
Tam Chi Sang	22 February 2010	2011.02.22 – 2015.05.26	0.5	395,000	395,000	–	–	0%
				790,000	790,000	–	–	0%
Senior management	22 February 2010	2011.02.22 – 2015.05.26	0.5	4,800,000	4,800,000	–	–	0%
Senior management	22 February 2010	2012.02.22 – 2015.05.26	0.5	3,600,000	–	240,000	3,360,000	0.8%
Senior management	22 February 2010	2013.02.22 – 2015.05.26	0.6	3,600,000	–	240,000	3,360,000	0.8%
				12,000,000	4,800,000	480,000	6,720,000	1.6%
				12,790,000	5,590,000	480,000	6,720,000	1.6%

Notes:

1. The closing price of the shares of the Company on the date of grant of the above options that is, 22 February 2010, was HK$0.47 per share.

2. These options are exercisable from 22 February 2011 to 26 May 2015 (both days inclusive) subject to the following exercisable periods:

   (i) the first 40% will be exercisable from 22 February 2011 at an exercise price of HK$0.5 per share;

   (ii) the next 30% will be exercisable from 22 February 2012 at an exercise price of HK$0.5 per share; and

   (iii) the remaining 30% will be exercisable from 22 February 2013 at an exercise price of HK$0.6 per share.

As at the date of this report, Options entitling the holders to subscribe for an aggregate of 27,210,000 Shares (representing approximately 6.20% of Shares in issue as at the date of this report) are available for issue 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 89 and 90.

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 79.0% of the total sales for the year and sales to the largest customer included therein amounted to approximately 48.9%.

Purchases from the Group's five largest suppliers accounted for approximately 25.7% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 5.9%.

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 2012, except for the deviation from the CG Code A.2.1. The Company has published its corporate governance report, details of which are set out on pages 25 to 33 of this annual report.

AUDITORS

The financial statements of the Company 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.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$Nil (2011: HK$7,915).

On behalf of the Board
KENFORD GROUP HOLDINGS LIMITED

Lam Wai Ming
Chairman
Hong Kong, 29 June 2012

DIRECTORS

Executive Directors

Mr. Lam Wai Ming, aged 53, 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, corporate strategies, planning and development as well as supervising sales and marketing functions of the Group. Mr. Lam has over 23 years of experience in trading and manufacturing of electrical appliances. Mr. Lam received the Asia Pacific Entrepreneurship Awards ("**APEA**") - Outstanding Entrepreneur Awards from Enterprise Asia on 4 July 2011. Mr. Lam is also the Communication & Publication Deputy Director of The Hong Kong Electrical Appliances Manufacturers Association from 2010 to 2012. Mr. Lam 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, the Senior Marketing Manager of the Group.

Mr. Tam Chi Sang, aged 52, 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 functions of the Group. Mr. Tam has over 23 years of experience in the trading and manufacturing of electrical appliances.

Independent Non-Executive Directors

Mr. Chiu Fan Wa, aged 47, 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, an associate member of the Institute of the Chartered Accountants in England and Wales, an associate of The Hong Kong Institute of Chartered Secretaries, an associate of The Institute of Chartered Secretaries and Administrators, United Kingdom and a fellow member of the Taxation Institute of Hong Kong and registered as a Certified Tax Adviser in 2010. Mr. Chiu is an independent non-executive director of Tianda Holdings Limited (Stock Code: 00455) which is a company listed on the main board (the "**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Mr. Choi Hon Keung, aged 51, has been the independent non-executive director of the Company since August 2011. Mr. Choi 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. Choi has been International Legal Counsel for TCL Multimedia, a global TV manufacturer, since February 2005. Mr. Choi is currently an independent director of China BCT Pharmacy Group, Inc. (Stock Code: CNBI), a company listed on the OTC Electronic Bulletin Board (OTCBB). Mr. Choi is also an active PRC legal advisor to the Hong Kong Electrical Appliances Manufacturers Association. Mr. Choi obtained a bachelor degree in laws from Peking University in 1991, a master degree in laws from London University in 1992 and a Common Profession Examination Certificate in laws from Hong Kong University in 1994. Mr. Choi was admitted as a Solicitor of the Supreme Court of England and Wales in 1998 and as a member of the Institute of Linguists in 1996.

DIRECTORS (Continued)

Independent Non-Executive Directors (Continued)

Mr. Li Chi Chung, aged 43, 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. Mr. Li 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: 08136), a company listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange. Mr. Li is an independent non-executive director of Eagle Nice (International) Holdings Limited (Stock Code: 02368) a company listed on the Main Board. Mr. Li is also an independent non-executive director of PINE Technology Holdings Limited (Stock Code: 08013) which is a company listed on GEM. Mr. Li is the company secretary of Sunshine Capital Investments Group Limited (Stock Code: 00721) and Sino Gas Group Limited (Stock Code: 00260) which are companies listed on Main Board, and China Nonferrous Metals Company Limited (formerly known as Sungreen International Holdings Limited (Stock Code: 08306)) which is a company listed on GEM.

Mr. Li Tat Wah, aged 42, 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 both stock exchange in Europe and the United States.

Senior Management

Ms. Pang Kit Teng, aged 49, joined the Group in October 2011. Ms. Pang is the Company Secretary and the Financial Controller of the Group. Ms. Pang is responsible for overseeing the Group's financial planning, control and management, regulating compliance, investor relationship and HR and Administrative functions. Prior to joining the Group, Ms. Pang had held various senior management positions, including Chief Financial Officer, Director of Finance and Company Secretary in various listed companies in USA and HK. She had also worked in Deloitte Touche Tohmatsu Limited, one of the world's largest international accounting firms, for four years. Ms. Pang has over 24 years of professional accountancy, financial and executive management experience. She holds an Executive Master of Business Administration from City University of Hong Kong and a Bachelor of Business Administration from York University in Canada. Ms. Pang is a member of the Hong Kong Institute of Certified Public Accountant and a member of the American Institute of Certified Public Accountant.

Mr. Kwong Pak Chuen, Patrick, aged 51, joined the Group in June 1999 and is the Senior Engineering Manager of the Group. Mr. Kwong is the Head of Engineering, Design and Research and Development Departments. Mr. Kwong graduated from The University of Warwick with a Master Degree of Science in Engineering Business Management. Mr. Kwong has over 26 years of experience in project engineering, product development and research and development for small household electrical appliances, such as haircare products, kitchen ware products, other hand held drilling machines and hand toys.

Mr. Poon Kam Ming, Percy, aged 56, 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. Mr. Poon was awarded Master Degree of Science and a Bachelor Degree of Science in Civil Engineering from University of Saskatchewan. Mr. Poon has over 15 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 is the brother-in-law of Mr. Lam Wai Ming, the Executive Director and the Chairman of the Company.

DIRECTORS (Continued)

Senior Management (Continued)

Mr. Yeung Kin Wing, Ramo, aged 42, joined the Group in June 1998 and is the Operation Manager of the Group. Mr. Yeung is responsible for the overall production management of the factories in PRC. 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. Yeung has over 21 years of experience in manufacturing industry.

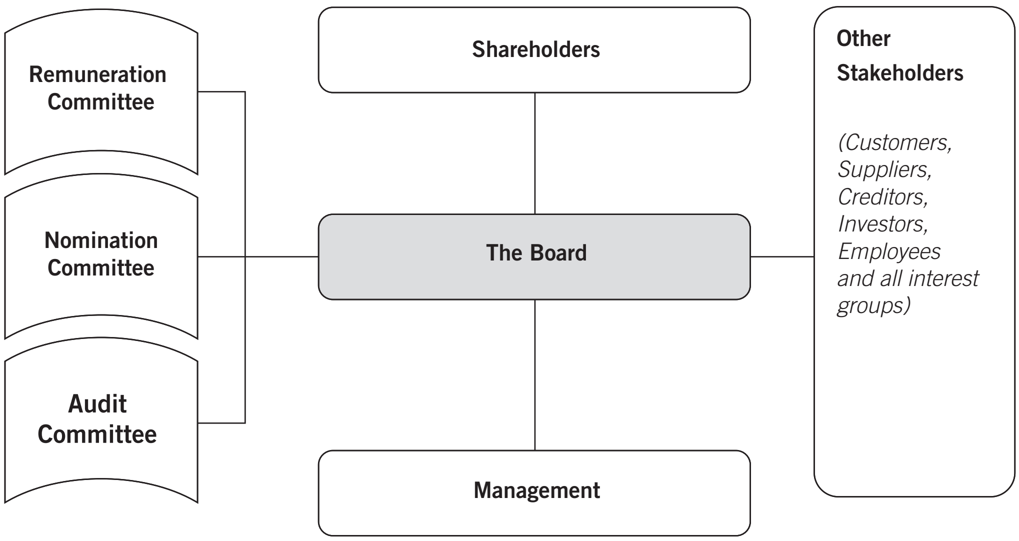
Mr. Lam Wai Hung, aged 42, joined the Group in February 1993 and is the Administration Manager of the subsidiaries of the Company in the PRC. Mr. Lam is responsible for the administration, human resources, training, import duty, information and technology functions of the factories in the PRC. Mr. Lam has over 19 years of experience in factory administration and regulatory compliances in the PRC. Mr. Lam is the brother of Mr. Lam Wai Ming, the Executive Director and the Chairman of the Company.

Mr. Ng Tin Lun, Alain, aged 51, joined the Group in 1990 and is the Logistic Manager of the Group. Mr. Ng is the Head of Inventory, Production Materials Control (PMC) and Shipping Departments of the Group. Mr. Ng has obtained a Bachelor Degree of Arts in Chinese Literature and History from Asia International Open University (Macau) and a Master Degree of Business Administration from Tarlac State University in Philippines. Mr. Ng has extensive experience in logistic management. He is a Senior Logistician, which is granted by the Educational Specialist Committee of China Science and Technology Institute Centre and a member of Chinese Career Manager Coalition.

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 2012, except for the deviation from the CG Code 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 deviations.

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 the corporate governance practices and procedures from time to time to ensure the commitment to 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 2012.

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 two were Executive Directors, namely, Mr. Lam Wai Ming (Chairman) and Mr. Tam Chi Sang (Managing Director); and four were Independent Non-Executive Directors, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, 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's Profile" section on pages 22 to 24 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 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 2012, the Board complied at all times with the requirements of the Listing Rules relating to the appointment of Independent Non-Executive Directors representing at least one-third of the board. 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.

BOARD OF DIRECTORS (Continued)

Board, 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 2012 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	6/6	2/2	N/A	N/A	1/1
Mr. Tam Chi Sang	6/6	2/2	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Chiu Fan Wa	5/6	2/2	2/2	2/2	1/1
Mr. Choi Hon Keung (Appointed on 15 August 2011)	3/6	1/2	1/2	1/2	0/1
Mr. Li Chi Chung	5/6	2/2	2/2	2/2	1/1
Mr. Li Tat Wah	5/6	2/2	2/2	2/2	1/1

Note: There were six (6) Board Meetings held during the financial year ended 31 March 2012 which included three (3) meetings with formal notice and agenda.

Code Provision A.1.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly Intervals. There were totally 6 Board meetings held during the financial year ended 31 March 2012, out of which there were only 3 regular meetings with formal notice and agenda. The Board believes that the fairness and effectiveness for the decision making on the business needs are adequately ensured. In view of good corporate governance practices, the Board will use its endeavors to meet regularly and hold at least four regular Board meetings in the forthcoming years.

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 inspected 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 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 August 2011 to the effect that the Remuneration Committee shall include two Executive Directors appointed by the Board in addition to the four 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 four Independent Non-Executive Directors namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, 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 2012, the Remuneration Committee had met 2 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;

– to review the performance bonus of the Executive Directors of the Company;

REMUNERATION COMMITTEE (Continued)

Remuneration Committee meetings (Continued)

– 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; and

– to propose the remuneration packages of the Executive Directors and senior management of the Group for the financial year ended 31 March 2012 prior to recommending them to the Board for determination.

The details of the number of the Remuneration Committee meetings held during the financial year ended 31 March 2012 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 27 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 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 meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Nomination Committee composition

The terms of reference of the Nomination Committee were amended in August 2011 to the effect that the Nomination Committee shall include four Independent Non-executive Directors from time to time, namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung, 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 2012, the Nomination Committee had met two times to discuss the following matters:

– to consider the structure, size, and composition of the Board;

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

– to consider the re-election of the Directors of the Company at the annual general meeting of the Company.

The details of the number of the Nomination Committee meetings held during the financial year ended 31 March 2012 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 27 of this corporate governance report.

AUDITORS' REMUNERATION

During the financial year ended 31 March 2012, 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$637,000 and other non-audit service fee was approximately HK$40,500 for the year ended 31 March 2012.

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 updated in August 2011. 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 four Independent Non-Executive Directors namely Mr. Chiu Fan Wa, Mr. Choi Hon Keung, Mr. Li Chi Chung and Mr. Li Tat Wah. Mr. Chiu Fan Wa, who is a qualified accountant with appropriate professional qualification and experience in financial matters, was appointed as the chairman of the Audit Committee. None of the Audit Committee members are members of the former or existing auditors of the Company.

AUDIT COMMITTEE (Continued)

Audit Committee meetings

During the financial year ended 31 March 2012, the Audit Committee had met 2 times to discuss the following matters:

– to review the final results of the Group for the year ended 31 March 2011 prior to recommending them to the Board for approval;

– to review the interim results for the six months ended 30 September 2011 of the Group prior to recommending them to the Board for approval;

– to review the selection and re-appointment of the external auditors of the Company for the financial year ended 31 March 2011 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 reports;

– 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; and

– to review the internal audit function and report of the Group.

The details of the number of the Audit Committee meetings held during the financial year ended 31 March 2012 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 27 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 2012 in conjunction with the Group's external auditors.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Board recognises the importance of maintaining on-going communications with shareholders and investors for the performance of the Company and establishes different communicate channels. 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.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT (Continued)

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 early July 2012. 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.kenford.com.hk.

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 strategic risks includes assessing the threats and opportunities that influence the Company's development. The Company's business environment is affected by economic and political conditions globally.

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 ISO9000, 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.

ENVIRONMENTAL PROTECTION

The Group committed to environmental protection. The implementation of the European Union's Directives on Restriction of the use of the certain Hazardous Substances in Electrical and Electronic Equipment ("**RoHS**") in August 2005 in European Union members' states has impacted on the electrical and electronic Industry. The Group installed new equipments and established a comprehensive set of polices and procedures to ensure the Group's products completely satisfies RoHS requirements for the European Community and equivalent requirement for the rest of the world. The Group had also made it mandatory for all vendors and business partners to comply with its RoHS requirements.

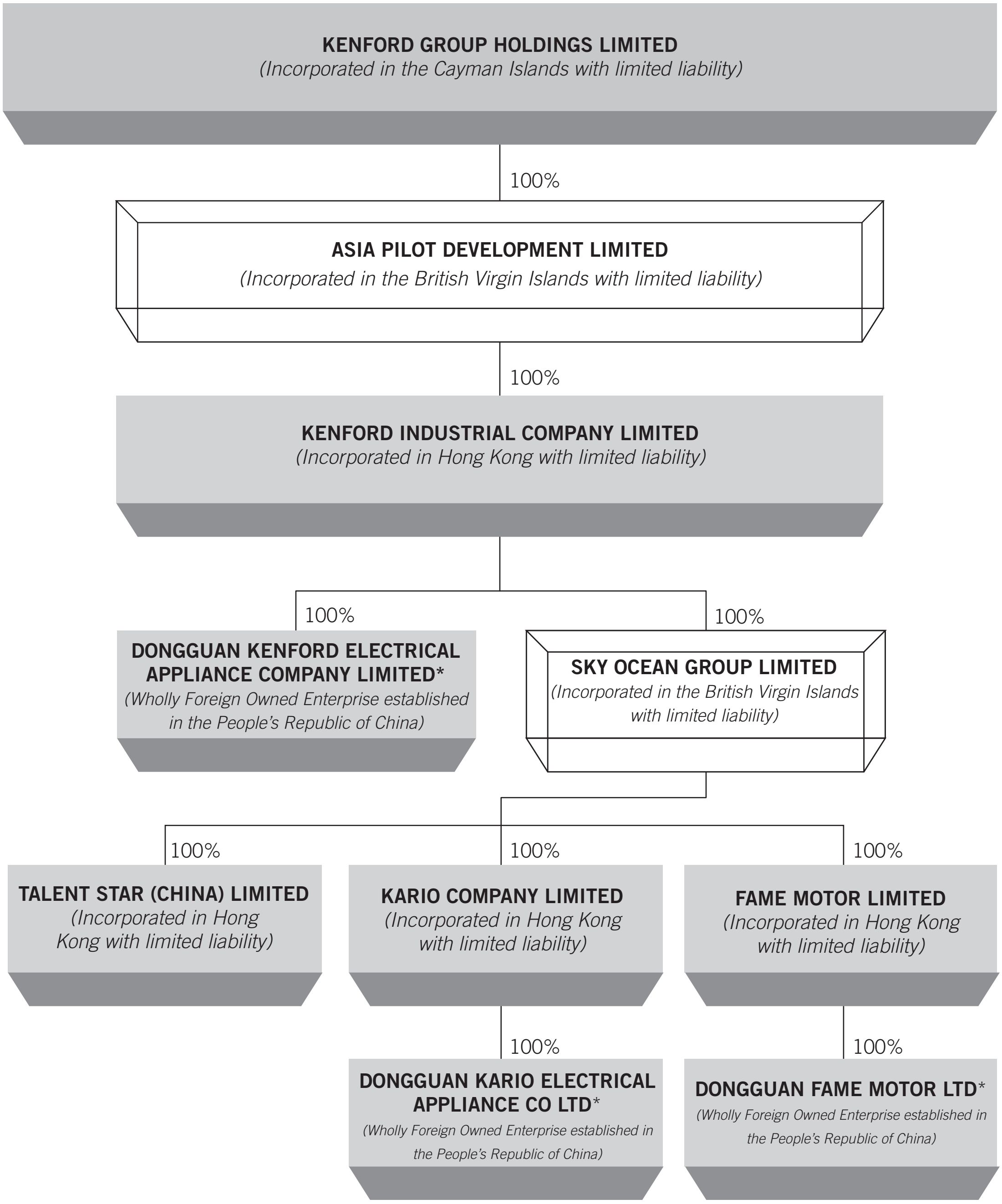
LOOKING FORWARD

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 2012.



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

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

We have audited the consolidated financial statements of Kenford Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 88, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, in accordance with the terms of our engagement, 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 about 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 of consolidated financial statements that give a true and fair view 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 2012 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

Cheung Sai Kit
Practising Certificate Number P05544

Hong Kong, 29 June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	6	**634,357**	655,541
Cost of sales		**(519,877)**	(520,334)
Gross profit		**114,480**	135,207
Other income, gains and losses	7	**12,491**	14,343
Distribution costs		**(11,830)**	(11,537)
Administrative expenses		**(69,539)**	(59,493)
Operating profit		**45,602**	78,520
Finance income		**490**	171
Finance costs	10	**(1,474)**	(1,280)
Profit before income tax expense	8	**44,618**	77,411
Income tax expense	11	**(13,752)**	(11,755)
Profit for the year, attributable to owners of the Company		**30,866**	65,656
Other comprehensive income			
Translation differences on translating foreign operations		**4,460**	4,904
Gain on revaluation of properties		**2,653**	8,598
Deferred tax arising from change in valuation of properties		**(96)**	(1,081)
Other comprehensive income for the year, net of tax		**7,017**	12,421
Total comprehensive income for the year, attributable to owners of the Company		**37,883**	78,077
Earnings per share (HK cents)			
– Basic	14	**7.054**	15.151
– Diluted	14	**7.042**	15.071

Consolidated Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	16	**157,927**	158,678
Payments for leasehold land held for own use under operating leases	17	**3,933**	3,944
Goodwill	18	**1,403**	1,403
Total non-current assets		**163,263**	164,025
Current assets			
Inventories	20	**111,891**	92,817
Trade and bills receivables	21	**139,876**	143,505
Deposits, prepayments and other receivables		**15,874**	10,782
Equity securities held for trading	22	**2,604**	8,426
Cash and cash equivalents	23	**132,547**	144,756
Total current assets		**402,792**	400,286
Total assets		**566,055**	564,311
Liabilities			
Current liabilities			
Trade payables	24	**80,168**	83,928
Accruals and other payables		**28,378**	29,513
Borrowings	25	**82,444**	91,325
Obligations under finance leases – due within one year	26	**514**	499
Current tax liabilities		**8,929**	10,192
Total current liabilities		**200,433**	215,457
Non-current liabilities			
Obligations under finance leases – due after one year	26	**104**	618
Deferred tax liabilities	27	**13,383**	13,166
Total non-current liabilities		**13,487**	13,784
Total liabilities		**213,920**	229,241
Net current assets		**202,359**	184,829
Total assets less current liabilities		**365,622**	348,854
NET ASSETS		**352,135**	335,070
Capital and reserves attributable to owners of the Company			
Share capital	28	**439**	433
Share premium		**58,873**	55,496
Merger reserve		**942**	942
Properties revaluation reserve		**46,110**	43,553
Exchange fluctuation reserve		**13,806**	9,346
Share-based compensation reserve	29	**536**	1,162
Proposed dividends	13	**3,072**	17,333
Retained profits		**228,357**	206,805
TOTAL EQUITY		**352,135**	335,070

On behalf of the Board

Lam Wai Ming
Director

Tam Chi Sang
Director

Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	19	**58**	58
Current assets			
Deposits, prepayments and other receivables		**112**	131
Amounts due from subsidiaries	19	**64,005**	75,056
Cash and cash equivalents	23	**323**	2,267
Total current assets		**64,440**	77,454
Total assets		**64,498**	77,512
Liabilities			
Current liabilities			
Accruals and other payables		**258**	348
Net current assets		**64,182**	77,106
Total assets less current liabilities		**64,240**	77,164
NET ASSETS		**64,240**	77,164
Capital and reserves			
Share capital	28	**439**	433
Reserves	30	**63,801**	76,731
TOTAL EQUITY		**64,240**	77,164

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 2012

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Share-based compensation reserve HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2011	433	55,496	942	43,553	9,346	1,162	17,333	206,805	335,070
Profit for the year	–	–	–	–	–	–	–	30,866	30,866
Other comprehensive income:									
Translation differences on translating foreign operations	–	–	–	–	4,460	–	–	–	4,460
Gain on revaluation of properties	–	–	–	2,653	–	–	–	–	2,653
Deferred tax arising from change in valuation of properties	–	–	–	(96)	–	–	–	–	(96)
Total comprehensive income for the year	–	–	–	2,557	4,460	–	–	30,866	37,883
Exercise of share options	6	3,377	–	–	–	(588)	–	–	2,795
Lapse of share options	–	–	–	–	–	(38)	–	38	–
2011 final dividend paid (Note 13)	–	–	–	–	–	–	(12,133)	–	(12,133)
2011 special dividend paid (Note 13)	–	–	–	–	–	–	(5,200)	–	(5,200)
Under-provision of 2011 dividend (Note 13)	–	–	–	–	–	–	–	(223)	(223)
2012 Interim dividend paid (Note 13)	–	–	–	–	–	–	–	(6,057)	(6,057)
2012 Proposed final dividend (Note 13)	–	–	–	–	–	–	3,072	(3,072)	–
Transactions with owners	6	3,377	–	–	–	(626)	(14,261)	(9,314)	(20,818)
At 31 March 2012	439	58,873	942	46,110	13,806	536	3,072	228,357	352,135

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Share-based compensation reserve HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2010	433	55,496	942	36,036	4,442	1,162	15,166	167,582	281,259
Profit for the year	–	–	–	–	–	–	–	65,656	65,656
Other comprehensive income:									
Translation differences on translating foreign operations	–	–	–	–	4,904	–	–	–	4,904
Gain on revaluation of properties	–	–	–	8,598	–	–	–	–	8,598
Deferred tax arising from change in valuation of properties	–	–	–	(1,081)	–	–	–	–	(1,081)
Total comprehensive income for the year	–	–	–	7,517	4,904	–	–	65,656	78,077
2010 final dividend paid	–	–	–	–	–	–	(10,833)	–	(10,833)
2010 special dividend paid	–	–	–	–	–	–	(4,333)	–	(4,333)
2011 Interim dividend paid (Note 13)	–	–	–	–	–	–	–	(9,100)	(9,100)
2011 Proposed final dividend (Note 13)	–	–	–	–	–	–	12,133	(12,133)	–
2011 Proposed special dividend (Note 13)	–	–	–	–	–	–	5,200	(5,200)	–
Transactions with owners	–	–	–	–	–	–	2,167	(26,433)	(24,266)
At 31 March 2011	433	55,496	942	43,553	9,346	1,162	17,333	206,805	335,070

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Profit before income tax expense		**44,618**	77,411
Adjustments for:			
Depreciation of property, plant and equipment		**14,271**	14,974
Amortisation of payments for leasehold land held for own use under operating leases		**96**	93
Loss on disposal of property, plant and equipment		**1,119**	154
Impairment loss on property, plant and equipment		**–**	1,026
Reversal of impairment made in prior year		**(735)**	–
Dividend income		**(151)**	–
Interest income		**(490)**	(171)
Reversal of provision of inventories		**(578)**	(976)
Reversal of impairment of trade receivables		**(300)**	(367)
Interest expenses		**1,474**	1,280
Operating profit before working capital changes		**59,324**	93,424
Increase in inventories		**(18,496)**	(24,162)
Decrease/(increase) in trade and bills receivables		**3,929**	(18,924)
Increase in deposits, prepayments and other receivables		**(5,092)**	(327)
Decrease/(increase) in equity securities held for trading		**5,822**	(8,426)
(Decrease)/increase in trade payables		**(3,760)**	3,295
(Decrease)/increase in accruals and other payables		**(1,135)**	1,495
Cash generated from operations		**40,592**	46,375
Income tax refunded		**15**	8
Income tax paid		**(16,658)**	(8,875)
Net cash from operating activities		**23,949**	37,508
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(8,906)**	(14,433)
Proceeds from disposal of property, plant and equipment		**385**	10
Dividend income		**151**	–
Interest received		**490**	171
Net cash used in investing activities		**(7,880)**	(14,252)
Cash flows from financing activities			
(Decrease)/increase in trust receipt loans		**(24,329)**	13,277
Bank borrowings raised		**23,000**	–
Repayment of bank borrowings		**(7,552)**	(10,460)
Interest paid		**(1,474)**	(1,280)
Repayment of principal portion of obligations under finance leases		**(499)**	(908)
Issue of share capital		**2,795**	–
Dividends paid		**(23,614)**	(24,266)
Net cash used in financing activities		**(31,673)**	(23,637)
Net decrease in cash and cash equivalents		**(15,604)**	(381)
Cash and cash equivalents at beginning of year		**144,756**	142,896
Effect of foreign exchange rate changes		**3,395**	2,241
Cash and cash equivalents at end of year	23	**132,547**	144,756

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 haircare products, electrical healthcare products and other small household electrical appliances.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs potentially relevant to the Group's financial statements – effective 1 April 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 7 (Amendments) – Financial Instruments: Disclosures

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade receivables represents the Group's maximum exposure to credit risk in respect of these financial assets as at 31 March 2012 and 2011. The prior year financial statements included a positive statement to this effect which is removed in the 2012 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of HKAS 24 (Revised) has no impact on the Group's related party disclosure, reported profit or loss, total comprehensive income or equity in the current or prior periods.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[4]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[5]
Amendments to HKFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 27 (2011)	Separate Financial Statements[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used.

It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidation financial statements will be resulted.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. 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.

(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.

3. BASIS OF PREPARATION (Continued)

(c) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with HKFRSs 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 ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during a financial year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

(b) Subsidiaries

A subsidiary is an entity over 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 are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. 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 in profit or loss and is not reversed in subsequent periods.

(d) Property, plant and equipment

The leasehold land and buildings of owner-occupied properties are stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

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

Other property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment, other than construction in progress, 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 the end of each reporting period. The useful lives are as follows:

Leasehold land and buildings in Hong Kong	42 years
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

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(f) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (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 end of the reporting period. 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 profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) 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 end of the reporting period. Exchange differences arising on translating the opening net assets at opening rate and the results of foreign operations at actual rate are recognised in other comprehensive income and accumulated in equity as the exchange fluctuation reserve. Exchange differences recognised in profit or loss 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 other comprehensive income and accumulated in equity as 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 reclassified to profit or loss 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 end of reporting period. Exchange differences arisen are recognised in the exchange fluctuation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, 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. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss 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. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that the asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- 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.

An impairment loss is recognised in profit or loss 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(iii) Financial liabilities

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

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss 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 end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(i) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss 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 the end of each reporting period 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 recognised in profit or loss over the remaining vesting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Share-based payments (Continued)

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Research and development costs

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

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

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in the cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal products projects is recognised in profit or loss as incurred.

(l) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying 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. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(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.

Recovery of mould costs is recognised when all conditions anticipated by both parties have been met and duly confirmed by customers.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (Continued)

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

Compensation income is recognised when triggering events to receive payment occur and the amount of payment can be reliably measured.

(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 end of the reporting period.

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. Except for goodwill and 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 end of the reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 equity in the statement of financial position. Final dividends are recognised as a liability when they are approved by the shareholders.

(r) Impairment of other assets

At the end of each reporting period, 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.

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. SEGMENT REPORTING

The Group determines its operating segment based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has one reportable segment, which is the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances.

(a) Information about products

The following is an analysis of the Group's revenue by products:

	2012 **HK$'000**	2011 HK$'000
Electrical haircare products	**623,184**	635,531
Electrical healthcare products and other small household electrical appliances	**11,173**	20,010
	634,357	655,541

5. SEGMENT REPORTING (Continued)

(b) Geographical information

The Group's revenue is mainly derived from customers located in the PRC, Germany, Italy and Russia while the Group's business activities are conducted predominantly in Hong Kong and the PRC.

The Company is domiciled in Hong Kong and an analysis of the Group's revenue by country of domicile of external customers is as follows:

	2012	2011
	HK$'000	HK$'000
PRC	**187,476**	129,880
Germany	**50,554**	46,578
Italy	**45,538**	52,746
Russia	**36,361**	43,727
Other countries*	**314,428**	382,610
	634,357	655,541

* Other countries mainly represent USA, Australia, Thailand and France.

The following is an analysis of the Group's non-current assets by their geographical location:

	2012	2011
	HK$'000	HK$'000
Hong Kong	**28,056**	25,754
PRC (excluding Hong Kong)	**135,207**	138,271
	163,263	164,025

(c) Information about major customers

The following is the Group's major external customers, who contributed 10% or more to the Group's revenue:

	2012	2011
	HK$'000	HK$'000
Customer A	**309,937**	223,556
Customer B	**74,129**	142,056

6. TURNOVER

The Group is principally engaged in the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances. Turnover, which is also the Group's revenue, represents the net invoiced value of goods sold during the year.

7. OTHER INCOME, GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
Recovery of mould costs	**8,207**	7,499
Compensation received in respect of cancelled orders	**4,950**	5,737
Loss on disposal of property, plant and equipment	**(1,119)**	(154)
Exchange loss, net	**(1,172)**	(133)
Reversal/(impairment) loss on property, plant and equipment (Note (a))	**735**	(1,026)
Rental income	**263**	440
Reversal of provision of trade receivables (Note 21)	**300**	367
Dividend Income	**151**	–
Unrealised losses on equity securities held for trading	**(752)**	(460)
Realised (losses)/gains on equity securities held for trading	**(767)**	250
Sundry income (Note (b))	**1,695**	1,823
	12,491	14,343

Note:

(a) The reversal relates to uncompleted moulds previously impaired and reversed during the year after rework.

(b) Sundry income includes discounts received from suppliers and other miscellaneous income generated incidental to normal course of business.

8. PROFIT BEFORE INCOME TAX EXPENSE

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

	2012 HK$'000	2011 HK$'000
Auditor's remuneration	**637**	659
Cost of inventories recognised as an expense	**520,455**	521,310
Reversal of provision of inventories (Note (a))	**(578)**	(976)
Depreciation of property, plant and equipment	**14,271**	14,974
Amortisation of payments for leasehold land held for own use under operating leases	**96**	93
Minimum lease payments under operating leases	**2,080**	1,171
Research and development costs (Note (b))	**5,390**	4,854

Note:

(a) Provision of inventories was reversed due to the written-off of inventories fully impaired in prior periods.

(b) 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 (Note 9).

9. STAFF COSTS

	2012 HK$'000	2011 HK$'000
Staff costs (including directors' emoluments (Note 15(a)) comprise:		
– salaries and welfare expenses	**134,253**	131,254
– retirement benefits scheme contributions	**5,595**	4,318
	139,848	135,572
Salaries and welfare expenses included the amount paid under PRC sub-processing agreements	**45,140**	76,651

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on:		
– bank borrowings wholly repayable within five years	**561**	498
– bank borrowings not wholly repayable within five years	**–**	55
– trust receipt loans	**862**	658
– finance leases	**51**	69
	1,474	1,280

The above analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the year ended 31 March 2012, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$1,423,000 (2011: HK$1,211,000).

11. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2012 **HK$'000**	2011 HK$'000
Current tax – Hong Kong Profits Tax		
– tax for the year	**1,541**	5,251
– over provision in respect of prior years	**–**	(164)
Current tax – PRC Enterprise Income Tax ("EIT")		
– tax for the year	**12,466**	6,642
	14,007	11,729
Deferred tax (Note 27)		
– current year	**(255)**	26
Income tax expense	**13,752**	11,755

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

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for subsidiaries incorporated in Hong Kong.

Other subsidiaries, which were established and operated in the PRC, are subject to EIT at a standard rate of 25% (2011: 25%).

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

	2012 **HK$'000**	2011 HK$'000
Profit before income tax expense	**44,618**	77,411
Tax calculated at the Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	**7,362**	12,773
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,031**	1,816
Tax effect of income not taxable in determining taxable profit (Note)	**(3,527)**	(4,647)
Tax effect of expense not deductible for tax purposes	**7,317**	2,276
Over provision of current tax in respect of prior years	**–**	(164)
Others	**(431)**	(299)
Income tax expense	**13,752**	11,755

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 (Revised 2009) issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of manufacturing profits as offshore in nature and non-taxable.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the company includes an amount of HK$7,894,000 (2011: HK$26,316,000) (Note 30) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2012	2011
	HK$'000	HK$'000
Interim, paid HK$0.0138 (2011: HK$0.021) per share	**6,057**	9,100
Final, proposed HK$0.007 (2011: HK$0.028) per share	**3,072**	12,133
Special, proposed HK$Nil (2011: HK$0.012) per share	**–**	5,200
	9,129	26,433

The directors recommended a final dividend of HK$0.007 per share, totalling HK$3,072,000 for the year ended 31 March 2012 (2011: a final dividend of HK$0.028 per share and a special final dividend of HK$0.012 per share, totalling HK$17,333,000). These proposed dividends are not recognised as a liability at the end of reporting period.

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:

	2012	2011
Profit for the year (HK$'000)	**30,866**	65,656
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands)	**437,597**	433,336
Effect of dilutive potential ordinary shares (thousands):		
– share options	**715**	2,302
Weighted average number of ordinary shares for the purposes of diluted earnings per share (thousands)	**438,312**	435,638
Basic earnings per share (HK cents)	**7.054**	15.151
Diluted earnings per share (HK cents)	**7.042**	15.071

15. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of directors for the year ended 31 March 2012 is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive directors					
Mr. Lam Wai Ming	–	7,010	7,500	12	14,522
Mr. Tam Chi Sang	–	4,656	2,900	12	7,568
Independent non-executive directors					
Mr. Chiu Fan Wa	96	–	–	–	96
Mr. Choi Hong Keung (Note)	60	–	–	–	60
Mr. Li Chi Chung	96	–	–	–	96
Mr. Li Tat Wah	96	–	–	–	96
	348	11,666	10,400	24	22,438

Note:

Mr. Choi Hong Keung was appointed on 15 August 2011.

The remuneration of directors for the year ended 31 March 2011 is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive directors					
Mr. Lam Wai Ming	4,449	1,890	6,162	12	12,513
Mr. Tam Chi Sang	3,163	1,087	2,375	12	6,637
Independent non-executive directors					
Mr. Chiu Fan Wa	96	–	–	–	96
Mr. Li Chi Chung	96	–	–	–	96
Mr. Li Tat Wah	96	–	–	–	96
	7,900	2,977	8,537	24	19,438

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 2012 (2011: Nil).

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 2012 included two (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) individuals during the year are summarised as follows:

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and other benefits	**3,325**	3,663
Discretionary bonuses	**160**	570
Retirement benefits scheme contribution	**36**	36
	3,521	4,269

The emoluments fall within the following bands:

	Number of individuals	
	2012	2011
Emolument band		
Nil to HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	**–**	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 2012 (2011: HK$Nil).

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and building in Hong Kong (Notes (a) and (b)) HK$'000	Buildings in the PRC (Note (b)) HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Fixtures, furniture and equipment HK$'000	Motor vehicles (Note (c)) HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation									
At 1 April 2011	23,120	93,907	11,873	45,811	24,518	6,035	68,164	3,242	276,670
Additions	–	–	1,010	2,992	4,259	–	596	49	8,906
Disposals	–	–	–	(607)	(645)	–	(2,392)	–	(3,644)
Reclassification	–	–	–	–	–	–	1,660	(1,660)	–
Revaluation increase/ (decrease)	2,880	(2,983)	–	–	–	–	–	–	(103)
Currency realignment	–	2,240	118	385	209	63	65	113	3,193
At 31 March 2012	26,000	93,164	13,001	48,581	28,341	6,098	68,093	1,744	285,022
Comprising:									
At cost	–	–	13,001	48,581	28,341	6,098	68,093	1,744	165,858
At valuation – 2012	26,000	93,164	–	–	–	–	–	–	119,164
	26,000	93,164	13,001	48,581	28,341	6,098	68,093	1,744	285,022
Depreciation and impairment									
At 1 April 2011	–	–	9,123	32,482	17,617	2,637	55,107	1,026	117,992
Depreciation charge for the year	550	2,192	943	2,263	2,491	1,059	4,773	–	14,271
Written back on disposals	–	–	–	(547)	(447)	–	(1,146)	–	(2,140)
Reclassification	–	–	–	–	–	–	735	(735)	–
Reversal of impairment recognised in prior year	–	–	–	–	–	–	(735)	–	(735)
Eliminated on revaluation	(550)	(2,205)	–	–	–	–	–	–	(2,755)
Currency realignment	–	13	88	172	85	36	32	36	462
At 31 March 2012	–	–	10,154	34,370	19,746	3,732	58,766	327	127,095
Net book value									
At 31 March 2012	26,000	93,164	2,847	14,211	8,595	2,366	9,327	1,417	157,927
Cost or valuation									
At 1 April 2010	17,910	90,400	10,340	44,261	20,793	4,158	63,569	1,925	253,356
Additions	–	54	1,402	1,595	3,819	1,810	4,450	1,303	14,433
Disposals	–	–	–	(468)	(226)	–	–	–	(694)
Reclassification	–	–	–	–	–	–	70	(70)	–
Revaluation increase	5,210	836	–	–	–	–	–	–	6,046
Currency realignment	–	2,617	131	423	132	67	75	84	3,529
At 31 March 2011	23,120	93,907	11,873	45,811	24,518	6,035	68,164	3,242	276,670
Comprising:									
At cost	–	–	11,873	45,811	24,518	6,035	68,164	3,242	159,643
At valuation – 2011	23,120	93,907	–	–	–	–	–	–	117,027
	23,120	93,907	11,873	45,811	24,518	6,035	68,164	3,242	276,670
Depreciation and impairment									
At 1 April 2010	–	–	7,950	29,995	15,977	1,557	49,241	–	104,720
Depreciation charge for the year	426	2,098	1,081	2,703	1,777	1,051	5,838	–	14,974
Impairment loss for the year	–	–	–	–	–	–	–	1,026	1,026
Written back on disposals	–	–	–	(320)	(210)	–	–	–	(530)
Eliminated on revaluation	(426)	(2,126)	–	–	–	–	–	–	(2,552)
Currency realignment	–	28	92	104	73	29	28	–	354
At 31 March 2011	–	–	9,123	32,482	17,617	2,637	55,107	1,026	117,992
Net book value									
At 31 March 2011	23,120	93,907	2,750	13,329	6,901	3,398	13,057	2,216	158,678

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) At 31 March 2012, the leasehold land and building in Hong Kong was revalued by directors on a basis of recent market transactions. For the buildings in the PRC, they were revalued on a basis of depreciated replacement cost by qualified valuers from an independent firm, LCH (Asia-Pacific) Surveyors Limited.

Had the leasehold land and building in Hong Kong and buildings in the PRC been carried at cost less accumulated depreciation and accumulated impairment losses, their carrying value would have been HK$9,847,000 and HK$30,226,000 (2011: HK$10,128,000 and HK$31,099,000) respectively.

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

	Motor vehicles
	HK$'000
At 31 March 2012	648
At 31 March 2011	1,203

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

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

	2012	2011
	HK$'000	HK$'000
Leasehold land situated in the PRC:		
– medium-term lease	**3,933**	3,944

18. GOODWILL

Group

	HK$'000
Carrying amount	
At 1 April 2010, 31 March 2011, 1 April 2011 and 31 March 2012	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 a 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 10.7% (2011: 9.8%) per annum. Cash flows for the first financial period is based on expected sales orders estimated by the management. Cash flows for the second to the fifth financial periods are extrapolated using the steady growth rates ranging from 5 to 7% (2011: 5 to 7%). 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 and therefore no impairment loss is necessary.

19. INVESTMENTS IN SUBSIDIARIES

Company

	2012 **HK$'000**	2011 HK$'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 2012 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 Islands ("BVI")	US$1	100%	–	Investment holding
Kenford Industrial Company Limited (Note (a))	Corporation	Hong Kong	HK$1,000,000	–	100%	Design, manufacture and sale of electrical haircare products, electrical healthcare 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 (b))	Corporation	The PRC	US$4,050,000	–	100%	Design, manufacture and sale of electrical haircare products
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 (b))	Corporation	The PRC	US$1,210,000	–	100%	Design, manufacture and sale of motors
Dongguan Kenford Electrical Appliance Company Limited ("DG Kenford") (Note (b))	Corporation	The PRC	HK$21,600,000	–	100%	Provision of contract processing services to immediate holding company

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

Notes:

(a) Kenford Industrial Company Limited carried out its manufacturing activities through a processing factory in the PRC under a contract processing agreement, which expired in July 2011 (as extended until October 2011), the management transferred the operations into DG Kenford.

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

20. INVENTORIES

Group

	2012 HK$'000	2011 HK$'000
Raw materials	**68,784**	62,030
Work-in-progress	**14,424**	8,574
Finished goods	**28,683**	22,213
	111,891	92,817

21. TRADE AND BILLS RECEIVABLES

Group

In general, the credit terms granted by the Group ranged from 14 days to 90 days. For those major customers, a credit term up to 120 days from the invoice date would be allowed.

	2012 HK$'000	2011 HK$'000
Trade receivables	**131,581**	125,868
Bills receivables	**8,295**	17,637
	139,876	143,505

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

	2012 HK$'000	2011 HK$'000
Aged:		
Within 60 days	**98,309**	82,392
61 – 120 days	**25,855**	43,476
121 – 365 days	**4,952**	–
Over 365 days	**2,465**	–
	131,581	125,868

21. TRADE AND BILLS RECEIVABLES (Continued)

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

Aging analysis of trade receivables (net of impairment losses) prepared based on allowed credit term as of the end of the reporting period is set out as follows:

	2012 HK$'000	2011 HK$'000
Current (Note (a))	118,354	100,813
Less than 60 days past due	7,737	24,480
61 to 120 days past due	1,087	575
121 to 365 days past due	1,998	–
Over 365 days past due	2,405	–
Amount past due but not impaired at the end of reporting period (Note (b))	13,227	25,055
	131,581	125,868

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:

	2012 HK$'000	2011 HK$'000
At beginning of year	352	718
Reversal of impairment loss previously recognised (Note 7)	(300)	(367)
Exchange realignments	(1)	1
At end of year	51	352

22. EQUITY SECURITIES HELD FOR TRADING

Group

	2012 HK$'000	2011 HK$'000
Equity securities held for trading		
– Listed in Hong Kong at fair value	**2,604**	8,426

Due to market fluctuation, the Group has made losses of HK$767,000 (2011: gains of HK$250,000) in respect of the disposal of equity securities with carrying amount of HK$4,919,000 (2011: HK$3,538,000). Also, an unrealised loss arising from the fair value change of HK$752,000 (2011: HK$460,000) was recognised in profit or loss and included in other income, gains and losses (Note 7).

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Cash available on demand	**118,995**	134,756	**323**	2,267
Short-term fixed rate deposits (Note)	**13,552**	10,000	**–**	–
	132,547	144,756	**323**	2,267

Note:

Short term fixed rate deposits represent cash deposited in a bank with maturity less than 3 months.

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 delivery date is as follows:

	2012 HK$'000	2011 HK$'000
Aged:		
Within 60 days	**67,318**	76,938
61 – 120 days	**9,596**	5,461
121 – 365 days	**2,736**	1,167
Over 365 days	**518**	362
	80,168	83,928

25. BORROWINGS

Group

	2012 HK$'000	2011 HK$'000
Trust receipt loans (secured)	**37,741**	62,070
Other bank borrowings	**44,703**	29,255
	82,444	91,325

At 31 March 2012, total borrowings were scheduled to repay as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**68,389**	69,622
More than one year, but not exceeding two years	**7,747**	7,648
More than two years, but not exceeding five years	**6,308**	14,055
	82,444	91,325
Current liabilities	**(82,444)**	(91,325)
	–	–

The current liabilities include term loans of HK$14,055,000 (2011: HK$21,703,000) that are not scheduled to repay within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion.

26. OBLIGATIONS UNDER FINANCE LEASES

The Group has finance leases for various items of machinery and equipment. These leases have rental periods approximate to the estimated useful economic lives of the assets and purchase options at a nominal amount.

Future minimum lease payments are due as follows:

	2012			2011		
	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	**550**	**(36)**	**514**	550	(51)	499
Later than one year and not later than two years	**104**	**–**	**104**	654	(36)	618
	654	**(36)**	**618**	1,204	(87)	1,117

The present value of future lease payments are analysed as:

	2012 HK$'000	2011 HK$'000
Current liabilities	**514**	499
Non-current liabilities	**104**	618
	618	1,117

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

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 2011		(2,791)	1,411	(11,786)	(13,166)
Credited/(charged) to profit or loss	11	(602)	(429)	1,286	255
Charged to other comprehensive income		–	–	(96)	(96)
Exchange realignments		–	–	(376)	(376)
At 31 March 2012		(3,393)	982	(10,972)	(13,383)
At 1 April 2010		(2,824)	1,470	(10,279)	(11,633)
Credited/(charged) to profit or loss	11	33	(59)	–	(26)
Charged to other comprehensive income		–	–	(1,081)	(1,081)
Exchange realignments		–	–	(426)	(426)
At 31 March 2011		(2,791)	1,411	(11,786)	(13,166)

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 subsidiaries in the PRC amounting to HK$66,352,000 (2011: HK$40,610,000) 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.

As at 31 March 2012, unused tax losses relating to a PRC group entity amounting to HK$9,278,000 (2011: HK$434,000) has not been recognised as deferred tax asset due to unpredictability of future profit streams. PRC tax losses can be carried forward for a maximum period of five years and will expire in 2017.

28. SHARE CAPITAL

Group and Company

	2012		2011	
	Number '000	**HK$'000**	Number '000	HK$'000
Authorised share capital				
Ordinary shares of HK$0.001 each				
At beginning period and end of period	**1,000,000**	**1,000**	1,000,000	1,000
Issued share capital				
Ordinary shares of HK$0.001 each				
At beginning period	**433,336**	**433**	433,336	433
Issue of ordinary shares upon exercise of share options	**5,590**	**6**	–	–
At end of period	**438,926**	**439**	433,336	433

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.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Primarily, the Group manages borrowings (Note 25) and equity attributable to owners of the Company as capital as disclosed below. There was no change to the Group's capital management objectives and policies from 2011.

	2012	2011
	HK$'000	HK$'000
Borrowings	**82,444**	91,325
Equity attributable to owners of the Company	**352,135**	335,070
Proposed dividend	**(3,072)**	(17,333)
Adjusted capital	**431,507**	409,062

29. SHARE-BASED PAYMENTS

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

Details and movements of the share options are as follows:

	2012		2011	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
Outstanding at beginning of year	**0.53**	**12,790,000**	0.53	12,790,000
Exercise during the year	**0.50**	**(5,590,000)**	–	–
Lapsed during the year	**0.50**	**(480,000)**	–	–
Outstanding at end of year	**0.55**	**6,720,000**	0.53	12,790,000

On 27 June 2011, the directors and senior management exercised 790,000 and 4,800,000 share options respectively, giving a total of 5,590,000 share options. The weighted average share price on the exercise date was HK$0.79 per share. With the resignation of a senior management, 480,000 share options lapsed during the year.

As at 31 March 2012, 3,360,000 share options were exercisable (2011: 5,590,000). The weighted average exercise price of options outstanding at the end of reporting period was HK$0.55 (2011: HK$0.53) and their weighted average remaining contractual life was 1.85 years (2011: 2.52 years).

In accordance with HKFRS 2, the fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. No share option expense has been recognised for the year (2011: Nil).

The above share options were granted on 22 February 2010. The fair value of the options determined at the date of grant using the Binomial option pricing model was approximately HK$0.09 per share option.

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

Weighted average share price at grant date	HK$0.47
Exercise price	HK$0.50 – HK$0.60
Weighted average contractual life	3.52 years
Expected volatility	49.93% – 54.18%
Expected dividend yield	12.59%
Risk free interest rate	1.07% – 1.57%

The volatility assumption, measured at the standard deviation of expected share price returns, was based on a statistical analysis of daily share prices over 3.1 to 4.1 years.

29. SHARE-BASED PAYMENTS (Continued)

The expected dividend yield was calculated based on the historical dividend payout records of the Company from 2006 to 2009.

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

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

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 2011	55,496	1,162	17,333	2,740	76,731
Profit and total comprehensive income for the year	–	–	–	7,894	7,894
2011 final dividend paid	–	–	(12,133)	–	(12,133)
2011 special dividend paid	–	–	(5,200)	–	(5,200)
Under-provision of 2011 dividend	–	–	–	(223)	(223)
Exercise of share options	3,377	(588)	–	–	2,789
Lapse of share options	–	(38)	–	38	–
2012 Interim dividend paid (Note 13)	–	–	–	(6,057)	(6,057)
2012 Proposed final dividend (Note 13)	–	–	3,072	(3,072)	–
At 31 March 2012	58,873	536	3,072	1,320	63,801

30. RESERVES (Continued)

Company (Continued)

	Share premium HK$'000	Share-based compensation reserve HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2010	55,496	1,162	15,166	2,857	74,681
Profit and total comprehensive income for the year	–	–	–	26,316	26,316
2010 final dividend paid	–	–	(10,833)	–	(10,833)
2010 Special dividend paid	–	–	(4,333)	–	(4,333)
2011 Interim dividend paid	–	–	–	(9,100)	(9,100)
2011 Proposed final dividend	–	–	12,133	(12,133)	–
2011 Proposed special final dividend	–	–	5,200	(5,200)	–
At 31 March 2011	55,496	1,162	17,333	2,740	76,731

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
- Equity price risk

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

31. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(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 arise. 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.

	2012		2011	
	Weighted average effective interest rate	**Carrying amount HK$'000**	Weighted average effective interest rate	Carrying amount HK$'000
Financial assets				
Floating rate deposit				
– cash at bank	**0.05%**	**132,151**	0.06%	133,278
Financial liabilities				
Floating rate borrowings				
– trust receipt loans	**2.31%**	**37,741**	1.69%	62,070
– other bank borrowings	**2.17%**	**44,703**	1.62%	29,255

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 end of reporting period. 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 end of reporting period and all other variables remain constant. There is no change in the methods and assumptions used in 2011 and 2012.

	2012 Effect on profit after income tax expense HK$'000	2011 Effect on profit after income tax expense HK$'000
Interest rate		
– increase by 30 basis points (2011: 200 basis points)	**190**	1,140
– decrease by 30 basis points (2011: 200 basis points)	**(190)**	(1,140)

(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 EUR. The Group considers the exchange rate fluctuation between HKD and USD insignificant as HKD and USD are pegged. The exchange rates among HKD with RMB and EUR 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.

31. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(a) Market risks (Continued)

(ii) Foreign exchange risk (Continued)

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

	2012		2011	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
USD	**127,649**	**16,974**	132,059	13,575
RMB	**760**	**4,587**	3,890	16,729
EUR	**375**	**10**	960	30
	128,784	**21,571**	136,909	30,334

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 table 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 end of reporting period.

	2012	2011
	Effect on profit after income tax expense HK$'000	Effect on profit after income tax expense HK$'000
RMB to HKD:		
– appreciates by 4%	**(493)**	(429)
– depreciates by 4%	**493**	429
EUR to HKD:		
– appreciates by 9%	**27**	70
– depreciates by 9%	**(27)**	(70)

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:

Group

At 31 March 2012	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities					
Trade payables	**–**	**80,168**	**–**	**80,168**	**80,168**
Accruals and other payables	**–**	**16,022**	**–**	**16,022**	**16,022**
Trust receipt loans	**37,741**	**–**	**–**	**37,741**	**37,741**
Other bank borrowings	**44,703**	**–**	**–**	**44,703**	**44,703**
Obligations under finance leases	**–**	**550**	**104**	**654**	**618**
	82,444	**96,740**	**104**	**179,288**	**179,252**
At 31 March 2011					
Trade payables	–	83,928	–	83,928	83,928
Accruals and other payables	–	15,560	–	15,560	15,560
Trust receipt loans	62,070	–	–	62,070	62,070
Other bank borrowings	29,255	–	–	29,255	29,255
Obligations under finance leases	–	550	654	1,204	1,117
	91,325	100,038	654	192,017	191,930

31. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. At 31 March 2012, the aggregate principal amounts of these bank borrowings amounted to HK$82,444,000 (2011: HK$91,325,000) of which interest payments computed using contractual rates are not included. Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment.

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's bank borrowings with a repayment on demand clause based on the scheduled repayment dates set out in the agreements as set out in the table below.

	Within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2012				
Bank borrowings with a repayment on demand clause	**68,879**	**14,991**	**83,870**	**82,444**
At 31 March 2011				
Bank borrowings with a repayment on demand clause	70,260	22,935	93,195	91,325

Company

At 31 March 2012	**On demand** **HK$'000**	**Within 1 year** **HK$'000**	**More than 1 year but less than 5 years** **HK$'000**	**Total undiscounted cash flows** **HK$'000**	**Carrying amount** **HK$'000**
Non-derivative financial liabilities					
Accruals and other payables	**–**	**258**	**–**	**258**	**258**
Financial guarantee issued – maximum amount guaranteed	**83,062**	**–**	**–**	**83,062**	**–**
	83,062	**258**	**–**	**83,320**	**258**

31. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Company (Continued)

At 31 March 2011	On demand	Within 1 year	More than 1 year but less than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities					
Accruals and other payables	–	348	–	348	348
Financial guarantee issued – maximum amount guaranteed	92,442	–	–	92,442	–
	92,442	348	–	92,790	348

(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 five major customers of the Group accounted for approximately 79% (2011: 76%) of total turnover of the Group. The Group strives to diversify its business base to ensure that there are no significant concentrations of credit risk.

(d) Equity price risk

The Group is exposed to equity price changes arising from equity instruments classified as trading securities. All of these investments are listed.

The Group's listed investments are listed on the Stock Exchange. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs.

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price.

32. FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE

The directors considered that the carrying amounts of financial assets and financial liabilities carried at amortised cost approximate to their fair values.

The Group's equity securities held for trading (Note 22), which have standard terms and conditions and are traded on active liquid markets, were measured at fair value, which are determined with reference to quoted market prices (i.e. Level 1 fair value hierarchy as defined in HKFRS 7 – Financial Instruments: Disclosures).

33. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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(r). The recoverable amounts have been determined based on fair value less costs to sell, which are based on the best available information obtained at the end of each reporting period, from the disposal of the asset in an arm's length transactions between independent and willing parties, after considering the cost of disposal.

33. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 judgment. A considerable amount of judgment 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 represent 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 the end of each reporting period.

Taxation

The Group is subject to income taxes in two jurisdictions. Significant judgment is required in determining the provision for income taxes, relating to these jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognised are based on management's assessment of the likely outcome. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred tax liability is provided in full, using the liability method, on taxable temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

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 MPF Scheme.

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 16% of the employees' average monthly salary in the preceding year.

The Group's contributions for the year amounted to approximately HK$5,595,000 (2011: HK$4,318,000).

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to 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

As at 31 March 2012, the Company has issued guarantees to certain financial institutions in respect to banking facilities made available to its subsidiaries of HK$176,643,000 (2011: HK$214,549,000). Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in event of any default and its liability shall at no time exceed the sum stated on the banking facilities letter.

As at 31 March 2012, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The amount utilised at the end of reporting period under the guarantees above is approximately HK$83,062,000 (2011: HK$92,442,000).

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 executed by the Company is insignificant.

36. CAPITAL COMMITMENTS

Group

	2012 **HK$'000**	2011 HK$'000
Commitments for acquisition of property, plant and equipment:		
– contracted for but not provided in the financial statements	**4,632**	2,238

37. LEASE ARRANGEMENTS

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

	2012 **HK$'000**	2011 HK$'000
Not later than one year	**1,937**	958
Later than one year and not later than five years	**1,730**	757
	3,667	1,715

38. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out in notes 19, 29 and 35 above, the Group does not have any material related party transactions during the year (2011: disposal of motor vehicle of HK$10,000 to a family member of a director).

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2012	2011
	HK$'000	HK$'000
Key management personnel compensation:		
– salaries and allowances	**16,732**	16,355
– discretionary bonuses	**10,610**	9,430
– contributions to defined contribution plan	**90**	96
	27,432	25,881

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, including directors and other senior management, totalling 8 individuals (2011: 8 individuals).

39. COMPARATIVE FIGURES

Certain corresponding figures relating to loss on disposal of property, plant and equipment of HK$154,000, net exchange losses of HK$133,000 and impairment loss on property, plant and equipment of HK$1,026,000 previously included in administrative expenses have been reclassified to other income, gains and losses to conform to current year's presentation.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2012.

Five Years Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31st March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
Assets					
Non-current assets					
Property, plant and equipment	**157,927**	158,678	148,636	138,892	130,077
Payments for leasehold land held for own use under operating leases	**3,933**	3,944	3,933	3,996	4,067
Goodwill	**1,403**	1,403	1,403	1,403	1,403
Total non-current assets	**163,263**	164,025	153,972	144,291	135,547
Current assets					
Inventories	**111,891**	92,817	67,679	62,043	72,414
Trade and bills receivables	**139,876**	143,505	124,214	105,086	86,299
Deposits, prepayments and other receivables	**15,874**	10,782	10,455	9,512	8,075
Tax recoverable	**–**	–	–	–	1,104
Equity securities held for trading	**2,604**	8,426	–	–	–
Cash and cash equivalents	**132,547**	144,756	142,896	116,263	126,680
Total current assets	**402,792**	400,286	345,244	292,904	294,572
Total assets	**566,055**	564,311	499,216	437,195	430,119
Liabilities					
Current liabilities					
Trade payables	**80,168**	83,928	80,633	59,426	70,068
Accruals and other payables	**28,378**	29,513	28,018	25,547	21,648
Borrowings	**82,444**	91,325	88,508	98,279	122,707
Obligations under finance leases – due within one year	**514**	499	908	2,656	2,544
Current tax liabilities	**8,929**	10,192	7,140	5,890	66
Total current liabilities	**200,433**	215,457	205,207	191,798	217,033
Non-current liabilities					
Obligations under finance leases – due after one year	**104**	618	1,117	2,025	2,611
Deferred tax liabilities	**13,383**	13,166	11,633	9,265	9,627
Total non-current liabilities	**13,487**	13,784	12,750	11,290	12,238
Total liabilities	**213,920**	229,241	217,957	203,088	229,271
Net current assets	**202,359**	184,829	140,037	101,106	77,539
Total assets less current liabilities	**365,622**	348,854	294,009	245,397	213,086
NET ASSETS	**352,135**	335,070	281,259	234,107	200,848
Capital and reserves					
Share capital	**439**	433	433	433	433
Reserves	**351,696**	334,637	280,826	233,674	200,415
TOTAL EQUITY	**352,135**	335,070	281,259	234,107	200,848

Five Years Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31st March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**634,357**	655,541	607,579	769,330	552,891
Cost of sales	**(519,877)**	(520,334)	(480,715)	(636,227)	(439,020)
Gross profit	**114,480**	135,207	126,864	133,103	113,871
Other income and gains and losses	**12,491**	14,343	9,314	7,615	6,288
Distribution costs	**(11,830)**	(11,537)	(8,894)	(9,544)	(8,172)
Administrative expenses	**(69,539)**	(59,493)	(62,335)	(69,762)	(48,601)
Operating profit	**45,602**	78,520	64,949	61,412	63,386
Finance Income	**490**	171	86	454	1,950
Finance costs	**(1,474)**	(1,280)	(1,414)	(4,432)	(6,737)
Loss on financial asset at fair value through profit or loss, net	**–**	–	–	–	(40,674)
Profit before income tax expense	**44,618**	77,411	63,621	57,434	17,925
Income tax expense	**(13,752)**	(11,755)	(10,074)	(6,478)	(235)
Profit for the year, attributable to owners of the Company	**30,866**	65,656	53,547	50,956	17,690
Other comprehensive income					
Translation differences on translating foreign operations	**4,460**	4,904	888	503	2,721
Gain on revaluation of properties	**2,653**	8,598	10,602	–	23,391
Effect of changes in tax rate	**–**	–	–	–	234
Deferred tax arising from change in valuation of properties	**(96)**	(1,081)	(2,581)	–	(4,721)
Other comprehensive income for the year, net of tax	**7,017**	12,421	8,909	503	21,625
Total comprehensive income for the year, attributable to owners of the Company	**37,883**	78,077	62,456	51,459	39,315
Basic earnings per share (HK cents)	**7.054**	15.151	12.357	11.759	4.343
Diluted earnings per share (HK cents)	**7.042**	15.071	12.357	11.759	4.343