VOLUME VII No. 124 W E D N E S D A Y July 6, 2005

KENFORD GROUP HOLDINGS LTD: A RUM COMPANY WITH VERY LIMITED PROSPECTS

Habits are hard to break and, when one is in the habit of borrowing money from the company in which one has a controlling interest, that habit is, certainly, chronic, and may well be unbreakable.

TARGET has, over the past 35 years, charted the course of numerous companies, whose directors have borrowed money from their publicly listed companies and, in most cases, to the detriment of the companies … up until its final demise.

And, now, there is Kenford Group Holdings Ltd (Code: 464, Main Board, The Stock Exchange of Hongkong Ltd).

Kenford Group went public on the Main Board of The Stock Exchange of Hongkong Ltd on May 12, 2004, when it Placed and Offered a total of 100 million, $HK0.001 Shares at a price of 55 cents per Share.

The Company said that it wanted to raise money in order to accomplish the following:

1. To use $HK29 million in order to expand production capacity, with $HK20 million to be spent on the construction of a new plant and $HK9 million to be used to purchase new machinery;

2. To use $HK9 million in order to expand its geographical markets;

3. To use $HK14 million in order to strengthen the Company's research and development division; and,

4. To use about $HK5 million for General Working Capital purposes.

The above, estimated $HK57 million Use of Net Proceeds, was based on the Company's shares, being sold at a price of 75 cents per Share, but, since the Company was only able to sell its shares at 55 cents a pop, obviously, the most that it gathered in was about $HK45 million, on the assumption that about 18 percent of the Gross Proceeds of $HK55 million was used for expenses in putting together the float and paying fees and what-have-you.

The Placing Tranche of 90 million Shares and the Public Offer Tranche of 10 million Shares were, hardly, roaring successes, in terms of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), with the Public Offer Tranche, said to have been oversubscribed some 3.50 times, while the Placing Tranche was said to have been, only, *'fully subscribed.'*

There was good reason for this Company's shares not to be hotly sought after.

Kenford Group is, basically, a manufacturer of one product: Hair dryers.

At Page 71 of the Prospectus, this is the way that the Company describes its activities:

> *'The Group is principally engaged in the design, manufacture and sale of a wide range of electrical hair care products (including hair dryers and hair styling apparatus), electrical health care*

products (including facial saunas, foot spas and massagers) and other small household electrical appliances (including vacuum cleaners and citrus juicers/mixers) …'

The division of this Company, producing hair-care products, makes up the lion's share of the business, as the following table illustrates:

	Financial Year, Ended March 31						Nine Months, Ended December 31	
	2002		2003		2004		2004	
	$HK'000	Percent	$HK'000	Percent	$HK'000	Percent	$HK'000	Percent
Electrical Hair-Care Products*	209,282	72	213,564	75	259,280	86	357,637	93
Electrical Health-Care Products	45,219	16	22,330	8	18,924	6	12,332	3
Other Small Household Electrical Appliances	35,822	12	48,988	17	23,430	8	13,685	4
TOTALS	**290,323**	**100**	**284,882**	**100**	**301,634**	**100**	**383,654**	**100**

* This division manufactures and sells hair-dryers and hair-styling apparatus

So much for the *'wide range'* of products, as stated at Page 71 of the Prospectus.

Kenford Group sells its products mainly in Europe, which takes between 73 percent and 78 percent of Total Turnover, annually.

The 5 largest customers account for more than half of Total Turnover, with the largest, single customer, taking 37 percent of Total Turnover for the 9 months, ended December 31, 2004.

<u>The Financials</u>

Kenford Group can trace its history back to 1984 when Messrs Lam Wai Ming and Tam Chi Sang founded, jointly, Ken Ford Industrial Company Ltd in order to produce hair dryers.
This Company could not have done **...**

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