建 福 集 團 控 股 有 限 公 司

KENFORD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 464) (Warrant Code: 452)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The board of directors (the "Board") of Kenford Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006, together with the comparative figures for the corresponding period in 2005 as follows. These interim financial statements have not been audited but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**264,902**	198,764
Cost of sales		**(220,345)**	(179,518)
Gross profit		**44,557**	19,246
Other revenue		**5,334**	3,938
Distribution costs		**(3,748)**	(3,614)
Administrative expenses		**(22,760)**	(16,165)
Profit from operations		**23,383**	3,405
Finance costs		**(3,531)**	(2,134)
Profit before tax	*3*	**19,852**	1,271
Tax expense	*4*	**(1,729)**	(237)
Net profit for the period attributable to equity holders of the Company		**18,123**	1,034
Dividends	*5*	**6,000**	4,000
Earnings per share (cents)			
Basic	*6*	**4.531**	0.289
Diluted	*6*	**4.525**	0.287

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September	31 March
		2006	2006
		(Unaudited)	(Audited)
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**94,853**	91,461
Interests in leasehold land held for own use under operating leases		**3,211**	3,247
Goodwill		**1,403**	1,403
Total non-current assets		**99,467**	96,111
Current assets			
Inventories		**72,079**	54,207
Trade and bills receivables	*7*	**124,247**	69,363
Deposits, prepayments and other receivables		**8,256**	8,479
Tax recoverable		**137**	1,866
Cash and cash equivalents		**70,811**	63,334
Total current assets		**275,530**	197,249

Current liabilities			
Trade and bills payables	*8*	**80,867**	46,291
Accruals and other payables		**16,871**	15,461
Bank advances for discounted bills		**16,714**	18,534
Borrowings-due within one year		**101,697**	69,204
Obligations under finance leases – due within one year		**290**	457
Tax payable		**23**	48
Total current liabilities		**216,462**	149,995
Net current assets		**59,068**	47,254
Total assets less current liabilities		**158,535**	143,365
Non-current liabilities			
Borrowings – due after one year		**9,987**	11,607
Obligations under finance leases – due after one year		**22**	155
Deferred tax liabilities		**6,100**	6,100
Net assets		**142,426**	125,503
Capital and reserves			
Share capital		**400**	400
Share premium		**36,317**	36,317
Merger reserve		**942**	942
Share-based compensation reserve		**700**	1,000
Properties revaluation reserve		**9,111**	9,111
Exchange fluctuation reserve		**12**	12
Retained profits		**88,944**	76,521
Proposed dividend		**6,000**	1,200
Equity attributable to equity holders of the Company		**142,426**	125,503

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Main Board), and the Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2006. The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006 except for adoption of the new and revised Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes HKASs and interpretations) that are mandatory for the year ending 31 March 2007. The Group has adopted these new standards and interpretation where considered appropriate and relevant to its operations. The adoption of the new HKFRSs has no material impact on the Group's condensed consolidated interim balance sheet and income statement.

No early adoption of the new standards, interpretations or amendments that have been issued but are not yet effective. The Group is in the process of assessing the impact to the Group's accounting policies but is not in a position to state the result yet.

2. TURNOVER AND SEGMENT INFORMATION

(a) The Group is principally engaged in the design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances. Turnover represents the net invoiced value of goods sold.

(b) No segment analysis for business segment is presented as the Group has been operating in a single business segment.

(c) The following is an analysis of the Group's sales by geographical location of customers:

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Europe	**164,321**	135,283
North and South America	**56,432**	42,580
Asia	**26,948**	17,197
Australia	**11,013**	2,467
Africa	**6,188**	1,237
	264,902	198,764

3. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**220,345**	179,518
Depreciation of property, plant and equipment	**6,240**	5,063
Amortisation on interests in leasehold land held for own use under operating leases	**36**	139
Interest expense	**3,531**	2,134
Loss on disposal of property, plant and equipment	**86**	–
Impairment of obsolete inventories	**1,649**	–
Impairment of trade receivables	**2,033**	–
And after crediting:		
Interest income	**629**	78

4. TAX EXPENSE

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current profit tax – Hong Kong	**1,729**	172
Deferred tax	**–**	65
	1,729	237

Hong Kong profits tax is calculated at 17.5% (six months ended 30 September 2005: 17.5%) of the estimated assessable profits for the year.

5. DIVIDENDS

The Board has resolved to declare the payment of interim dividend for the six months ended 30 September 2006 at the rate of HK1.5 cents per share, payable on 18 January 2007 to the shareholders of the Company (six months ended 30 September 2005: HK1 cent).

6. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (Net profit for the period attributable to equity holders of the Company)	**18,123**	1,034
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000**	358,242
Effect of dilutive potential ordinary shares:		
Share options	**496**	2,166
Weighted average number of ordinary shares for the purpose of diluted earning per share	**400,496**	360,408

7. TRADE AND BILLS RECEIVABLES

	30 September	31 March
	2006	2006
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**87,986**	42,640
Bills receivables	**36,261**	26,723
	124,247	69,363

In general, the credit terms granted by the Group ranged from 14 to 90 days. The aging analysis of accounts receivable is as follows:

	30 September	31 March
	2006	2006
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Aged:		
Within 60 days	**61,062**	26,458
61-120 days	**16,937**	8,264
121-365 days	**9,974**	5,252
More than 365 days	**13**	2,666
	87,986	42,640

8. **TRADE AND BILLS PAYABLES**

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

	30 September 2006 (Unaudited) ***HK$'000***	31 March 2006 (Audited) *HK$'000*
Aged:		
Within 60 days	**62,319**	36,888
61-120 days	**17,742**	7,054
121-365 days	**426**	1,862
More than 365 days	**380**	487
	80,867	46,291

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

After undergoing a hard time last year, we witnessed a remarkable improvement on the performance of the Group for the first half of financial year ending 31 March 2007. For the six months ended 30 September 2006, turnover and net profit recorded HK$264.9 million and HK$18.1 million, respectively, representing an increase of 33.2% and 1,710% as compared to HK$198.8 million and HK$1.0 million for the same period of last year.

PROSPECTS

Despite severe competition in the small household electrical appliance industry, the Group's performance in the six-months period ended 30 September 2006 recorded an encouraging result. We are well-prepared for the new requirements in electrical and electronic equipment (the WEEE and RoHS Directives), and we deliver quality products to our customers to further enhance our market position.

Looking ahead, the rises of the raw material costs, the surges of wages in the Dongguan region, the instability in electricity supply and the strength of Renminbi pose as challenges to the industry. In response, the Group has been implementing prudent cost control measures to cope with the challenging effects on its business. We have passed part of the cost increase to our customers, re-engineered our manufacturing processes and improved our supply chain processes for cost saving purpose. Our management has realized the importance of shifting towards semi-automation in order to reduce the reliance on intensive labour. We have upgraded our ERP system to deliver a more powerful data analysis at the back office. At the same time, our management is considering appropriate solutions to minimize its risks in foreign exchange exposure.

The construction of our new plant is expected to be completed by the third to forth quarter in 2007. Our production capacity is expected to be increased by approximately one-forth to one-third thereafter. With the increased production capacity, we are positive to cope with future increase in market shares.

The Group has been continuing in focus on developing new innovative products and expanding its markets. We will explore business opportunities in other new products categories and other niche markets. To stay in line with our future organic and/or generic growth in the market, we will explore appropriate acquisition opportunities in synergy with our business strategies to help us create greater value for our shareholders.

FINANCIAL REVIEW

For the six months ended 30 September 2006, the Group recorded a turnover of HK$264.9 million (2005: HK$198.8 million), representing an increase of approximately 33.2% over that in the same period of last year. The turnover attributable to the sale of electrical hair care products accounted for approximately HK$254.3 million, representing approximately 96.0% of the turnover of the Group. The increase was due to the successful launch of several new products in the first half of the financial year ending 31 March 2007 and the expansion of market shares in Europe. Our preparation for the new requirements in electrical and electronic equipment (the WEEE and RoHS Directives) made us distinctive from the other market players. Turnover to Europe increased by 21.4% to HK$164.3 million whereas turnover to North America increased by 16.2% to HK$42.7 million. The other geographical area also recorded an increase by 116.4% in total.

Our gross profit margin restored to approximately 16.8% (2005: 9.7%). The significant improvement was due to the more than proportionate increase in sales over the increase in cost of sales. The soaring in material costs had slowed down and our Group had been working hard on alternate sourcing of materials.

Our net profit margin recorded a significant improvement, 6.8% while that in the last period was 0.5%. Distribution cost was 1.4% of turnover while administrative expenses increased by 40.8% over that in the same period of last year. The increase in administrative expenses was due to the increase in staff costs and a new policy of provision for doubtful debts has been adopted during the period.

CAPITAL STRUCTURE

The net proceeds from our initial public offering ("IPO") completed in June 2005 further strengthen our capital structure and we expect our cash to be sufficient for meeting our operating and capital expenditure requirements in the foreseeable future. The market capitalization of the Company as at 30 September 2006 was approximately HK$80.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group had approximately HK$70.8 million cash and cash equivalents balances (31 March 2006: HK$63.3 million). The Group's net current assets were approximately HK$59.1 million (31 March 2006: HK$47.3 million). The gearing ratio as at 30 September 2006 was 34.3% while that as at 31 March 2006 was 34.1%. The current ratio as at 30 September 2006 maintained at 1.3 (31 March 2006: 1.3). The Group has been maintaining a healthy liquidity position and has sufficient financial resources to meet the requirements of its ordinary operation and capital expenditure.

As at 30 September 2006, the Group had aggregate banking facilities of HK$177.0 million (31 March 2006: HK$164.0 million), of which HK$133.8 million (31 March 2006: HK$81.4 million) was utilized.

USE OF THE PROCEEDS FROM THE IPO

In June 2005, the Company issued 100,000,000 ordinary shares pursuant to the IPO, raising net proceeds of approximately HK$36,500,000. The proceeds were used up to 30 September 2006 in the following manner:

	Per prospectus	Amount utilised	Balance as at 30 Sep 2006
	HK$ million	*HK$ million*	*HK$ million*
– construction of new plant	20	0	20
– installation of machinery and equipment	9	8	1
– research and development of electrical hair care products	2	2	0
– penetration and expansion into new and existing markets	2	1.5	0.5
– Group's general working capital	1	1	0
	34	12.5	21.5

The remaining portion of the net proceeds was placed with banks in Hong Kong as short-term deposits.

Up to the date of this announcement, no subscription rights attaching to the Warrants have been exercised and hence no cash proceeds have been raised therefrom by the Company.

CONTINGENT LIABILITIES

A High Court action was commenced by WIK Far East Limited (the "WIK") against a subsidiary of the Company on 27 April 2004 in respect of alleged infringements of a patent in respect of retractable brushes.

The Board has confirmed that no settlement has been reached by the parties and no judgements on the quantum of damages had been made against the Group in respect of the legal action. The Group has sought legal advice from its legal counsel on the merits of the claim.

According to the legal counsel's opinion, given that the trial has not yet commenced and the parties are still at a pre-mature stage of the litigation, and in the absence of any indication as to how WIK would like to proceed with its claim, it would not be possible to quantify reliably the likely potential damages and cost to be incurred by the Group in the event that the subsidiary of the Group fails in its defense to the claim of patent infringement in the litigation. Assuming that WIK will claim for damages for loss of profits or for accounts of profits, the Board is of the view that the quantum of the ultimate cost and damages (if any) to be incurred by the Group will not have a material adverse impact on the Group's financial position.

In the event that a liability has arisen from the litigation, the controlling shareholders of the Company have jointly and severally agreed and undertaken to indemnify the Group from and against any of such liability.

FOREIGN EXCHANGE EXPOSURE

The Group's sales are mainly denominated in US dollars while purchases are principally denominated in HK dollars, US dollars and Japanese Yen. The Group's certain costs are denominated in Renminbi. Since HK dollar has been pegged to US dollar, the Group's exposure to the currency risk in US dollars was minimal. Most of the Group's liquid fund is placed in principal guaranteed short-term dual currencies deposits in various banks during the six months ended 30 September 2006. Since Renminbi has been appreciating against US dollar, the Group has structured a financial arrangement to minimize our potential risk exposure.

STAFF AND REMUNERATION POLICIES

As at 30 September 2006, the Group employed approximately 59 Hong Kong staff and operates a defined contribution pension scheme. The number of staff and seasonal workers employed by our factories in China maintained at approximately 2,900 during the six months ended 30 September 2006.

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

The Group has adopted a pre-IPO share option scheme and a share option scheme for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares of HK$0.001 each in the share capital the Company (the "Shares") or the 100,000,000 listed warrants issued by the Company, in units of HK$0.30 of the subscription rights to subscribe for up to 50,000,000 Shares at the initial subscription price of HK$0.60 per Share at any time from 16 June 2005 to 13 June 2008 (both days inclusive) (the "Warrants"), (together with the Shares, the "Securities") during the period.

INTERIM DIVIDENDS

The directors of the Company (the "Directors") are pleased to declare an interim dividend of HK1.5 cents per Share (2005: HK1 cent) for the six months ended 30 September 2006, to be paid to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 January 2007. The dividend warrants will be dispatched to the entitled shareholders on or about Thursday, 18 January 2007.

CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF WARRANTHOLDERS

The register of members and the register of warrantholders of the Company will be closed from Wednesday, 10 January 2007 to Friday, 12 January 2007, both days inclusive, during which period no transfer of Shares/Warrants and no Share of the Company to be issued upon exercise of any subscription rights attaching to the outstanding Warrants issued by the Company will be registered. In order to qualify for the interim dividend, all transfers of Shares and/or exercise of the subscription rights of the outstanding Warrants, duly accompanied by the relevant share certificates, and the appropriate transfer forms and/or in the case of warrantholders, all duly completed subscription forms accompanied by the relevant Warrant certificates and the appropriate subscription monies, must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 9 January 2007. The last day in Hong Kong of dealings in the Shares with entitlement to interim dividend will be on Friday, 5 January 2007. The Shares will be traded ex-dividend as from Monday, 8 January 2007.

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 six months ended 30 September 2006, except for the following deviation:

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

The Board believes that pursuit of a high standard of corporate governance practices and procedures could provide a sound framework and solid foundation to achieve a high standard of accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders. The Company is dedicated to maintain a credible framework of corporate governance and continue to review and improve our corporate governance and internal control system from time to time.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted procedures governing Directors' Securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2006.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of our unaudited condensed consolidated financial statements for the six months ended 30 September 2006.

OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes from the information disclosed in the latest annual report of the Company or such changes are considered not significant to the Group's operations, and thus no additional disclosure has been made in this announcement.

PUBLICATION OF INTERIM RESULTS

All details on the financial and related information of the Company containing all information as required by paragraph 46(1) to 46(9) of Appendix 16 to the Listing Rules are published on the website of the Stock Exchange. It will also be dispatched to shareholders and (for information purpose only) warrantholders and be available to the public for collection in the following places in late December 2006:

1. Principal Place of Business in Hong Kong: Rooms 1106-8, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong; and
2. Website: http://www.kenford.com.hk.

GENERAL

As at the date of this announcement, the Board of the Company comprises three Executive Directors, namely Mr Lam Wai Ming (Chairman), Mr Tam Chi Sang (Managing Director), Mr Chan Kwok Tung, Donny and three Independent Non-Executive Directors, namely Mr Chiu Fan Wa, Mr Li Chi Chung and Mr Li Tat Wah.

By Order of the Board
KENFORD GROUP HOLDINGS LIMITED
LAM WAI MING
Chairman

Hong Kong, 18 December 2006

Please also refer to the published version of this announcement in The Standard.