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 2005

The board of directors (the "Board") of Kenford Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2005, prepared on the basis set out in Note 1, together with the comparative figures for the corresponding period of 2004, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**198,764**	252,370
Cost of sales		**(179,518)**	(191,475)
Gross profit		**19,246**	60,895
Other revenue		**3,938**	3,122
Selling and distribution expenses		**(3,614)**	(4,199)
General and administrative expenses		**(16,165)**	(13,276)
Profit from operations	*4*	**3,405**	46,542
Finance costs		**(2,134)**	(1,608)
Profit before taxation		**1,271**	44,934
Taxation	*5*	**(237)**	(3,708)

Profit for the period attributable to equity holders of the Company		**1,034**	41,226
Interim Dividends	*6*	**4,000**	–
Earnings per share			
Basic *(cents)*	*7*	**0.289**	13.742
Diluted *(cents)*	*7*	**0.287**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 September 2005 (Unaudited) *HK$'000***	31 March 2005 (Restated) (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**76,008**	77,356
Land lease payments		**4,211**	4,227
Goodwill		**1,403**	1,403
		81,622	82,986
Current assets			
Inventories		**85,975**	60,881
Accounts and bills receivable	*8*	**84,355**	46,880
Prepayments, deposits and other receivables		**9,598**	12,617
Pledged bank deposits		**–**	6,051
Cash and cash equivalents		**68,490**	77,176
		248,418	203,605

Current liabilities			
Accounts and bills payable	*9*	**88,154**	55,298
Accruals and other payables		**14,652**	15,620
Dividend payable		**–**	32,489
Borrowings-due within one year		**65,695**	90,004
Bank advances for discounted bills		**31,884**	–
Obligation under finance leases – due within one year		**621**	1,014
Taxation payable		**2,679**	2,506
		203,685	196,931
Net current assets		**44,733**	6,674
Total assets less current liabilities		**126,355**	89,660
Non-current liabilities			
Borrowings – due after one year		**6,162**	7,622
Obligation under finance lease – due after one year		**331**	599
Deferred tax		**2,888**	2,823
Net assets		**116,974**	78,616
Capital and reserves			
Share capital		**400**	100
Reserves		**116,574**	78,516
Equity attributable to equity holders of the Company		**116,974**	78,616

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable requirements of the Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (Main Board) (the "Listing Rules"), 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 2005.

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 2005 except for adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and interpretations) that are effective on or after 1 January 2005. Pursuant to the adoption of new HKFRSs, certain of the Group's accounting policies were changed.

The interim financial statements have been prepared in accordance with those HKFRSs issued and effective as at the time of preparing this information. The HKFRSs that will be applicable at 1 January 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

(i) Effect of adopting new HKFRSs

In 2005, the Group adopted the new/revised standards of HKFRSs below, which are relevant to its operations. The 2004 comparative figures have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowings Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separated Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 33, 36 and 38 did not result in substantial changes to the Group's accounting policies. Related impact on presentation of the Group's financials is summarized below.

(a) HKAS 17 – the leasehold interest in the land and buildings is separated into leasehold land and leasehold buildings. The leasehold land is classified as an operating lease, because the title of the land is not expected to be passed to the Group by the end of the lease term, and is reclassified from fixed assets to land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating lease are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment. This new accounting policy has been adopted retrospectively, and the comparative information restated to reflect the reclassification of leasehold land.

(b) HKAS 24 – it has affected the identification of related parties and some other related party transactions.

(c) HKAS 32 and HKAS 39 – the Group's discounted bills with recourse, which were previously treated as contingent liabilities have been accounted for collateralised bank advances as the financial assets derecognition conditions as stipulated in HKAS 39 have not been fulfilled.

(d) HKFRS 3 and HKAS 36 – goodwill arising on acquisition is no longer amortised but subject to an annual impairment review. Any impairment loss recognised for goodwill is not reversed in a subsequent period. Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

    The transitional provisions of HKFRS 3 requires the Group to eliminate at the beginning of the period the carrying amounts of accumulated amortisation with a corresponding entry to the cost of the goodwill and to derecognise the carrying amounts of negative goodwill against retained profits. The effects of the above changes will have no material impact on the financial statements of the Group.

(e) HKFRS 2 – in the current period, the Group has applied HKFRS 2 Share-based payment which requires an expense to be recognised where the Group buy goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share option over the vesting period. The effect of the changes in the accounting policy has resulted in the decrease of the net profit for the current period by approximately HK$584,000. Comparative figures had not been restated as the Company did not grant any option in prior periods.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than HKASs 16, 21, 39 and HKFRSs 2 and 3.

3. TURNOVER AND SEGMENT INFORMATION

(a) The Group is principally engaged in the design, manufacturing 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	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Europe	**135,283**	198,280
North and South America	**42,580**	16,624
Asia	**17,197**	13,794
Australia	**2,467**	16,564
Africa	**1,237**	7,108
	198,764	252,370

4. PROFITS FROM OPERATIONS

The Group's profit from operation is arrived at after charging:

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**179,518**	191,475
Depreciation	**5,063**	5,250
Amortisation of land lease payment	**139**	77
Interest expense	**2,134**	1,608
And after crediting:		
Interest income	**78**	4

5. TAXATION

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current profit tax – Hong Kong	**172**	3,708
Deferred tax	**65**	–
Tax charge for the period	**237**	3,708

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profits less allowable losses brought forward.

6. INTERIM DIVIDENDS

The Board recommends the payment of an interim dividend for the six months ended 30 September 2005 at the rate of HK1 cent per share, payable on 23 January 2006 to the shareholders of the Company whose names appear on the Register of Members of the Company at the close of business on Wednesday, 11 January 2006 (six months ended 30 September 2004: Nil).

7. 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	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	**1,034**	41,226
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**358,242**	300,000
Effect of dilutive potential ordinary shares:		
Share options	**2,166**	N/A
Weighted average number of ordinary shares for the purpose of diluted earning per share	**360,408**	N/A

The diluted earnings per share for the period ended 30 September 2004 have not been calculated as no diluting events existed during the period.

8. ACCOUNTS AND BILLS RECEIVABLE

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

	30 September 2005 (Unaudited) ***HK$'000***	31 March 2005 (Audited) *HK$'000*
Accounts receivable	**38,673**	38,386
Bills receivable	**45,682**	8,494
	84,355	46,880
Aged:		
Within 60 days	**31,996**	27,456
61-120 days	**1,853**	7,045
121-365 days	**3,926**	2,947
More than 365 days	**898**	938
	38,673	38,386

The maturity of bills receivable is generally between one to three months.

9. ACCOUNTS AND BILLS PAYABLE

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

	30 September 2005 (Unaudited)	31 March 2005 (Audited)
	HK$'000	*HK$'000*
Aged:		
Within 60 days	**63,347**	39,021
61-120 days	**22,646**	10,260
121-365 days	**1,988**	5,738
More than 365 days	**173**	279
	88,154	55,298

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The first half of financial year ending 31 March 2006 was a difficult period for many electrical household appliances manufacturers, including the Group. Apart from the increase in average labour costs in Dongguan region, the PRC, the escalating oil price also imposed additional burden on material costs. For the six months ended 30 September 2005, turnover and net profit recorded HK$198.8 million and HK$1.0 million, respectively, representing a reduction of 21.2% and 97.6% as compared to HK$252.4 million and HK$41.2 million for the same period of last year.

Prospects

2005 has been an exciting and challenging year for the Group. Following our successful listing on the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 16 June 2005, the construction plan of our new plant has been commenced and the construction of the plant is expected to be completed by the calendar year end of 2006. Our production capacity is expected to be increased by approximately one-forth to one-third thereafter.

We are positive with our business prospects. We have been negotiating with a renowned electronics company on the sales of ODM/ OEM electrical hair dryers and styling apparatus. Some of the models have been begun trail-run and quality check. Our base of markets will also be broadened. Currently, we expect our sales to this manufacturer to be one of the revenue drivers in the near future.

In addition, five models of our electrical hair care products have won six awards in the HKDA Awards 05, a widely-recognised competition-cum-exhibition in the Asia Pacific region which is organised by the Hong Kong Designers Association. In current year, fourteen Gold Awards, thirteen Judges' Choice and other Awards are selected among thirty-two categories. One of our outstanding hair styling apparatus, "Big Shot Professional Hairdryer with Ceramic Attachments HD552" earned us the "Gold Award" and "Merit (Judges' Choice) Award" in the category of "Electronic & Electrical Consumer Product". This can demonstrate well that our strength in researching and developing innovative and trendy array of products.

The Group has been implementing prudent cost control measures to cope with the challenging effects on its business continuously. At the same time, our management is considering appropriate solutions to minimize its risks in foreign exchange exposure. With the invaluable experience accumulated, market reputation established and extensive business networks built-up, the Group believes that its performance should be cautiously optimistic in the long-run.

FINANCIAL REVIEW

Turnover

During the period, the Group recorded a turnover of HK$198.8 million (2004: HK$252.4 million), representing a decrease of approximately 21.2%. The turnover attributable to the sales of electrical hair care products accounted for approximately HK$185.6 million, representing approximately 93.4% of the turnover of the Group. The remarkable growth in demand for the hair straigtheners slowed down during the period (which was one of the revenue drivers last year). The decrease was mainly attributed to the delay in launching of several new projects by the Group and conservative attitude of the European customers in placing orders after the depreciation of the Euro in the past few months and July terrorists' attack in London.

Gross Profit

Our gross profit margin was approximately 9.7% (2004: 24.1%). The deterioration was due to the less than proportionate decrease in cost of goods sold over the decrease in turnover. The soaring cost during the period was because of the escalating costs of certain raw materials and the general increase in average labour cost in the Dongguan region, the PRC. The escalating oil price imposed additional burden on material costs, especially polycarbonate ("PC") materials. To accelerate the effect, the utilization rate of PC materials for the period was especially higher than that in the same period of last year because of the proportionate increase in sale of traditional hair dryers.

Expenses

During the period, selling and distribution expenses of the Group was approximately HK$3.6 million (2004: HK$4.2 million), representing approximately 1.8% (2004: 1.7%) of the total turnover for the same period. During the period, administrative expenses of the Group were approximately HK$16.2 million (2004: HK$13.3 million). The increase was mainly due to the higher management costs resulting from the compliance of the Listing Rules following the listing of the Company's shares ("Shares") and the warrants of the Company ("Warrants") on the Stock Exchange and the effect of application of new HKFRSs. During the period, finance cost of the Group was approximately HK$2.1 million (2004: HK$1.6 million). The increase was mainly due to the general increase in interest rates.

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 2005 was approximately HK$124 million.

Capital Commitments

As at the balance sheet date, the Group had capital commitment in respect of acquisition of the new plant and equipment of approximately HK$4.5 million which are authorized but not contracted for (31 March 2005: HK$3.7 million).

Liquidity and Financial Resources

During the period, apart from the internally generated resources and banking facilities, the Group also raised net proceeds of HK$36,500,000 from the public offer and placing of new shares under the IPO. As at 30 September 2005, the Group had approximately HK$68.5 million cash and cash equivalents balances (31 March 2005: HK$77.2 million). The Group's net current assets were approximately HK$44.7 million (31 March 2005: HK$6.7 million). The gearing ratio as at 30 September 2005 was 31.7% (bank borrowings included bank advances for discounted bills due to adoption of HKAS39) while that as at 31 March 2005 was 34.6% (bank borrowings excluded bank advances for discounted bills due to no retrospective application under HKAS 39). 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.

ISSUE OF SHARES AND 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. During the period, the proceeds were used in the following manner:

– approximately HK$0.5 million was used for the research and development of electrical hair care products;
– approximately HK$1.0 million was used for installation of machinery and equipment;
– approximately HK$0.1 million was used as the Group's general working capital; and
– 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.

PLEDGE OF ASSETS

As at 30 September 2005, the Group's leasehold land and building having a net book value of approximately HK$11.6 million (31 March 2005: HK$11.8 million) has been charged to secure general banking facilities granted to the Group. Arrangement has been made to release the charge.

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 directors of the Company (the "Directors") have 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 Directors are of the view that the quantum of the ultimate cost and damages (if any) to be incurred by the Group will not have a material adverse impact on the Group's financial position.

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

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. Since 21 July 2005, Renminbi has been pegged to a basket of currencies and this resulted in Renminbi appreciating against the US dollar by approximately 2%. Most of the Group's liquid fund is placed in principal guaranteed short-term dual currencies deposits in various banks during the period. The Group made use of the financial tools of forward exchange rate contracts to reduce the foreign currencies accounts payable exposure during the period.

STAFF AND REMUNERATION POLICIES

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.

CLOSURE OF REGISTER OF MEMBERS

Our Company's register of members will be closed from Monday, 9 January 2006 to Wednesday, 11 January 2006 (both days inclusive), during such period no transfer of our Shares and Warrants will be registered. In order to qualify for the interim dividend, all transfer of our Shares accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens' Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on Friday, 6 January 2006. The interim dividend will be payable to the entitled thereto on or about Monday, 23 January 2006.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the applicable code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, except for the following deviation:

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.

Since the listing of the Company, strengthening internal control has always been a focus of our management. The Company believes that improvement of its internal control system will enhance its operational management efficiency and effectiveness and promote its continued development.

AUDIT COMMITTEE

The audit committee of the Company, comprising three independent non-executive Directors, namely Mr. Chiu Fan Wa ("Mr. Chiu FW"), Mr. Li Chi Chung and Mr. Li Tat Wah was established on 29 April 2005 with written terms of reference in compliance with the Listing Rules. Mr. Chiu FW 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 the interim results of the Company for the six months ended 30 September 2005.

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 had confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 September 2005.

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 or Warrants during the period.

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 are considered not significant to the Group's operations, 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 be available to the public for collection in the following places in late December 2005:

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
LAM WAI MING
Chairman

Hong Kong, 16 December 2005

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