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 Report 2006

BUSINESS REVIEW

The first half of financial year ending 31 March 2006 was a difficult period for many electrical household appliances manufacturers, including Kenford Group Holdings Limited (the "Company") and its subsidiaries (together 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 straighteners 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 Rules Governing the Listing of Securities on the Stock Exchange (Main Board) ("the Listing Rules") following the listing of the Company's shares ("Shares") and the warrants of the Company ("Warrants") on the Stock Exchange (together the "Securities") 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.

FINANCIAL REVIEW *(continued)*

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 report, 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 buildings 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 (details set out under the heading "Share Option Scheme") for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations.

INTERIM DIVIDENDS

The Directors are pleased to declare an interim dividend of HK1 cent per share for the six months ended 30 September 2005, to be paid to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday 11 January 2006.

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2005, the interests and short positions of the Directors and chief executives 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 pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules at the date of this report, were as follows:

Long position in the Securities of the Company

Name of Director	Nature of interest	Total number of Shares held in the Company	Percentage of issued Shares
Mr Lam Wai Ming	Corporate interest	275,400,000 *(Note 1)*	68.85%
Mr Tam Chi Sang	Corporate interest	275,400,000 *(Note 2)*	68.85%
Mr Chan Kwok Tung, Donny	Corporate interest	16,200,000 *(Note 3)*	4.05%

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(continued)*

Long position in the Securities of the Company *(continued)*

Notes:

(1) Mr Lam Wai Ming is taken to be interested in an aggregate of 275,400,000 Shares as follows:

(i) Mr Lam Wai Ming is taken to be interested in an aggregate of 244,800,000 Shares held by Achieve Best Limited ("Achieve Best") and Beaute Inc ("Beaute") respectively as to:

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

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

(ii) Mr Lam Wai Ming is taken to be interested in an aggregate of 30,600,000 Shares upon the exercise of the subscription rights attached to the 61,200,000 Warrants held by Achieve Best and Beaute respectively.

(2) Mr Tam Chi Sang is taken to be interested in an aggregate of 275,400,000 Shares as follows:

(i) Mr Tam Chi Sang is taken to be interested in an aggregate of 244,800,000 Shares held by Realchamp International Inc ("Realchamp") and Beaute respectively as to:

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

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

(ii) Mr Tam Chi Sang is taken to be interested in an aggregate of 30,600,000 Shares upon the exercise of the subscription rights attached to the 61,200,000 Warrants held by Realchamp and Beaute respectively.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(continued)*

Long position in the Securities of the Company *(continued)*

(3) Mr Chan Kwok Tung, Donny is taken to be interested in an aggregate of 16,200,000 Shares as follows:

(i) Mr Chan Kwok Tung, Donny is taken to be interested in an aggregate of 14,400,000 Shares held by Champion Sight Investments Inc ("Champion Sight"). Champion Sight is wholly-owned by Mr Chan Kwok Tung, Donny and he is the sole director of Champion Sight; and

(ii) Mr Chan Kwok Tung, Donny is taken to be interested in an aggregate of 1,800,000 Shares upon the exercise of the subscription rights attached to the 3,600,000 Warrants held by Champion Sight.

Long position in the shares in the associated corporation

Name of Director	Name of associated corporation	Class of shares	Nature of interest	Total number of shares held	Approximate percentage of interests
Mr Lam Wai Ming	Beaute	Ordinary share	Corporate interest	2 *(Note)*	100%
Mr Tam Chi Sang	Beaute	Ordinary share	Corporate interest	2 *(Note)*	100%

Notes:

Beaute is owned as to 50% by Apex Prima and 50% by Potentasia. Apex Prima is wholly-owned by Mr Lam Wai Ming and Potentasia is wholly-owned by Mr Tam Chi Sang. Both Mr Lam Wai Ming and Mr Tam Chi Sang are the directors of Beaute. Mr Lam Wai Ming and Mr Tam Chi Sang are therefore taken to be interested in the shares in Beaute through their respective interests in Apex Prima and Potentasia.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 30 September 2005, the interests and short positions of the persons, other than Directors and chief executives 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 or as notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the Securities of the Company

Name of substantial shareholder	Number of Shares held (other than under equity derivatives)	Number of Shares held under equity derivatives *(Note 1)*	Total number of Shares held	Percentage of issued Shares
Beaute	204,000,000	25,500,000	229,500,000	57.38%
Apex Prima *(Note 2)*	204,000,000	25,500,000	229,500,000	57.38%
Potentasia *(Note 3)*	204,000,000	25,500,000	229,500,000	57.38%
Achieve Best	40,800,000	5,100,000	45,900,000	11.48%
Realchamp	40,800,000	5,100,000	45,900,000	11.48%

Notes:

1. The Warrants were issued by way of bonus issue to all the shareholders whose names appeared on the register of members of the Company as at completion of the share offer and the capitalization issue in the proportion of one Warrant for every four Shares, in unit(s) of HK$0.30 of the subscription rights to the Warrant holders. The subscription price of the Warrants is HK$0.60 per Share with a subscription period from 16 June 2005 to 13 June 2008. Up to the date of this report, there was no conversion of the Warrants.

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

3. Potentasia is taken to be interested in an aggregate of 204,000,000 Shares held by Beaute which is owned as to 50% by Mr Lam Wai Ming and 50% by Mr Tam Chi Sang.

SHARE OPTION SCHEME

On 27 May 2005, the Company adopted a share option scheme ("Share Option Scheme") and a pre-IPO share option scheme ("Pre-IPO Share Option Scheme").

I) Share Option Scheme

Up to the date of this report, no options have been granted by the Company under the Share Option Scheme.

SHARE OPTION SCHEME *(continued)*

II) Pre-IPO Share Option Scheme

Particulars of outstanding options under Pre-IPO Share Option Scheme at the beginning and at the end of the financial period for the six months ended 30 September 2005 and the details of share options granted, exercised, cancelled and lapsed during the period were as follows:

Name of grantee	Grant date	Exercisable period of share option	Exercise price of share option	No. of shares options held at 1 April 2005	No. of shares options granted during the period	No. of shares options exercised during the period	No. of shares options cancelled/ lapsed during the period	No. of share options held at 30 September 2005
Senior management			HK$					
Mr Kwong Pak Chuen, Patrick *Senior engineering manager*	28 May 2005	16 December 2005 to 13 June 2008	One third of 0.55*	–	1,200,000	–	–	1,200,000
Mr Law Tak Wai *Operation manager*	28 May 2005	16 December 2005 to 13 June 2008	One third of 0.55*	–	1,200,000	–	–	1,200,000
Mr Wong Siu Man *Senior materials manager*	28 May 2005	16 December 2005 to 13 June 2008	One third of 0.55*	–	600,000	–	–	600,000
Mr Lam Wai Hung *Administration manager*	28 May 2005	16 December 2005 to 13 June 2008	One third of 0.55*	–	1,000,000	–	–	1,000,000
Total:				–	4,000,000	–	–	4,000,000

* *The closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of exercise of the option shall not be less than 1.25 times of HK$0.55.*

Save as disclosed above, no options have been granted by the Company under the Pre-IPO Share Option Scheme.

III) Fair Value of the Pre-IPO Share Options

For the determination of the fair value of the Pre-IPO Share Options granted, reference was made to the Binomial Option Pricing Model taking into account a number of factors such as the exercise price and the life of the options, the market price and volatility of the underlying shares, and the risk-free interest rate for the life of the options. In addition, it requires input of assumptions that have significant sensitivity effects, including the approximation of the stock price at the grant date of the Pre-IPO Share Options, expected stock price volatility, expected dividend, etc. Any changes in the subjectivity input assumptions may materially affect the estimation of the fair value of an option. The fair value of the Pre-IPO Share Options granted by using Binomial Option Pricing Model was approximately HK$0.2501 per share option.

SHARE OPTION SCHEME *(continued)*

IV) Arrangements to purchase Shares or Debentures

Save as disclosed above, at no time during the period 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.

DISCLOSURE UNDER RULES 13.20 OF THE LISTING RULES

The Directors have confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.20 of the Listing Rules save as the trade receivables of approximately HK$20.7 million and HK$12.8 million outstanding at 30 September 2005 from the group companies of Rayovac Corporation and Helen of Troy Comercial Offshore de Macau Limitada respectively, being the Group's major customers and independent third parties, which represented approximately 16.7% and 10.3% of the market capitalization of the Company of HK$124.0 million based on the closing stock price of HK$0.31 as at 30 September 2005. The above trade receivables arose in the usual and ordinary course of business and was interest-free, unsecured and due with the normal credit terms granted by the Group.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In the opinion of the board of directors (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 in 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 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 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.

AUDIT COMMITTEE *(continued)*

The audit committee has reviewed the interim results of the Company for the six months ended 30 September 2005.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprising three independent non-executive Directors namely, Mr Chiu Fan Wa, Mr Li Chi Chung and Mr Li Tat Wah was established to formulate remuneration policy for approval by the Board. It has adopted the terms of reference which are in line with the code provisions set out in the Code on Corporate Governance Practices under Appendix 14 of the Listing Rules.

NOMINATION COMMITTEE

The nomination committee of the Company comprising three independent non-executive Directors namely, Mr Chiu Fan Wa, Mr Li Chi Chung and Mr Li Tat Wah was established to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference which are in line with the code provisions set out in the Code on Corporate Governance Practices under Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted procedures governing Directors' securities transactions in compliance with the 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 report.

GENERAL

As at the date of this report, 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

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 (together the "Group") for the six months ended 30 September 2005, together with the comparative figures for the corresponding period in 2004 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	
	Notes	**2005 (Unaudited) HK$'000**	2004 (Unaudited) HK$'000
Turnover	*5*	**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	*7*	**3,405**	46,542
Finance costs		**(2,134)**	(1,608)
Profit before taxation		**1,271**	44,934
Taxation	*8*	**(237)**	(3,708)
Profit for the period attributable to equity holders of the Company		**1,034**	41,226
Interim Dividends	*9*	**4,000**	–
Earnings per share			
Basic *(cents)*	*10*	**0.289**	13.742
Diluted *(cents)*	*10*	**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	*12*	**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	*13*	**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	*14*	**88,154**	55,298
Accruals and other payables		**14,652**	15,620
Dividend payable		**–**	32,489
Borrowings-due within one year	*15*	**65,695**	90,004
Bank advances for discounted bills	*13*	**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	*15*	**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	*16*	**400**	100
Reserves	*17*	**116,574**	78,516
Equity attributable to equity holders of the Company		**116,974**	78,616

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

Attributable to equity holders of the Company

	Share capital HK$'000	Share premium HK$'000	Merger Reserve HK$'000	Proposed dividend HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits attributable to shareholders HK$'000	Total equity HK$'000
At 1 April 2005	100	–	942	–	–	–	77,574	78,616
Placing and public offer of share at premium	100	54,900	–	–	–	–	–	55,000
Issue of share by capitalisation of share premium account	200	(200)	–	–	–	–	–	–
Share issue expenses	–	(18,383)	–	–	–	–	–	(18,383)
Exchange realignments	–	–	–	–	123	–	–	123
Profit for the period	–	–	–	–	–	–	1,034	1,034
Recognition of equity settled share based payments	–	–	–	–	–	584	–	584
Dividends proposed	–	–	–	4,000	–	–	(4,000)	–
At 30 September 2005	**400**	**36,317**	**942**	**4,000**	**123**	**584**	**74,608**	**116,974**
At 1 April 2004	58		942				60,171	61,171
Profit for the period	–		–				41,226	41,226
At 30 September 2004	58		942				101,397	102,397

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash (used in)/from operating activities	**(5,844)**	26,167
Net cash from/(used in) investing activities	**1,913**	(5,549)
Net cash (used in)/from financing activities	**(4,755)**	13,853
Net (decrease)/increase in cash and cash equivalents	**(8,686)**	34,471
Cash and cash equivalents at beginning of the period	**77,176**	30,020
Cash and cash equivalents at end of the period	**68,490**	64,491
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**68,490**	64,491

1. GROUP REOGRANISATION

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.

The Company is an investment holding company. The principal activities of its subsidiaries are design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances.

Pursuant to the reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company became the holding company of the Group on 23 March 2005 by issuing shares of the Company in exchange for the entire issued share capital of Asia Pilot Development Limited and its subsidiaries ("Reorganisation"). Details of the Reorganisation are set out in the prospectus.

The shares of the Company have been listed on the Main Board of the Stock Exchange since 16 June 2005.

2. 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 (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 Group resulting from the Reorganisation referred to in Note 1 above is regarded as a continuing entity. Accordingly, the condensed consolidated income statement and cash flow statement for the six months ended 30 September 2004 and the condensed consolidated balance sheet as at 31 March 2005 were prepared on a merger accounting basis as if the current group structure, had been in existence throughout these periods, except for the acquisition of interests in Kario Company Limited ("Kario HK") and its subsidiary, Dongguan Kario Electrical Appliance Company Limited ("DG Kario"), (collectively the "Kario Group") as set out in the prospectus. The results of the Kario Group are accounted for using the acquisition method of accounting.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2005.

The condensed financial statements have been prepared under the historical cost convertion.

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 3 below.

3. 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 – Leases*

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 – Related Party Disclosure*

It has affected the identification of related parties and some other related party transactions.

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(i) Effect of adopting new HKFRSs *(continued)*

(c) HKAS 32 and HKAS 39 – Financial Instruments

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 – Business combinations and HKAS 36 – Impairment of assets

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 – Share-based payments

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.

(ii) New accounting policies

The accounting policies used for the condensed accounts for the six months ended 30 September 2005 are the same as those set out in note 2 to the 2005 annual report except for the following:

– *Foreign currency translation*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(ii) New accounting policies (continued)

– *Property, plant and equipment*
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

– *Impairment of assets*
Assets that have an indefinite useful life are not subject to amortization but are at least test annually for impairment. They are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

– *Share capital*
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

– *Share-based compensation*
The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the option is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statements, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

4. FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks like currency risk, fair value interest risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to recognize the potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, entities in the Group use forward currency contracts, transacted with external financial institutions. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. Finance and Account of the Group is responsible for managing the net position in each foreign currency by using external forward currency contracts.

The Group's risk management policy is to hedge between 75% and 100% of anticipated transactions in each major currency for the subsequent manufacturing process lead time. The projected transactions in each major currency qualify as probable forecast transactions for hedge accounting purposes.

The Group has certain investments in operations in the Mainland China, whose net assets are denominated in Chinese Renminbi. Chinese Renminbi is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Finance and Account of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

4. FINANCIAL RISK MANAGEMENT *(continued)*

(ii) Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

There are no derivative instruments outstanding as at 30 September 2005.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(b) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

(iii) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. TURNOVER

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

6. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segments

The Group has been operating in a single business segment, that is the design, manufacturing and sale of electrical hair care products, electrical health care products and other small household electrical appliances.

(b) Geographical segments

The Group's revenue is mainly derived from customers located in Europe, North and South America, Asia and Australia while the Group's business activities are conducted predominantly in Hong Kong and the PRC.

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

	Six months ended 30 September	
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'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

7. PROFITS FROM OPERATIONS

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

	Six months ended 30 September	
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'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

8. TAXATION

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

No provision for profits tax in the Cayman Islands or British Virgin Islands has been made as the Group had no income assessable for the profits tax in these jurisdictions.

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

Pursuant to the relevant laws and regulations in the PRC, DG Kario, a wholly owned subsidiary acquired by the Group on 23 March 2005, being a foreign investment enterprise, is subject to income tax rate of 24%. DG Kario is also exempted from enterprise income tax for two years starting from the first year of profitable operation in 2003 after off-setting prior year tax losses, followed by a 50% reduction in the applicable tax rate for the next three years. No provision for the PRC enterprise income tax has been made in the unaudited condensed income statement for the period ended 30 September 2005.

9. 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 (six months ended 30 September 2004: Nil).

10. 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 (Unaudited) HK$'000	2004 (Unaudited) HK$'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.

11. SHARE OPTIONS

The Company has a Pre-IPO Share Option Scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	–
Granted during the period	4,000,000
Outstanding at the end of the period	4,000,000

As mentioned in note 3, the Group has, for the first time, applied HKFRS 2 Share-based payments to account for its share option in the current period. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In the current period, an amount of share option expense of approximately HK$584,000 has been recognized with a corresponding adjustment recognized in the Group's share option reserve.

11. SHARE OPTIONS *(continued)*

In the current period, share options were granted on 28 May 2005. The fair value of the option determined at the date of grant using the Binomial option pricing model was approximately HK$0.2501 per share option.

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

Share price *(Note a)*	HK$0.55
Strike price *(Note b)*	HK$0.1833
Minimum exercise price *(Note c)*	HK$0.6875
Expected life of option *(Note d)*	3 years
Expected volatility	34.8%
Expected dividend yield	10.57%
Risk free rate	4.96%

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

The Binomial option pricing model require the input of highly subjective assumptions, including the volatility of share price. The changes in subjective input assumptions can materially affect the fair value estimate.

Notes:

(a) The share price of the Company's shares at the date of grant of the options was estimated to be HK$0.55 per share, which is equal to the offer price.
(b) The strike price is one third of the offer price.
(c) The minimum exercise price is 1.25 times of the offer price.
(d) The options life is 3 years from the date of grant.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK$3,770,000 (2004: HK$5,552,000) on the acquisition of property, plant and equipment.

13. 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.

The Group transferred certain bills of exchange amounting to HK$31,884,000 to banks with recourse in exchange for cash during the interim period. The transactions have been accounted for as collateralized bank advances. The carrying amounts of accounts and bills receivable approximate their fair values.

14. 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) HK$'000	31 March 2005 (Audited) HK$'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

The carrying accounts and bills payable approximate their fair values.

15. BORROWINGS

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Secured borrowings comprise:		
Trust receipt loans	**62,332**	71,629
Bank loan, secured	**9,525**	25,997
	71,857	97,626

The maturity profile of the above borrowings is as follows:

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Bank loans repayable:		
Within one year	**65,595**	90,004
In the second year	**2,662**	4,062
In the third to fifth years, inclusive	**3,500**	3,560
	71,757	97,626
Portion classified as current liabilities	**65,595**	90,004
Long term portion	**6,162**	7,622

The carrying amounts of the Group's borrowings approximate their fair values. The Group's borrowings are denominated in Hong Kong dollar.

16. SHARE CAPITAL

Movements of the Company's Shares during the period ended 30 September 2005 were as follows:

Authorised share capital	*Note*	**Company** **Number of Shares of HK$0.001 each**	**Amount HK$**
Upon incorporation and at 31 March 2005	*(i)*	500,000,000	500,000
Increase in authorised share capital	*(vi)*	500,000,000	500,000
At Listing Date		1,000,000,000	1,000,000

16. SHARE CAPITAL *(continued)*

Issued share capital	*Note*	Number of share of HK$0.001 each	HK$
Allotted and issued nil-paid upon incorporation	*(ii),(iii)*	1	–
Allotted and issued nil-paid on 19 November 2004	*(ii),(iii)*	1	–
Issue of Shares upon the exchange of Shares	*(iii)*	58,399,998	58,400
Issue of Shares for acquisition of subsidiaries	*(iv)*	14,400,000	14,400
Issue of new Shares on 23 March 2005	*(v)*	27,200,000	27,200
At 31 March 2005		100,000,000	100,000
Allotted and issued nil-paid on 27 May 2005	*(vii)*	200,000,000	–
New issue of Shares	*(viii)*	100,000,000	100,000
Capitalisation of share premium account	*(vii)*	–	200,000
		400,000,000	400,000

Notes:

(i) The Company was incorporated in the Cayman Islands on 10 November 2004 with an authorised share capital of HK$500,000 divided into 500,000,000 Shares of HK$0.001 each.

(ii) Upon incorporation, one new Share of HK$0.001 was allotted and issued nil-paid. On 19 November 2004, one new Share of HK$0.001 was allotted and issued nil-paid.

(iii) On 23 March 2005, the Company issued an aggregate of 58,399,998 Shares, credited as fully paid up for the exchange of Shares as set out in Note 1. In addition, the Company credited as fully paid at par the 2 nil-paid Shares.

(iv) Pursuant to the further acquisitions as set out in Note 1, effective on 23 March 2005, the Company acquired certain subsidiaries in consideration of cash payments and issue of an aggregate of 14,400,000 Shares upon completion of the acquisition on 23 March 2005.

(v) On 23 March 2005, an aggregate of 27,200,000 Shares of HK$0.001 each were issued at par for cash.

(vi) On 29 April 2005, written resolutions of all the Shareholders were passed pursuant to which the authorised share capital of the Company was increased from HK$500,000 to HK$1,000,000 by the creation of an additional 500,000,000 Shares.

(vii) Pursuant to a resolution of all the Shareholders passed on 27 May 2005, 200,000,000 Shares of the Company were allotted and issued, credited as fully paid at par value of HK$0.001 each to the then existing shareholders whose names appear on the register of members of the Company at the close of business on 29 April 2005 in proportion to their respective shareholding by the capitalization of HK$200,000 from the share premium account. Such allotment and capitalization were conditional on the share premium account being credited as a result of the new Shares issued in connection with the listing of the Company's Shares on the Stock Exchange.

(viii) On the Listing Date, 100,000,000 Shares (with Warrants) of the Company were issued to the Public at a premium of HK$0.549 for cash totalling HK$54,900,000. The excess of the issued price over the par value of the Shares, net of share issue expenses, was credited to the share premium account of the Company.

17. RESERVES

Attributable to equity holders of the Company

	Share premium HK$'000	Merger reserve HK$'000	Proposed dividend HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2005	–	942	–	–	–	77,574	78,516
Placing and public offer of share at premium	54,900	–	–	–	–	–	54,900
Issue of share by capitalisation of share premium account	(200)	–	–	–	–	–	(200)
Share issue expenses	(18,383)	–	–	–	–	–	(18,383)
Exchange realignments	–	–	–	123	–	–	123
Profit for the period	–	–	–	–	–	1,034	1,034
Recognition of equity settled share based payments	–	–	–	–	584	–	584
Dividends proposed	–	–	4,000	–	–	(4,000)	–
At 30 September 2005	**36,317**	**942**	**4,000**	**123**	**584**	**74,608**	**116,574**
At 1 April 2004		942				60,171	61,113
Profit for the period		–				41,226	41,226
At 30 September 2004		942				101,397	102,339

18. CONTINGENT LIABILITIES

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

The Directors have confirmed that no settlement had been reached by the parties and no 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.

19. CAPITAL COMMITMENTS

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Commitment for acquisition of plant and equipment:		
Contracted for but not provided in the financial statements	**4,450**	3,664

20. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions:

	Note	**Six months ended 30 September 2005 (Unaudited) HK$'000**	2004 (Unaudited) HK$'000
Sales to:			
Kario HK	*(i)*	**–**	50
Purchases from:			
Kario HK	*(i)*	**5**	1,736
Commissions received from:			
DG Kario	*(ii)*	**282**	1,487
Reimbursement of electricity and wages expenses:			
DG Kario	*(iii)*	**1,208**	677
Key management compensation:			
Basic salaries		**3,910**	3,069
Contribution to defined contribution plan		**48**	43
Share-based compensation		**584**	–
		4,542	3,112

Notes:

(i) Sales to and purchases from Kario HK were determined at terms mutually agreed by both parties, which were comparable to those similar products sourced from other third party suppliers by the Group.

(ii) Commissions received from DG Kario were for the introduction and referral of business opportunities and for rendering of overall management support. The commissions received from Kario HK and DG Kario were determined at 15% on the gross selling price (including value added tax) of goods sold to a major customer introduced by Kenford HK.

(iii) Reimbursement of electricity and wages expenses to DG Kario was determined on a cost basis.

21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Board on 16 December 2005.