

Chairman's Statement

RESULTS

On behalf of the board of directors ("**Board**"), I am pleased to present the audited consolidated financial results of Kenford Group Holdings Limited ("**Company**") and its subsidiaries (together, the "**Group**") for the year ended 31 March 2006.

The fiscal year ended 31 March 2006 was a crucial year for many electrical household appliances manufacturers including the Group. Apart from the up soaring in raw material costs, rising labour costs in the PRC and the appreciating Renminbi imposed additional burden on the industry players. During the fiscal year, the Group achieved a turnover amounting to HK\$403.6 million, representing a reduction of 13% as compared with HK\$464.9 million for the previous fiscal year. Audited consolidated profit attributable to shareholders was HK\$4.1 million (2005: HK\$57.4 million), a decrease of 93% over the previous fiscal year. Basic earnings per share was HK1.094 cents (2005: HK19.13 cents), a decrease of 94% over the previous fiscal year.

DIVIDEND

Given that the Group continues to maintain a healthy liquidity for future potential development, the Directors have recommended the payment of a final dividend of HK0.3 cent per share. Together with the interim dividend of HK1 cent per share paid on 23 January 2006, a total dividend of HK\$0.013 per share would be payable for the year ended 31 March 2006.

BUSINESS STRENGTH IN MARKETS

Our business is principally engaged in the design, manufacture and distribution of a wide range of electrical hair care products, electrical health care products and other small household electrical appliances. The largest business, Electrical Hair Care Products, recorded sales revenue of HK\$379.4 million (2005: HK\$432.6 million), representing over 94% of the total turnover during the fiscal year. Europe continued to be our main geographical focus with the Group achieving revenue of HK\$261.8 million, accounting for 65% of the total turnover. Our sales in over ten countries in Europe, such as the UK, Italy and France, have clearly reflected the growing acceptance of our products by a larger pool of customers.

Unlocking the vast potential of overseas markets have always been our long-term imperatives of strategic value. During the fiscal year, the Group enjoyed the impressive revenue growth in the USA, resulted in 132% growth of our electrical hair care products business to HK\$82.2 million over the previous fiscal year. The Group's continuous expansion into the USA has been a key driver for the business growth. We have implemented a multi-directional development strategy which includes (1) proactive approach to product improvement; (2) implementing an efficient supply chain management system and (3) building up brand image. Moreover, with the effective marketing strategies, strategic business cooperation with renowned retail enterprises and the development of ODM business in China, our brand, Kario witnessed promising results in implementing a series of business improvement initiatives, which should eventually bear fruits in the future.

PURSUIT FOR THE BEST

The Group has strength in designing and developing innovative and trendy array of products: we gained the "Gold Award" and "Judges' Choice Award" in the category of "Electronic & Electrical Consumer Product" in the HKDA Awards 05, a large-scale competition in the Asia Pacific region. Also, we are pleased to have the invitation of the Hong Kong Trade Development to display our prize-winning product "Big Shot Professional Hairdryer with Ceramic Attachments HD 552" at the Hong Kong Pavillion of the Pan-PRD Regional Cooperation Forum and Trade Fair in Kunming, Yunnan from 6 to 10 June 2006.



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PROSPECT

Looking ahead, the persistent rises of the raw material costs, the surges of wages in the PRC operation, instability in electricity supply and an upward trend of Renminbi creep back as challenges to the industry. In response, we have passed part of the increased cost to our customers, re-engineered our manufacturing processes and improved our supply chain processes for saving costs purpose. We have upgraded an ERP system to deliver a more powerful data analysis at the back office.

To grip with the new requirements in electrical and electronic equipment (the WEEE and RoHS Directives), we have already well prepared and organized to deliver the quality products to our customers and to further enhance our market position. Given a solid foundation and putting shareholders' interests as its top priority, the Group will continue to seek opportunities for further expansion.

APPRECIATION

People play an important role in gaining competitive advantages. The Group focuses on building up a close relationship with our valuable staff members. I would like to express my sincere appreciation to our employees for all their hard work and passion in the past. Also, I would like to thank our shareholders, customers and suppliers for their support.

By Order of the Board

Lam Wai Ming

Chairman

Hong Kong, 14 July 2006