



建福集團控股有限公司
KENFORD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00464

Interim Report 2018

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Corporate Information

BOARDS OF DIRECTORS

Executive Directors

Yang Yubin

(appointed as Director and chairman with effect from 30 September 2017)

Zhang Huijun

(appointed as Director: *Note 1* and chairman: *Note 2* & ceased to be chairman with effect from 30 September 2017)

Cai Dongyan

(appointed as Director: *Note 1* and chief executive officer: *Note 2*)

Pauline Lam

(appointed as Director: *Note 1*)

Lam Wai Ming

(resigned as Director and chairman: *Note 2*)

Tam Chi Sang

(resigned as Director and managing director: *Note 2*)

Non-Executive Directors

Kwok Kai Hing Daniel

(appointed as Director: *Note 1*)

Independent Non-Executive Directors

Fung Chi Kin

(appointed as Director: *Note 1*)

Han Dengpan

(appointed as Director: *Note 1*)

Huang Zhiwei

(appointed as Director: *Note 1*)

Chiu Fan Wa

(resigned as Director: *Note 2*)

Choi Hon Keung

(resigned as Director: *Note 2*)

Li Chi Chung

(resigned as Director: *Note 2*)

COMPANY SECRETARY

Ong King Keung

(appointed as company secretary: *Note 1*)

Pang Kit Teng

(resigned as company secretary: *Note 1*)

AUDIT COMMITTEE

Han Dengpan

(appointed as chairman: *Note 2*)

Fung Chi Kin

(appointed as member: *Note 2*)

Huang Zhiwei

(appointed as member: *Note 2*)

Chiu Fan Wa

(resigned as chairman: *Note 2*)

Choi Hon Keung

(resigned as member: *Note 2*)

Li Chi Chung

(resigned as member: *Note 2*)

NOMINATION COMMITTEE

Fung Chi Kin

(appointed as chairman: *Note 2*)

Han Dengpan

(appointed as member: *Note 2*)

Huang Zhiwei

(appointed as member: *Note 2*)

Chiu Fan Wa

(resigned as chairman: *Note 2*)

Choi Hon Keung

(resigned as member: *Note 2*)

Li Chi Chung

(resigned as member: *Note 2*)

Corporate Information

REMUNERATION COMMITTEE

Fung Chi Kin
(appointed as chairman: *Note 2*)
Han Dengpan
(appointed as member: *Note 2*)
Huang Zhiwei
(appointed as member: *Note 2*)
Zhang Huijun
(appointed as member: *Note 2*)
Choi Hon Keung
(resigned as chairman: *Note 2*)
Chiu Fan Wa
(resigned as member: *Note 2*)
Lam Wai Ming
(resigned as member: *Note 2*)
Li Chi Chung
(resigned as member: *Note 2*)
Tam Chi Sang
(resigned as member: *Note 2*)

Note 1: with effect from 22 August 2017
Note 2: with effect from 12 September 2017

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 2511-2517, 25/F., Tower A,
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Kwai Chung, New Territories, Hong Kong

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Email: Info@kenford.com.hk

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
Shop 1712-1716,
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

Li & Partners

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited
Dah Sing Bank Limited

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited
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CORPORATE WEBSITE

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STOCK CODE

00464

Highlights

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Operating results		
Revenue	217,222	238,370
Gross profit	34,322	39,648
(Deficit) earnings before interest, tax, depreciation and amortisation	(6,181)	2,068
Net loss	(9,649)	(4,238)
Per share data		
	HK cents	HK cents
Basic loss per share	(2.165)	(0.951)
Net assets per share	50.7	75.8
Financial position		
	HK\$'000	HK\$'000
Cash	97,707	107,897
Net cash (Cash and bank deposits less interest bearing borrowings)	40,910	60,034
Total assets	392,486	515,055
Net assets	225,803	337,604
Financial ratio		
Gross profit margin	15.8%	16.6%
(Deficit) earnings before interest, tax, depreciation and amortisation to revenue	(2.8%)	0.9%
Net loss to revenue	(4.4%)	(1.8%)
Return on equity	(4.3%)	(1.3%)
Net cash to equity	18.1%	17.8%

Management Discussion and Analysis

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2017 (the "**current period**") was HK\$217,222,000, representing a decrease of 8.9% from HK\$238,370,000 during the corresponding period last year (the "**last corresponding period**"). The decline was mainly due to the decrease in orders from the European and Mainland China markets caused by their struggling economies and the decrease in selling price for the matured products.

Gross profit for the current period amounted to HK\$34,322,000, representing a decrease of 13.4% from HK\$39,648,000 in the last corresponding period. Gross profit over revenue ("**gross profit margin**") during the current period was 15.8% compared to 16.6% in the last corresponding period. The decrease was mainly contributed by the surge in material cost, especially in packaging material, plastic resins and copper, which had reduced the Company's gross profit margin.

Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") dropped to a deficit of HK\$6,181,000, representing a decrease of 398.9% from HK\$2,068,000 in the last corresponding period. Affected by the decrease in turnover, EBITDA over revenue ("**EBITDA Margin**") was a deficit of 2.8% compared to 0.9% during the last corresponding period.

Net loss for the current period was HK\$9,649,000, an increase of 127.7% from HK\$4,238,000 in the last corresponding period.

Basic loss per share was HK2.165 cents, representing an increase of 127.7% from a loss per share of HK0.951 cents in the last corresponding period.

The board (the "**Board**") of directors of the Company (the "**Directors**") has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

Management Discussion and Analysis

BUSINESS REVIEW

Market Review

Kenford Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is principally engaged in the design, manufacture and sale of electrical haircare appliances. The Group’s manufacturing base is in Dongguan PRC, with its products mainly sold on original design manufacturing (ODM) and original equipment manufacturing (OEM) basis.

During the period under review, both the global and China economic growth remained relatively slow which directly dampened the demand for electronic haircare appliances, thereby affecting the Group’s sales. However, leveraging on its long-term relationship with customers and high-quality products, the Group has maintained a strong position as one of the key global suppliers in the electronic haircare appliances segment. Its predominant revenue stream still has hair dryers leading the way followed by hair straighteners, airbrushes, curling tongs and curling brushes.

During the current period, the Group has faced strong pressure from customers requesting price reductions for mature products. As most of the Group’s customers are from European countries, the continuous devaluation of the Euro and British Pound against the United States (“**US**”) dollar presents a significant cost burden as they need to pay US dollars for all the goods that they purchase from the Group.

However, testimony to the Group’s quality is that most of its customers are renowned global brands, as its five major customers have accounted for approximately 77% and 80% of its total turnover during the current period and the last corresponding period, respectively. The Group believes that the European and Asian markets will remain the major geographic revenue contributors in the coming years.

Management Discussion and Analysis

Operations Review

China remains the Group's major production center. Similar to other manufacturers in China, the Group has faced a series of operating challenges, such as the slow recovery in export markets, declining growth in China's domestic market, the difficulties in recruiting production line operators and increased raw material costs and manufacturing expenses. Though these factors have adversely affected its gross profit margin, the Group has found it very difficult to pass all of the higher expenses to its customers.

Shortage of labour continues to be a serious issue in China, leading to a significant increase in labour costs and subsequently a heavier burden on the entire manufacturing process and operational efficiency. As such, the Group has employed a two-pronged approach to maintain its profitability. On the one hand, the Group has continued to streamline its production processes as well as to adjust its sales strategy by focusing on niche markets and eliminating low margin products. On the other hand, the Group has exerted extra efforts in improving the competitiveness of its high quality products together with bolstering its R&D capabilities with an aim to enhance its market share and maintain a long term relationship with its customers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had approximately HK\$97,707,000 in cash and bank deposits as at 30 September 2017, (31 March 2017: HK\$106,707,000). The Group's net current assets were approximately HK\$130,048,000 (31 March 2017: HK\$230,682,000). The current ratio was 1.8 (31 March 2017: 2.5). The net cash position after deducting all interest-bearing borrowings was HK\$40,910,000 (31 March 2017: HK\$56,896,000) and the net cash to equity ratio was 18.1% (31 March 2017: 17.6%).

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

The Group had aggregate banking facilities of HK\$70,400,000 (31 March 2017: HK\$145,400,000), of which HK\$56,797,000 (31 March 2017: HK\$49,811,000) was used. The borrowings comprised bank loan facilities of HK\$13,720,000 (31 March 2017: Nil) and trade finance facilities of HK\$43,077,000 (31 March 2017: HK\$49,811,000) with maturity due within one year. The bank borrowings carried interest at rates ranging from HIBOR/LIBOR plus 1.8% to 2.25% (31 March 2017: 2% to 2.25%) or the prime rate (31 March 2017: the prime rate).

As at 30 September 2017, the gearing ratio of the Group which was total bank borrowings and other borrowings as a percentage of total equity, was 25.2% (31 March 2017: 15.4%).

The Group has maintained a healthy liquidity position and has continuously monitored financial resources to ensure sufficient funding to meet working capital and capital expenditure requirements.

SIGNIFICANT INVESTMENTS HELD

Except for investments held for trading, the Group had no significant investments held during the six months ended 30 September 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Management Discussion and Analysis

MAJOR CORPORATE EVENTS

The Company was informed by the Vendors (defined below) that, on 17 July 2017 after trading hours, the Vendors, China Yuen Capital Limited (the “**Offeror**”), and China Investment International Limited (the Offeror’s guarantor) entered into a share purchase agreement, pursuant to which the Offeror conditionally agreed to acquire and the Vendors conditionally agreed to sell 286,390,000 sale shares (the “**Sale Shares**”), representing approximately 64.26% of the entire issued share capital of the Company as at the date of the joint announcement of the Company dated 18 July 2017, for a total consideration of HK\$458,224,000 (the “**Share Purchase**”). The consideration is equivalent to HK\$1.6 per Sale Share, which was agreed between the Offeror and the Vendors after arm’s length negotiations. The Share Purchase was completed on 15 August 2017.

The Vendors were (i) Beaute Inc, a company incorporated in the British Virgin Islands, (ii) Achieve Best Limited, a company incorporated in the British Virgin Islands, (iii) Realchamp International Inc, a company incorporated in the British Virgin Islands, (iv) Mr. Lam Wai Ming, the former chairman of the Company who had resigned on 12 September 2017, and (v) Mr. Tam Chi Sang, the former managing director of the Company who had resigned on 12 September 2017, who respectively were the beneficial owners of (i) 204,000,000, (ii) 40,800,000, (iii) 40,800,000, (iv) 395,000 and (v) 395,000 Sale Shares, representing approximately (i) 45.78%, (ii) 9.15%, (iii) 9.15%, (iv) 0.09% and (v) 0.09% respectively of the entire issued share capital of the Company prior to completion of the Share Purchase.

Immediately following the completion of the Share Purchase, the Offeror became the Company’s immediate beneficial owner of an aggregate of 286,390,000 shares, representing approximately 64.26% of the entire issued share capital of the Company.

Management Discussion and Analysis

MAJOR CORPORATE EVENTS (Continued)

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, the Offeror made a mandatory unconditional cash offer (the “**Offer**”) for all the issued shares of the Company not already owned or agreed to be acquired by the Offeror and parties acting in concert with it. The Offer, as made, was unconditional in all respects and the principal terms were set out in the joint announcement of the Company dated 15 August 2017.

The Offer was closed at 4:00 p.m. on 12 September 2017 (the “**Offer Date**”) and was not revised or extended by the Offeror. As at 4:00 p.m. on the Offer Date, being the latest time and date for acceptance of the Offer, the Offeror received valid acceptances in respect of the Offer for a total of 124,830,500 Offer Shares, representing approximately 28.02% of the entire issued share capital of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Following the close of the Offer and the transfer of the offer shares in respect of which valid acceptances had been received, 34,425,500 shares, representing approximately 7.72% of the entire issued share capital of the Company as at the date of the joint announcement of the Company dated 15 August 2017, were held by the public (within the meaning of the Listing Rules). Accordingly, as at 12 September 2017, the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules was not satisfied and trading in the shares of the Company on the Stock Exchange had been suspended with effect from 9:00 a.m. on 13 September 2017 at the request of the Company.

Management Discussion and Analysis

SUFFICIENCY OF PUBLIC FLOAT (Continued)

As disclosed in the announcement of the Company dated 6 November 2017, upon completion of the placing of an aggregate of 76,988,000 shares (the “**Placing Shares**”) through the placing agents to not less than six placees at the placing price of HK\$1.60 per Placing Share, a total of 111,413,500 shares, representing approximately 25% of the total number of issued shares of the Company, were held by the public. As such, the public float of the Company had been restored to at least 25% of the total number of issued shares of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules and trading in the shares of the Company on the Stock Exchange was resumed from 9:00 a.m. on 7 November 2017.

Based on Information that is publicly available to the Company and within the knowledge of its Directors, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of its issued shares as required under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

FOREIGN EXCHANGE EXPOSURE

The Group’s financial statements are denominated in Hong Kong dollars. The Group conducts its business transactions mainly in Hong Kong dollars, US dollars and Renminbi. As the Hong Kong dollar remains pegged to the US dollar, there is no material exchange risk in this respect. To manage the exchange risk in relation to the fluctuation of the Renminbi exchange rate, the Group has successfully generated revenue from its business operations in China to hedge Renminbi receipts and payments on an ongoing basis. During the period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk. All of the Group’s bank loan facilities have been denominated in Hong Kong dollars and carry interest at floating rates.

Management Discussion and Analysis

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 30 September 2017, the Group had operating lease commitments of HK\$1,499,000 (31 March 2017: Nil) and capital commitments of HK\$2,003,000 (31 March 2017: HK\$1,263,000).

CONTINGENT LIABILITIES

As at 30 September 2017, the Group had no material contingent liabilities (31 March 2017: Nil).

PLEDGE OF ASSETS

As at 30 September 2017, the Group did not have any pledged assets (31 March 2017: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2017, the Group employed 36 staff in Hong Kong (30 September 2016: 39) and a total work force of approximately 1,479 (30 September 2016: 1,550) inclusive of all its staff and workers in China. For the current period, the total staff costs (including Directors' remuneration) were HK\$71,111,000 (the corresponding period: HK\$69,321,000). The Group's remuneration policy is underscored by the principle of awarding equitable packages to employees, incentive-based where applicable, with remuneration being performance-oriented and market-competitive. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, the Group offers other staff benefits including share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

Management Discussion and Analysis

OUTLOOK AND PROSPECTS

During recent months, the Group has achieved major milestones in its development. The Offeror has completed the acquisition of controlling interests in the Company on 15 August 2017 thereby becoming the controlling shareholder of the Group. With the general offer closed on 12 September 2017 and the new directors on board, the Group has officially started a new chapter in its history.

The Offeror intends to continue the existing principal businesses of the Group, that is, the design, manufacturing and sale of electrical haircare products. The Offeror will conduct a review of these businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may explore business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification would be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

With reference to the existing principal haircare appliances businesses, the Group anticipates that the business will be confronted with several key challenges. These include continuous sluggish demand due to weak consumer sentiment and business environment, the pressure from customers to lower its selling price, a shortage of skilled labour in Mainland China, the climbing raw material costs and fees assessed by Mainland China's government, the continuous increase of manufacturing costs, the shorter product life cycles of consumer electronic products as well as volatile capital markets and currency fluctuations. At the same time, the predictability of future sales orders received is comparatively low which presents difficulties in planning the allocation of resources.

Facing political and economic uncertainties, the global economy is expected to remain challenging in the coming year. Nevertheless, the Group is continuously working diligently and implementing a two-pronged approach to address the challenges: tightening cost control and upholding its product quality and R&D capabilities in the years to come.

Supplementary Information

SHARE CAPITAL

During the six months ended 30 September 2017, the total number of issued shares of HK\$0.001 each in the share capital of the Company (the “**Shares**”) was 445,646,000 Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the current period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 30 September 2017.

INTERIM DIVIDENDS

The Board had declared a special interim dividend (the “**Special Interim Dividend**”) of HK\$0.2131 per share of the Company, amounting to approximately HK\$94,967,000 in total on 27 July 2017. The Special Interim Dividend was paid on 21 August 2017 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 11 August 2017.

The Board has resolved not to declare payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

EVENTS AFTER THE CURRENT PERIOD

Save as disclosed in the section headed “SUFFICIENCY OF PUBLIC FLOAT” above, the Group has no significant events after the current period up to the date of this report required to be disclosed.

Supplementary Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 30 September 2017, none of the Directors or chief executives of the Company had any interests and 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 Securities and Futures Ordinance (the "**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 of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

Supplementary Information

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

As at 30 September 2017, the interests and short positions of the persons, other than Directors and chief executive 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 which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long Position in the Shares of the Company

Name of Substantial Shareholders	Capacity and Nature of Interest	Number of Shares held	Approximate percentage of issued Shares
China Yuen Capital Limited <i>(Note)</i>	Beneficial owner	411,220,500	92.28
China Investment International Limited <i>(Note)</i>	Interest of controlled corporation	411,220,500	92.28
Asia Glory Management Group Limited <i>(Note)</i>	Interest of controlled corporation	411,220,500	92.28
Luckever Holdings Limited <i>(Note)</i>	Interest of controlled corporation	411,220,500	92.28
Li Yuelan <i>(Note)</i>	Interest of controlled corporation	411,220,500	92.28
Liu Xuezhong <i>(Note)</i>	Interest of controlled corporation	411,220,500	92.28

Supplementary Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY (Continued)

Long Position in the Shares of the Company (Continued)

Note: China Yuen Capital Limited is owned as to 100% by China Investment International Limited, which is owned as to 100% by Asia Glory Management Group Limited, which in turn is owned as to 100% by Luckever Holdings Limited. Luckever Holdings Limited is owned as to 60.87% by Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan (the spouse of Mr. Liu Xuezhong). By virtue of the SFO, each of China Investment International Limited, Asia Glory Management Group Limited, Luckever Holdings Limited, Mr. Liu Xuezhong and Ms. Li Yuelan was taken to be interested in the 411,220,500 Shares held by China Yuen Capital Limited.

Save as disclosed above, as at 30 September 2017, no person (other than Directors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

On 27 May 2005, the Company adopted a Share Option Scheme ("**2005 Share Option Scheme**") which was matured on 26 May 2015. Pursuant to a resolution passed on 6 August 2015, the Company adopted a new share option scheme which will remain in force for a period of ten (10) years. There was no option granted under the new share option scheme during the six months ended 30 September 2017 (31 March 2017: Nil).

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, its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Supplementary Information

COMPETING INTERESTS

Save and except for interests in the Group, none of the Directors and controlling shareholders of the Company nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 30 September 2017 which may, directly or indirectly, compete with the Group's business.

CORPORATE GOVERNANCE

Corporate Governance Practices

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2017, except for the deviation from the CG Code A.6.7 explained in the section headed "Board of Directors" below.

To enhance accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders, the Company is dedicated to develop the appropriate framework of corporate governance for the Group. The Group will keep on reviewing and improving the corporate governance practices and procedures from time to time to ensure its commitment to the corporate governance standard and strive for the enhancement of shareholder value.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted procedures governing directors' securities transactions terms no less exacting than the requested standard set out in the Model Code. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standards as set out in the Model Code throughout the six months ended 30 September 2017.

Supplementary Information

Board of Directors

The Board of Directors of the Company comprises eight Directors, of which four are executive Directors, namely, Mr. Yang Yubin (chairman), Ms. Cai Dongyan (chief executive officer), Ms. Pauline Lam and Mr. Zhang Huijun, one is non-executive Director, namely, Mr. Kwok Kai Hing Daniel and three are independent non-executive Directors, namely, Mr. Fung Chi Kin, Mr. Han Dengpan and Mr. Huang Zhiwei.

Code Provision A.6.7 stipulates that independent non-executive Directors and other non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors, Mr. Han Dengpan and Mr. Huang Zhiwei, did not attend the annual general meeting of the Company held on 29 September 2017 due to other business engagements.

Remuneration Committee

The remuneration committee of the Company (the “**Remuneration Committee**”) was established for the purpose of (i) to review and give comment to the overall remuneration policy and remuneration packages of the Group; (ii) to review and give comment to the basic salary of the executive Directors and senior management of the Group; (iii) to review and give comment to the performance bonus of the executive Directors of the Company; (iv) to note the fact that no compensation had been paid to the executive Directors and senior management of the Group in relation to their resignation, if any; and (v) to recommend the remuneration packages of the executive Directors and senior management of the Group for each financial year prior to recommending them to the Board for determination.

Supplementary Information

Remuneration Committee (Continued)

The Remuneration Committee comprises three independent non-executive Directors namely, Mr. Fung Chi Kin, Mr. Han Dengpan and Mr. Huang Zhiwei and one executive Director, Mr. Zhang Huijun. Mr. Fung Chi Kin was appointed as chairman of the Remuneration Committee.

Nomination Committee

The nomination committee of the Company (the “**Nomination Committee**”) 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 CG Code under Appendix 14 of the Listing Rules.

The Nomination Committee comprises three Independent non-executive Directors namely, Mr. Fung Chi Kin, Mr. Han Dengpan and Mr. Huang Zhiwei. Mr. Fung Chi Kin was appointed as the chairman of the Nomination Committee.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) was established on 29 April 2005 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules published on both the websites of the Stock Exchange and the Company. They are available for inspection by the shareholders of the Company upon request made to the company secretary. The primary duties of the Audit Committee are, inter alia, to review and supervise the financial reporting process, risk management and internal control system of the Group, to review the financial statements focusing particularly on (i) any changes in accounting policies and practices of the Group; (ii) the compliance with accounting standards and (iii) the compliance with the legal requirements, as well as to review the Company’s annual reports and interim reports.

Supplementary Information

Audit Committee (Continued)

The Audit Committee has the responsibilities and powers set forth in the terms of reference of the Audit Committee. Committee members shall meet at least twice to consider the interim and final results prepared by the Board.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Fung Chi Kin, Mr. Han Dengpan and Mr. Huang Zhiwei. Mr. Han Dengpan was appointed as the chairman of the Audit Committee. None of the Audit Committee members are members of the former or existing auditors of the Company.

The Audit Committee has discussed with the management the accounting principles and policies adopted by the Group, and reviewed this report and the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2017.

INTERNAL AUDIT

The Company has set up an internal audit department since February 2008. The Audit Committee has met with the internal auditor and discussed with the Board about the internal control report. The Board also through the Audit Committee conducted a review of the effectiveness of the systems of internal control and risk management of the Group which cover all material controls, including strategic, financial, operational and compliance controls. The Audit Committee considers the systems effective and adequate.

The Company has engaged a qualified accountant with appropriate working experiences in the Finance & Accounting Department of the Group. The Board was also satisfied with the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Supplementary Information

RISK MANAGEMENT

The Board recognises risk management as one of the key elements to the success of the Company. The Group takes a pragmatic approach to manage different risks to align with its business development strategically. The management identifies potential risks, assesses their impact and likelihood and develops appropriate action plans to mitigate risks to a level that the Company is willing to take in achieving the Company's objectives on a regular basis. The Group will continue to enhance the risk management practices and internal control system and adopt a stringent governance framework with reference to the best practices in the market.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control and risk management systems within the Group and reviewing their effectiveness, particularly in respect of financial, operational, and compliance controls, and setting appropriate policies so that the objectives of the Group can be effectively and efficiently achieved and the associated risks can be identified, managed and mitigated at an acceptable level.

Appropriate policies and procedures are provided to the staff to take all measures that can (i) safeguard assets against unauthorised use or disposition; (ii) keep proper and accurate accounting records and enhance the reliability of financial reporting; and (iii) ensure efficiency and effectiveness of operations and compliance with applicable laws and regulations. The design of the internal control and risk management systems is to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimise the risk of failure in the Group's operational systems.

Supplementary Information

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 available to the public for collection in the following places in early December 2017:

1. Principal place of business in Hong Kong: Room 2511-2517, 25/F., Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong;
2. Website: www.kenford.com.hk

OTHER DISCLOSURE

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

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all members of the staff for their dedication and commitment and the continuing support from our customers, suppliers, banks and shareholders.

By Order of the Board
KENFORD GROUP HOLDINGS LIMITED
Zhang Huijun
Executive Director

Hong Kong, 29 November 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		For the six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Notes			
	Revenue	217,222	238,370
	Cost of sales	(182,900)	(198,722)
	Gross profit	34,322	39,648
	Other income, gains and losses	1,508	3,234
	Distribution costs	(3,375)	(2,814)
	Administrative expenses	(41,382)	(44,086)
	Finance income	143	115
	Finance costs	(616)	(616)
	Loss before taxation	(9,400)	(4,519)
	Income tax (expenses) credit	(249)	281
	Loss for the period attributable to owners of the Company	(9,649)	(4,238)
	Other comprehensive income (expenses)		
	Item that may be subsequently reclassified to profit or loss:		
	Exchange differences arising on translation of foreign operations	6,515	(5,479)
	Total comprehensive expense for the period attributable to owners of the Company	(3,134)	(9,717)
	Loss per share		
	– Basic (HK cents)	(2.165)	(0.951)

Condensed Consolidated Statement of Financial Position

		As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	102,771	100,651
Prepaid lease payments		3,222	3,163
Deposits paid for acquisition of property, plant and equipment		2,670	1,873
		108,663	105,687
Current assets			
Inventories		71,136	60,792
Trade and bills receivables	12	98,379	142,547
Deposits, prepayments and other receivables		13,563	12,872
Tax recoverable		1,600	1,816
Investments held for trading		1,438	5,909
Bank balances and cash		97,707	106,707
		283,823	330,643
Assets classified as held for sale	13	–	53,080
		283,823	383,723
Current liabilities			
Trade payables	14	71,323	65,159
Accruals and other payables		20,044	32,784
Bank borrowings		56,797	49,811
Tax liabilities		5,611	5,287
		153,775	153,041
Net current assets		130,048	230,682
Total assets less current liabilities		238,711	336,369

Condensed Consolidated Statement of Financial Position

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Non-current liabilities		
Deferred tax liabilities	12,908	12,465
Net assets	225,803	323,904
Capital and reserves		
Share capital	446	446
Share premium and reserves	225,357	323,458
Total equity	225,803	323,904

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Condensed Consolidated Statement of Changes in Equity

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Properties Revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	446	63,099	942	92,019	359	167,039	323,904
Loss for the period	-	-	-	-	-	(9,649)	(9,649)
Other comprehensive income for the period	-	-	-	-	6,515	-	6,515
Total comprehensive income (expenses) for the period	-	-	-	-	6,515	(9,649)	(3,134)
Transfer from revaluation reserve	-	-	-	(49,095)	-	49,095	-
Special interim dividend paid	-	-	-	-	-	(94,967)	(94,967)
At 30 September 2017 (unaudited)	446	63,099	942	42,924	6,874	111,518	225,803

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Properties Revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	446	63,099	942	83,125	10,450	189,259	347,321
Loss for the period	-	-	-	-	-	(4,238)	(4,238)
Other comprehensive expenses for the period	-	-	-	-	(5,479)	-	(5,479)
Total comprehensive expenses for the period	-	-	-	-	(5,479)	(4,238)	(9,717)
At 30 September 2016 (unaudited)	446	63,099	942	83,125	4,971	185,021	337,604

Condensed Consolidated Statement of Cash Flows

		For the six months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Notes			
	Net cash from operating activities	31,568	9,348
	Investing activities		
	Proceeds from disposal of property, plant and equipment	13 47,772	–
	Purchase of property, plant and equipment	10 (742)	(1,489)
	Deposits paid for acquisition of property, plant and equipment	(1,470)	(2,482)
	Other investing cash flows	143	115
	Net cash from (used in) investing activities	45,703	(3,856)
	Financing activities		
	New bank borrowings raised	76,792	73,723
	Repayment of bank borrowings	(69,806)	(72,858)
	Special interim dividends paid	(94,967)	–
	Other financing cash flows	(616)	(616)
	Net cash (used in) from financing activities	(88,597)	249
	Net (decrease) increase in cash and cash equivalents	(11,326)	5,741
	Cash and cash equivalents at beginning of period	106,707	104,003
	Effect of foreign exchange rate changes	2,326	(1,847)
	Cash and cash equivalents at end of period, represented by bank balances and cash	97,707	107,897

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

1. GENERAL INFORMATION

Kenford Group Holdings Limited (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. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 June 2005. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its ultimate holding company is China Yuen Capital Limited, a company incorporated in the British Virgin Islands. The registered office and principal place of business of the Company is Room 2511-2517, 25/F., Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are design, manufacture and sale of electrical haircare appliances.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to nearest thousand unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

The condensed consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings and investment held for trading, which are measured at revalued amounts or fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKFRS 12

The application of the above new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. The application of Amendments to HKAS 7 "Disclosure initiative" will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided in the consolidated financial statements for the year ending 31 March 2018 on application.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

3. REVENUE

The Group is principally engaged in the design, manufacture and sale of electrical haircare appliances. Revenue represents the net amounts received and receivable for goods sold in the normal course of business, net of discounts.

4. SEASONALITY OF OPERATIONS

The Group on average experiences higher sales in the second and third quarters of the financial year, compared to other quarters in the financial year, due to the increased retail demand for its products during the Christmas holiday and the Chinese New Year period. The Group anticipates this demand by increasing its production to build up inventories during the second quarter of the financial year. Those built-up inventories still held at the end of the interim reporting period are sold off in the third quarter of the financial year.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker for the purposes of resources allocation and assessment of performance of a single reportable and operating segment, which is the design, manufacture and sale of electrical haircare appliances.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

5. SEGMENT INFORMATION (Continued)

The Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods is as follows:

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Europe	116,415	130,943
Asia	68,446	74,287
North and South America	30,041	30,295
Africa	1,430	460
Australia	890	2,385
	217,222	238,370

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cost of inventories recognised as expenses	181,683	196,478
Depreciation of property, plant and equipment	2,559	5,924
Amortisation of prepaid lease payments	45	46
Interests on bank borrowings	616	616
Total staff costs (including Directors' remuneration)	71,111	69,321
Allowance for inventories	1,217	2,244
Net foreign exchange loss	445	514

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

7. INCOME TAX (EXPENSES) CREDIT

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	–	–
– Over-provision in prior year	137	1,636
– The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	(386)	(1,355)
Income tax (expenses) credit	(249)	281

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2016: 16.5%) of the estimated assessable profits for the period.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 September 2016: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

8. LOSS PER SHARE

The calculation of the basic (2016: basic) loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss for the purposes of calculating basic (2016: basic) loss per share (Loss for the period attributable to owners of the Company)	(9,649)	(4,238)
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic (2016: basic) loss per share	445,646	445,646
Basic (2016: basic) loss per share (HK cents)	(2.165)	(0.951)

There was no diluted loss per share for the six months ended 30 September 2017 as there was no potential ordinary share issued during the six months ended 30 September 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

8. LOSS PER SHARE (Continued)

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the six months ended 30 September 2016.

9. DIVIDENDS

During the current interim period, a special dividend of HK\$94,967,000 was declared and paid to the shareholders. The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK\$1,415,000 (six months ended 30 September 2016: HK\$1,880,000).

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's leasehold land and buildings as at the end of the current interim period that is carried at revalued amounts does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

11. FAIR VALUE MEASUREMENTS OF THE FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's investments held for trading are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000		
Investments held for trading	1,438	5,909	Level 1	Quoted bid prices in an active market

As at 30 September 2017, the Group's investments held for trading are measured at Level 1. There are no transfers between level 1 and 2 for both periods.

(ii) Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in these condensed consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

12. TRADE AND BILLS RECEIVABLES

The credit periods granted by the Group ranged from 14 to 90 days. For those major customers, a credit term up to 120 days from the invoice date is allowed.

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Trade receivables	95,449	140,008
Bills receivables	2,930	2,539
	98,379	142,547

The aging analysis of trade and bills receivables, net of allowance for bad and doubtful debts, presented based on invoice date at the end of the reporting period, which approximates to the respective date of revenue recognition, is as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Within 60 days	62,773	66,319
61 – 120 days	19,794	26,602
121 – 365 days	15,480	49,159
Over 365 days	332	467
	98,379	142,547

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

13. ASSETS CLASSIFIED AS HELD FOR SALE

On 23 March 2017, Kenford Industrial Company Limited (“**Kenford Industrial**”), a wholly-owned subsidiary of the Company, entered into the Agreement for the sale and purchase of the leasehold land and building at a consideration of HK\$53,080,000. Pursuant to the terms of the Agreement, the completion of the Agreement was scheduled to take place on 8 June 2017 with the option for Kenford Industrial to defer the date of completion to a later date but in any event no later than 8 September 2017. Accordingly, the leasehold land and building had been classified as assets held for sale presented separately in the consolidated statement of financial position. As at 31 March 2017, Kenford Industrial had received deposit and partial payment amounting to HK\$5,308,000, which was included in “accruals and other payables” in the consolidated statement of financial position.

The completion of the Agreement took place on 25 July 2017. The balance of the proceeds from disposal of the leasehold land and building amounted to HK\$47,772,000 was recorded in the current period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

14. TRADE PAYABLES

The credit periods on purchases of goods ranged from 30 to 120 days. The aging analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Within 60 days	66,963	57,950
61 – 120 days	1,652	3,993
121 – 365 days	1,448	2,132
Over 365 days	1,260	1,084
	71,323	65,159

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

15. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised: At 1 April 2016, 30 September 2016, 1 April 2017 and 30 September 2017	1,000,000	1,000
Issued and fully paid: At 1 April 2016, 30 September 2016, 1 April 2017 and 30 September 2017	445,646	446

16. CAPITAL COMMITMENTS

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	2,003	1,263

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

17. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management during the current period were as follows:

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Key management personnel compensation:		
– salaries and other allowances and benefits	16,496	15,029
– contributions to defined contribution plan	63	63
	16,559	15,092

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, including directors and other senior management, totaling 7 individuals (six months ended 30 September 2016: 7 individuals).