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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

RESULTS HIGHLIGHTS

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Operating results		
Revenue	272,680	309,187
Gross profit	36,024	45,593
EBITDA	3,982	17,171
Net (loss) profit	(5,296)	6,670
Per share data		
	HK cents	HK cents
Basic and diluted (loss) earnings per share	(1.188)	1.520
Net assets per share	81.9	84.3
Financial position		
	HK\$'000	HK\$'000
Cash and structured deposits	114,184	109,675
Net Cash (Cash and bank deposits less interest bearing borrowings)	59,309	43,405
Total assets	536,475	549,575
Net assets	364,827	369,934
Financial ratio		
Gross profit margin	13.2%	14.7%
EBITDA to revenue	1.5%	5.6%
Net (loss) profit to revenue	(1.9%)	2.2%
Return on equity	(1.5%)	1.8%
Net cash to equity	16.3%	11.7%

INTERIM RESULTS

On behalf of the Board of Directors (the “Board”), I am pleased to present the unaudited interim results of Kenford Group Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2015 (the “current period”) together with the comparative figures for the corresponding period last year (the “last corresponding period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	3	272,680	309,187
Cost of sales		<u>(236,656)</u>	<u>(263,594)</u>
Gross profit		36,024	45,593
Other income, gains and losses		(23)	4,926
Distribution costs		(3,325)	(5,269)
Administrative expenses		(37,186)	(36,642)
Finance income		441	272
Finance costs	6	<u>(584)</u>	<u>(861)</u>
(Loss) profit before taxation	6	(4,653)	8,019
Income tax expenses	7	<u>(643)</u>	<u>(1,349)</u>
(Loss) profit for the period attributable to owners of the Company		(5,296)	6,670
Other comprehensive expenses			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(6,655)</u>	<u>(416)</u>
Total comprehensive (expenses) income for the period attributable to owners of the Company		<u>(11,951)</u>	<u>6,254</u>
Basic and diluted (loss) earnings per share (HK cents)	8	<u>(1.188)</u>	<u>1.520</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	185,207	194,197
Prepaid lease payments		3,544	3,726
Deposits paid for acquisition of property, plant and equipment		5,807	5,842
Goodwill		1,403	1,403
		195,961	205,168
Current assets			
Inventories		86,763	89,605
Trade and bills receivables	11	112,462	117,177
Deposits, prepayments and other receivables		19,161	17,640
Tax recoverable		2,242	2,325
Investments held for trading		5,702	-
Short-term bank deposit		-	2,524
Bank balances and cash		114,184	96,920
		340,514	326,191
Current liabilities			
Trade payables	12	75,311	71,607
Accruals and other payables		19,600	19,921
Provision for onerous contract		710	710
Bank borrowings		54,875	44,476
Tax liabilities		5,795	5,381
		156,291	142,095
Net current assets		184,223	184,096
Total assets less current liabilities		380,184	389,264
Non-current liabilities			
Provision for onerous contract		8	363
Deferred tax liabilities		15,349	15,820
		15,357	16,183
Net assets		364,827	373,081
Capital and reserves			
Share capital	13	446	439
Share premium and reserves		364,381	372,642
Total equity		364,827	373,081

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2015

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 Beaute Inc., a company incorporated in the British Virgin Islands, which is jointly controlled by Mr. Lam Wai Ming, the Executive Director and the Chairman of the Company, and Mr. Tam Chi Sang, the Executive Director and Managing Director of the Company. The registered office and principal place of business of the Company is Room 1106-8, Riley House, 88 Lei Muk 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 products, electrical healthcare products and other small household electrical 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 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”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for land and buildings which are measured at revalued amounts.

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 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2015.

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 HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions

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.

3. REVENUE

The Group is principally engaged in the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical 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 products, electrical healthcare products and other small household electrical appliances.

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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Europe	141,082	174,865
Asia	87,179	97,132
North and South America	40,157	28,725
Africa	967	4,629
Australia	3,295	3,836
	<hr/>	<hr/>
	272,680	309,187
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6. (LOSS) PROFIT BEFORE TAXATION

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

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses	235,863	263,860
Depreciation of property, plant and equipment	8,002	8,242
Amortisation of prepaid lease payments	49	49
Interests on:		
- bank borrowings wholly repayable within five years	7	28
- trust receipt loans	577	833
	584	861
Loss on disposal of property, plant and equipment	1,109	-
Allowance (reversal of allowance) for inventories	793	(266)
Net foreign exchange gain	(345)	(394)
	(345)	(394)

7. INCOME TAX EXPENSES

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$ '000	HK\$ '000
Current tax		
- Hong Kong Profits Tax	(470)	(920)
- The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	(173)	(429)
	(643)	(1,349)
Income tax expenses	(643)	(1,349)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2014: 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 2014: 25%).

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) profit for the purposes of calculating basic and diluted (loss) earnings per share ((Loss) profit for the period attributable to owners of the Company)	<u>(5,296)</u>	<u>6,670</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purposes of calculating basic (loss) earnings per share	<u>445,646</u>	<u>438,926</u>
Basic and diluted (loss) earnings per share (HK cents)	<u>(1.188)</u>	<u>1.520</u>

The computation of diluted earnings 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 2014.

9. DIVIDENDS

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK\$5,756,000 (six months ended 30 September 2014: HK\$4,007,000).

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.

11. 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.

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Trade receivables	108,658	116,897
Bills receivables	<u>3,804</u>	<u>280</u>
	<u>112,462</u>	<u>117,177</u>

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:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 60 days	80,790	67,272
61 - 120 days	26,280	46,137
121 - 365 days	5,258	3,640
Over 365 days	<u>134</u>	<u>128</u>
	<u>112,462</u>	<u>117,177</u>

12. 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:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 60 days	68,902	62,896
61 - 120 days	3,576	7,100
121 - 365 days	2,178	800
Over 365 days	<u>655</u>	<u>811</u>
	<u>75,311</u>	<u>71,607</u>

13. SHARE CAPITAL

	Number of share '000	Normal value HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised:		
At 1 April 2014, 30 September 2014, 1 April 2015 and 30 September 2015	1,000,000	1,000
Issued and fully paid:		
At 1 April 2014, 30 September 2014 and 1 April 2015	438,926	439
Issue of shares upon exercise of share options (note)	6,720	7
At 30 September 2015	445,646	446

Note: On 26 May 2015, 3,360,000 and 3,360,000 ordinary shares of HK\$0.001 each were issued at exercise price of HK\$0.5 and HK\$0.6 each respectively upon exercise of share options.

14. SHARE-BASED PAYMENTS

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.

Details and movements of the share options are as follows:

	30 September 2015 (Unaudited)		31 March 2015 (Audited)	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
Outstanding at beginning of the period/year	0.55	6,720,000	0.55	6,720,000
Exercised during the period/year	0.55	(6,720,000)	-	-
Outstanding at end of period/year	-	-	0.55	6,720,000

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2015 (the "current period") was HK\$272,680,000, a decrease of 11.8% from HK\$309,187,000 during the corresponding period last year (the "last corresponding period"). The decline was mainly contributed by the decrease in turnover from the European and Asian markets partly offset by the recovery of demand from the American market.

Gross profit for the current period amounted to HK\$36,024,000, a decrease of 21.0% from HK\$45,593,000 in the last corresponding period. Gross profit over revenue ("gross profit margin") during the current period was 13.2% compared to 14.7% in the last corresponding period. The decrease was mainly contributed by the increase in statutory minimum wages of approximately 15% in the Mainland China.

During the period, the Group recognised an unrealized loss, net of realised gain, arising from changes in fair value of equity securities held for trading of HK\$1,601,000 (six months ended September 2014: Nil). As a result of the temporary surge in market volatility immediately prior to 30 September 2015, fair value of these securities dropped significantly. Accordingly, the Group had to account for this drop in fair value in profit or loss. This item did not affect the cash flow of the Group for the financial period under review.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") dropped to HK\$3,982,000, a decrease of 76.8% from HK\$17,171,000 in the last corresponding period. Affected by the increase in operating expenses, EBITDA over revenue ("EBITDA Margin") was 1.5% compared to 5.6% during the last corresponding period.

Net loss for the current period was HK\$5,296,000, a decrease of 179.4% from net profit of HK\$6,670,000 in the last corresponding period.

Basic loss per share was HK1.188 cents, representing a decrease of 178.2% from earnings per share of HK1.520 cents in the last corresponding period.

The Board of Directors ("The Board") has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

BUSINESS REVIEW

Market Review

The Group is principally engaged in the design, manufacture and sale of electrical haircare and healthcare products and other small electrical household appliances. The Group's manufacturing base is in Dongguan, the PRC, with its products mainly sold on Original Design Manufacturing (ODM), Original Equipment Manufacturing (OEM) and Original Brand Manufacturing (OBM) bases.

During the current period, the positive 39.8% growth in demand from the American market had increased the turnover contribution from that geography to 14.7% from 9.3% over the last corresponding period. Unfortunately, a less-than-expected turnover due to the struggling economy in Europe and the decrease in promotion orders from Thailand dampened the Group's overall sales performance. This shift has decreased the turnover contribution from the European market to 51.7% during the current period from 56.6% over the last corresponding period. At the same time, there was a minor increase in turnover contribution from the Asian market to 32.0% during the current period from 31.4% over the last corresponding period, as the slowdown in the Thailand market was offset by the rises in contributions from the Mainland China and Korea markets. The Group believes that the European and Asian markets will remain the major geographic revenue contributors in the coming years.

During the current period, electrical haircare products formed the Group's predominant revenue stream with hair dryers leading the way followed by hair straighteners, airbrushes, curling tongs and curling brushes.

Most of the Group's customers are renowned global brands. Its five major customers accounted for approximately 82% of the Group's total turnover during the current period and the last corresponding period.

Operations Review

Mainland China remains the Group's major production center. Similar to other manufacturers in Mainland China, the Group has faced a series of operating challenges, such as the slow recovery in export markets, declining growth in Mainland China's domestic market, the difficulties in recruiting production line operators and increased operation costs and general expenses. The monthly minimum wage in Dongguan has increased from RMB1,310 to RMB1,510 effective from May 2015. But amidst the macroeconomic uncertainty, prices of metal commodities, such as copper and lead, are stabilising, which could provide some relief to the cost pressures on the Group. Though the Group's gross profit margin has been seriously hit by most of these factors, it has been very difficult to pass all of the higher expenses on to customers.

The labour shortage remains serious in China, leading to significant increases in labour costs which have inevitably placed a heavier burden on the whole manufacturing process and operational efficiency. The Group is strategically coping with this issue, by transforming itself from a labour-intensive operation into a more capital-intensive enterprise through continuing to allocate more resources to upgrade and automate its manufacturing. Towards this end, it has strived to improve production efficiency, eliminating waste and, ultimately, reducing costs.

The immediate priority of the Group is to monitor the progress of on-going initiatives to both improve operational efficiency and invest in people and processes to support its long-term development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2015, the Group had approximately HK\$114,184,000 in cash and bank deposits (31 March 2015: HK\$99,444,000). The Group's net current assets were approximately HK\$184,223,000 (31 March 2015: HK\$184,096,000). The current ratio was 2.2 (31 March 2015: 2.3). The net cash position after deducting all interest-bearing borrowings was HK\$59,309,000 (31 March 2015: HK\$54,968,000) and the net cash to equity ratio was 16.3% (31 March 2015: 14.7%).

As at 30 September 2015, the Group's outstanding interest-bearing borrowings amounted to HK\$54,875,000 (31 March 2015: HK\$44,476,000) exclusively comprising trade finance facilities with maturity due within one year.

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.

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, United States dollars and Renminbi. As the Hong Kong dollar remains pegged to the United States dollar, there is no material exchange risk in this respect. To manage the fluctuation of the Renminbi exchange rate, the Group has successfully generated revenue in Mainland China to hedge Renminbi receipts and Renminbi payments on an ongoing basis. All of the Group's bank loan facilities have been denominated in Hong Kong dollars and carry interest at floating rates.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2015, the Group employed 45 employees in Hong Kong (six months ended 30 September 2014: 50) and a total work force of approximately 1,795 (six months ended 30 September 2014: 2,187) inclusive of all its staff and workers in China. The Group's remuneration policy is built on the principle of remuneration packages to employees which are equitable, incentive-based where applicable, performance-oriented and market-competitive. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

OUTLOOK AND PROSPECTS

The Group expects to face new challenges in the coming year as the minimum wage is expected to further increase, concurrent with a shortage of skilled labour in Mainland China, the climbing taxes and fees of 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 visibility of sales orders received is comparatively low which presents difficulties in resources planning.

Despite the anticipated unfavourable macroeconomic environment for the ODM manufacturing sector, the Group continues to invest in new technology providing the capability to roll out new and innovative products, enhance product diversification and automate manufacturing while allocating considerably more resources to developing higher margin products and brand building.

As one of the key global haircare product manufacturers, the Group will continue to set its strategic direction aimed at reinforcing its position as a major ODM supplier to the world's leading brand owners. Our strength in advanced and innovative product design and development should drive sales growth momentum in the years to come. Moreover, our bolstered R&D capabilities will provide a solid platform for the Group to expand into the haircare manufacturing sector, which is currently undergoing consolidation, as the global economy revives in the near future.

SHARE CAPITAL

During the six months ended 30 September 2015, the listed shares of HK\$0.001 each in the share capital of the Company (the "Share") 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 HK\$0.001 each in the share capital of the Company during the period.

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 2015, except for the deviation from the CG Code A.2.1 explained in the following relevant section.

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 in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the directors of the Company (the "Directors") have confirmed that they fully complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2015.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 29 April 2005 with written terms of reference 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 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.

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. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung. Mr. Chiu Fan Wa, who is a qualified accountant with appropriate professional qualification and experience in financial matters, 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.kenford.com.hk under "Announcement/Circular". The interim report will be dispatched to the shareholders and published on the above websites in due course.

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
Lam Wai Ming
Chairman

Hong Kong, 26 November 2015

As at the date hereof, the board of Directors comprises two executive Directors, namely Mr. Lam Wai Ming (Chairman) and Mr. Tam Chi Sang (Managing Director) and three Independent Non-executive Directors, namely Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung.