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China Yuen Capital Limited

(Incorporated in the British Virgin Islands with limited liability)



**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)

JOINT ANNOUNCEMENT

(1) ACQUISITION OF SHARES IN KENFORD GROUP HOLDINGS LIMITED BY CHINA YUEN CAPITAL LIMITED

(2) POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER BY



**金融有限公司
OCTAL Capital Limited**

FOR AND ON BEHALF OF CHINA YUEN CAPITAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF KENFORD GROUP HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY CHINA YUEN CAPITAL LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)

(3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER AND

(4) RESUMPTION OF TRADING IN THE SHARES

Financial adviser to

China Yuen Capital Limited



**金融有限公司
OCTAL Capital Limited**

Financial adviser to

Kenford Group Holdings Limited



**Lego Corporate
Finance Limited
力高企業融資有限公司**

THE SHARE PURCHASE AGREEMENT

The Company was informed by the Vendors that, on 17 July 2017 (after trading hours), the Vendors, the Offeror and China Investment entered into the Share Purchase Agreement, pursuant to which the Offeror conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, being 286,390,000 Shares, representing approximately 64.26% of the entire issued share capital of the Company as at the date of this joint announcement, for a total consideration of HK\$458,224,000, equivalent to HK\$1.6 per Sale Share, which was agreed between the Offeror and the Vendors after arm's length negotiations. Completion shall take place on the Completion Date.

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER

As at the date of this joint announcement, the Offeror and parties acting in concert with it do not hold, own, control or have direction over any Shares in the share capital or voting rights of the Company. Immediately after Completion, the Offeror and parties acting in concert with it will own a total of 286,390,000 Shares, representing approximately 64.26% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, subject to Completion, the Offeror will be required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it).

As at the date of this joint announcement, the Company has 445,646,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Subject to Completion, Octal Capital, on behalf of the Offeror and in compliance with the Takeovers Code, will make the Offer on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer ShareHK\$1.6 in cash

The Offer Price of HK\$1.6 per Offer Share is equal to the purchase price per Sale Share payable by the Offeror under the Share Purchase Agreement.

The principal terms of the Offer are set out under the section headed “POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER” below in this joint announcement.

The Offeror is wholly owned by China Investment. The Offeror intends to finance and satisfy the consideration payable under the Share Purchase Agreement and the Offer with the internal resources of the Offeror and resources arranged by China Investment by way of a shareholder’s loan.

Octal Capital has been appointed as the financial adviser to the Offeror in respect of the Offer. Octal Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

INDEPENDENT BOARD COMMITTEE OF THE COMPANY AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all independent non-executive Directors who have no direct or indirect interest in the Offer namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung, has been established to make recommendations to the Independent Shareholders on whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Goldin Financial Limited has been appointed as the independent financial adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in connection with the Offer.

COMPOSITE DOCUMENT

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch an offer document containing the terms of the Offer, together with the Form of Acceptance, to the Shareholders within 21 days after the date of this joint announcement, or such later date as the Executive may approve. As there is a pre-condition (i.e. Completion) to the making of the Offer, the Offeror will apply to the Executive for a consent pursuant to Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to within seven (7) days from the fulfillment of such pre-condition (i.e. Completion).

If the Offer materialises, it is the intention of the Offeror and the Company to combine the offer document and the offeree board circular into the Composite Document. Accordingly, the Composite Document containing, among other things, (i) the details of the Offer (including the expected timetable and terms of the Offer); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the independent financial adviser to the Independent Board Committee in relation to the Offer, together with the Form of Acceptance, will be issued and despatched by the Offeror and the Company jointly to the Shareholders in accordance with the Takeovers Code. The Independent Shareholders are encouraged to read the Composite Document carefully, including the advice of the independent financial adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer, before deciding whether or not to accept the Offer.

SPECIAL INTERIM DIVIDEND

The Company intends to declare and distribute the Special Interim Dividend of HK\$0.2131 per Share to the Qualifying Shareholders which is subject to the approval and declaration by the Board at a Board meeting which will be held in due course. Further announcement(s) will be made to update the Shareholders in such regard as and when appropriate. The declaration and payment of the Special Interim Dividend is not a condition precedent for Completion. If the Special Interim Dividend is declared, the Dividend Record Date shall fall on a date before the Completion Date and the actual payment of such dividend may be made upon or after Completion. The Special Interim Dividend, if declared, will be distributed based on the shareholding information on the Dividend Record Date. Accordingly, the Offeror will not be entitled to the Special Interim Dividend in respect of the Sale Shares or the Offer Shares.

Any Shareholder who is registered as a member of the Company on the Dividend Record Date and subsequently accepts the Offer would still be entitled to the Special Interim Dividend, if declared.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 18 July 2017 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 19 July 2017.

WARNING

The making of the Offer is subject to Completion taking place, which in turn is conditional on the fulfillment of the conditions precedent in the Share Purchase Agreement or waiver thereof as appropriate. Accordingly, the sale and purchase of the Sale Shares may or may not be completed and the Offer may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares during the Offer Period. If the Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

Reference is made to the announcements of the Company dated 28 April 2017, 2 May 2017, 26 May 2017, 26 June 2017, 28 June 2017, 12 July 2017 and 18 July 2017 in relation to, among other things, the possible sale by the Vendors of their shareholding interest in the Company. The Company has been informed that on 17 July 2017 (after trading hours), the Vendors, the Offeror and China Investment entered into the Share Purchase Agreement. Details of the Share Purchase Agreement are set out below.

SHARE PURCHASE AGREEMENT

Date: 17 July 2017

Parties:

Vendors: (a) Beaute Inc, a company incorporated in the British Virgin Islands, holding 204,000,000 Shares, representing approximately 45.78% of the entire issued share capital of the Company as at the date of this joint announcement

- (b) Achieve Best Limited, a company incorporated in the British Virgin Islands, holding 40,800,000 Shares, representing approximately 9.15% of the entire issued share capital of the Company as at the date of this joint announcement
- (c) Realchamp International Inc, a company incorporated in the British Virgin Islands, holding 40,800,000 Shares, representing approximately 9.15% of the entire issued share capital of the Company as at the date of this joint announcement
- (d) Mr. Lam Wai Ming, the chairman of the Company, holding 395,000 Shares, representing approximately 0.09% of the entire issued share capital of the Company as at the date of this joint announcement
- (e) Mr. Tam Chi Sang, the managing director of the Company, holding 395,000 Shares, representing approximately 0.09% of the entire issued share capital of the Company as at the date of this joint announcement

Purchaser: China Yuen Capital Limited, being the Offeror

Purchaser's Guarantor: China Investment

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Offeror, its ultimate beneficial owners and parties acting in concert with any of them are third parties independent of and not connected with the Company or the Company's connected persons.

Subject of the Share Purchase Agreement

Pursuant to the Share Purchase Agreement, the Vendors have conditionally agreed to sell collectively and the Offeror has conditionally agreed to purchase the Sale Shares, being 286,390,000 Shares, representing approximately 64.26% of the entire issued share capital of the Company as at the date of this joint announcement, free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after Completion, save and except the Vendors shall be entitled to the Special Interim Dividend (if declared prior to Completion) in respect of the Sale Shares.

Consideration for the Sale Shares

The total consideration for the Sale Shares is HK\$456,224,000 (representing HK\$1.6 per Sale Share) which was agreed between the Offeror and the Vendors after arm's length negotiations and shall be settled by the Offeror in the following manner:

- (a) a sum of HK\$20,000,000 (the "**20 Million Deposit**") has been paid by the Offeror on or before the date of the Share Purchase Agreement as deposit to be held in the escrow account pursuant to an escrow agreement entered into amongst the Offeror, the Vendors and the escrow agent until Completion or the termination of the Share Purchase Agreement (as the case may be); and
- (b) the remaining balance of HK\$438,224,000 shall be payable by the Offeror to the Vendors upon Completion.

Upon Completion, the 20 Million Deposit will be released to Mr. Lam Wai Ming as receiving agent of the Vendors.

If the conditions to Completion have been satisfied or (if applicable) waived and the Offeror does not proceed to Completion, the 20 Million Deposit will be forfeited in whole to the Vendors and the escrow agent will release the 20 Million Deposit to Mr. Lam Wai Ming as receiving agent of the Vendors.

If the Share Purchase Agreement is terminated as a result of any of the conditions to the Completion has not been satisfied or (if applicable) waived on or before the Long Stop Date or any material breach of the terms of the Share Purchase Agreement by the Vendors, the 20 Million Deposit will be released to China Investment as the receiving agent of the Offeror. Further, if such termination is due to any material breach of the terms of the Share Purchase Agreement by the Vendors or certain conditions to Completion being unfulfilled or for certain reasons certain other conditions being unfulfilled on or before the Long Stop Date, the Vendors are required to pay an additional sum of HK\$20,000,000 to the Offeror as compensation in accordance with the terms set out in the Share Purchase Agreement.

Conditions

Completion is subject to the satisfaction or waiver in writing by the Offeror of the following conditions on or before the Long Stop Date:

- (a) the Company being in a net cash position with a positive net cash balance calculated in accordance with the terms of the Share Purchase Agreement;
- (b) the Offeror having received satisfactory evidence to prove that the relevant bank/lender has duly signed the relevant release agreement or letter to confirm all company guarantees and pledges (“**Company Guarantee**”) that the Company provides in favor of the Group or other third parties (if any) have been fully released and discharged;
- (c) having obtained all consents, registrations, filing, confirmations, approvals and decisions from relevant banks or creditors (if any) of the Group or any other third parties that are necessary or expedient to the transactions contemplated under the Share Purchase Agreement;
- (d) the Vendors having obtained all the authorization, consent, confirmation or waiver from any relevant third party under any existing contractual arrangements for the Share Purchase Agreement and the transactions contemplated thereunder (if required);

- (e) each of the Vendors having obtained all the necessary internal authorizations and approval for the entering into and the performance of obligations under the Share Purchase Agreement and the Deed of Tax Indemnity (as defined hereinbelow);
- (f) the Company not having been delisted or the trading of the Shares not having been suspended for 10 or more consecutive trading days or the Company not currently being investigated by the Stock Exchange and/or the SFC (save for any suspension of trading due to the execution of the Share Purchase Agreement or the transactions contemplated thereunder or relevant matters in relation to the vetting of announcement, circular or other documents by the SFC and/or the Stock Exchange before publication);
- (g) there being no material adverse change in the Group's business, finance, operations or assets as a whole after the execution of the Share Purchase Agreement; and
- (h) the warranties given by Vendors under the Share Purchase Agreement remaining true, accurate and not misleading in all material respects as at the date of the Share Purchase Agreement and as at Completion.

As at the date of this joint announcement, no consent, registration, filing, confirmation, approval, decision, authorization or waiver (as the case maybe) set out in (c) and (d) above has been identified.

The Offeror may at its absolute discretion at any time conditionally or unconditionally waive in writing all or any of the conditions above.

If any of the above conditions have not been satisfied or waived on or before Long Stop Date, the Offeror or the Vendors may terminate the Share Purchase Agreement by notice in writing whereupon the sale and purchase of the Sale Shares will not proceed.

Tax indemnity

Upon Completion, the Vendors shall enter into a deed of tax indemnity (the “**Deed of Tax Indemnity**”) in favour of the Offeror, pursuant to which the Vendors shall jointly and severally covenant with the Offeror to indemnify the Offeror and to keep the Offeror indemnified from and against certain taxation liability in relation to the Company which arises in consequence of events occurred before the date of the Share Purchase Agreement.

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER

As at the date of this joint announcement, the Offeror and parties acting in concert with it do not hold, own, control or have direction over any Shares in the share capital or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code). Immediately after Completion, the Offeror and parties acting in concert with it will be interested in 286,390,000 Shares, representing approximately 64.26% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, subject to Completion, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it).

As at the date of this joint announcement, the Company has 445,646,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Principal terms of the Offer

Subject to Completion, Octal Capital, on behalf of the Offeror and in compliance with the Takeovers Code, will make the Offer on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$1.6 in cash

The Offer Price of HK\$1.6 per Offer Share is equal to the purchase price per Sale Share payable by the Offeror under the Share Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of the Composite Document, save and except the Independent Shareholders whose names appear on the register of members of the Company on the Dividend Record Date shall be entitled to the Special Interim Dividend (if declared prior to Completion) in respect of their respective Shares.

Comparisons of value

The Offer Price of HK\$1.6 per Offer Share represents:

- (a) a premium of approximately 9.6% over the closing price of HK\$1.460 per Share as quoted on the Stock Exchange on 17 July 2017, being the Last Trading Day;
- (b) a premium of approximately 6.8% over the average closing price of approximately HK\$1.498 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 7.9% over the average closing price of approximately HK\$1.483 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 6.3% over the average closing price of approximately HK\$1.505 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 120.1% over the audited consolidated net asset value attributable to Shareholders of approximately HK\$0.727 per Share as at 31 March 2017, the date to which the latest audited financial results of the Group were made up; and

- (f) a premium of approximately 211.3% over the adjusted audited consolidated net asset value attributable to Shareholders of approximately HK\$0.514 per Share after adjustment of the Special Interim Dividend as at 31 March 2017, the date to which the latest audited financial results of the Group were made up.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period prior to the commencement of the Offer Period on 28 April 2017 and ended on the Last Trading Day were HK\$1.850 per Share on 30 December 2016 and HK\$1.160 per Share on 9 November 2016, respectively.

Value of the Offer

As at the date of this joint announcement, there are 445,646,000 Shares in issue. Based on the Offer Price of HK\$1.6 per Offer Share, the entire issued share capital of the Company is valued at HK\$713,033,600 and the Offer Shares are valued at HK\$254,809,600. Assuming the Offer is accepted in full by the Independent Shareholders and based on 159,256,000 Offer Shares, the total amount of cash required to effect the Offer will be HK\$254,809,600.

Financial resources available to the Offeror

The Offeror is wholly owned by China Investment. The Offeror intends to finance and satisfy the consideration payable under the Share Purchase Agreement and the Offer with the internal resources of the Offeror and resources arranged by China Investment by way of a shareholder's loan. Octal Capital has been appointed as the financial adviser to the Offeror in respect of the Offer. Octal Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

The Offeror has undertaken to pledge the Sale Shares and Offer Shares to be acquired pursuant to the Offer in favour of Donghai International Financial Holdings Company Limited (“**Donghai International**”) as collaterals for the issuance of the Notes by China Investment to Donghai International. The completion of the issue of and subscription for the Notes took place on 12 July 2017 and the proceeds of the Notes, which was received by China Investment and was then transferred to Offeror’s securities trading account by way of a non-interest bearing shareholder’s loan, will be used to finance the payment of part of the consideration for the Sale Shares and the Offer Shares. As Donghai International is a person, other than an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) providing finance or financial assistance to the Offeror in connection with acquisition of the Sale Shares and the Offer Shares to be acquired by the Offeror under the Offer by way of subscription of the Notes issued by the Offeror, Donghai International is presumed to be a party acting in concert with the Offeror under the presumption in class 9 of the definition of “acting in concert” under the Takeovers Code. The payment of interest on, repayment of or security for any liability (contingent or otherwise) for the Notes will not depend to any significant extent on the business of the Group.

It is set out in the Notes that Donghai International shall not require China Investment to redeem all or such part of the outstanding principal of the Notes during the period commencing on the date of the issue and subscription for the Notes (a) up to and including the closing date of the Offer, which shall be 21 days after the date on which the composite document is posted; (b) or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code, on which the announcement in relation to the results of the Offer is published; (c) or six months from the date of issue and subscription for the Notes (including the last day of such six months period), whichever is longer.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Donghai International, its ultimate beneficial owners and parties acting in concert with any of them do not hold, own, control or have direction over any Shares, convertible securities, options, warrants or derivatives in the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and they are third parties independent of and not connected with the Company or the Company’s connected persons.

Effect of accepting the Offer

The Offer, subject to Completion taking place, will be unconditional in all respects. By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of despatch of the Composite Document, save and except the Independent Shareholders whose names appear on the register of members of the Company on the Dividend Record Date shall be entitled to the Special Interim Dividend (if declared prior to Completion) in respect of their respective Shares.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Independent Shareholders or if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer. The Offeror will bear the buyer's ad valorem stamp duty.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Lego Corporate Finance, Octal Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and is an investment holding company. The Group is principally engaged in the design, manufacture and sale of electrical haircare products.

Set out below is a summary of the audited consolidated results of the Group for each of the two financial years ended 31 March 2016 and 2017, as extracted from the accounts prepared in accordance with Hong Kong Financial Reporting Standards in the Company's announcement of final results for the year ended 31 March 2017:

	For the year ended 31 March	
	2016	2017
	(audited)	(audited)
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	522,851	495,390
Loss before tax	(21,525)	(20,934)
	As at 31 March	
	2016	2017
	(audited)	(audited)
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Total assets	496,309	489,410
Total liabilities	148,988	165,506
Net assets	347,321	323,904

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands on 4 May 2017 with limited liability, which is wholly owned by China Investment. The ultimate controlling shareholders of the Offeror and China Investment are Mr. Liu Xuezhong (“**Mr. Liu**”) and Ms. Li Yuelan (“**Ms. Li**”) (Mr. Liu's spouse) who are indirectly holding approximately 60.87% and 39.13% equity interests in the Offeror respectively. Mr. Liu and Ms. Li are private investors who had made investments in various companies such as China High Speed Transmission Equipment Group Co., Ltd (Stock Exchange stock code: 658) and China Yu Tian Holdings Limited (Stock Exchange stock code: 8230) as a financial investor.

Before the date of the Share Purchase Agreement, the Offeror has not conducted any business since its incorporation and does not have any material assets as at the date of this joint announcement.

Prior to Completion, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any Shares, convertible securities, options, warrants or derivatives in the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and were third parties independent of the Group and its connected persons.

Dealing and interests in the Company's securities

Save for the Sale Shares, none of the Offeror, its ultimate beneficial owners, nor parties acting in concert with any of them has dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period prior to 28 April 2017, being the date of the first of the Rule 3.7 Announcements and the period thereafter up to and including the date of this joint announcement.

As at the date of this joint announcement, the Offeror and parties acting in concert with it have not entered into any arrangements or contracts in relation to the derivatives in respect of securities in the Company nor have any of them borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the date of this joint announcement, save for the Sale Shares under the Share Purchase Agreement, the Offeror and parties acting in concert with it do not hold, own, control or have direction over any Shares in the share capital or voting rights of the Company, options, derivatives, warrants or other securities which may confer rights to the Offeror and parties acting in concert with it to subscribe for, convert or exchange into Shares.

Shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the date of this joint announcement; and (ii) immediately after Completion.

	(i) As at the date of this joint announcement		(ii) Immediately after Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
The Vendors				
Mr. Lam Wai Ming (<i>Note 1</i>)	395,000	0.09	–	–
Mr. Tam Chi Sang (<i>Note 2</i>)	395,000	0.09	–	–
Achieve Best Limited (<i>Note 3</i>)	40,800,000	9.15		
Realchamp International Inc (<i>Note 4</i>)	40,800,000	9.15		
Beaute Inc (<i>Note 5</i>)	<u>204,000,000</u>	<u>45.78</u>	<u>–</u>	<u>–</u>
Sub-total	286,390,000	64.26	–	
The Offeror and parties acting in concert with it	–	–	286,390,000	64.26
Other Shareholders	<u>159,256,000</u>	<u>35.74</u>	<u>159,256,000</u>	<u>35.74</u>
Total	<u><u>445,646,000</u></u>	<u><u>100</u></u>	<u><u>445,646,000</u></u>	<u><u>100</u></u>

Notes:

1. Mr. Lam Wai Ming, being the executive director and chairman of the Company.
2. Mr Tam Chi Sang, being the executive director and managing director of the Company.
3. Achieve Best Limited was wholly-owned by Mr. Lam Wai Ming.
4. Realchamp International Inc was wholly-owned by Mr. Tam Chi Sang.
5. Beaute Inc was owned as to 50% by Apex Prima Limited and 50% by Potentasia Holdings Inc. Apex Prima Limited was wholly-owned by Mr. Lam Wai Ming, and Potentasia Holdings Inc was wholly-owned by Mr. Tam Chi Sang.

Other arrangements

The Offeror confirms that as at the date of this joint announcement:

- (i) the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them have not received any irrevocable commitment to accept the Offer;
- (ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or any person acting in concert with any of them;
- (iii) save for the Share Purchase Agreement and the Deed of Tax Indemnity and the Notes, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which might be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (iv) save for the Sale Shares, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (v) other than the Share Purchase Agreement, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and
- (vi) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owners, and/or any parties acting in concert with any of them has borrowed or lent.

FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The existing principal business of the Group includes design, manufacture and sale of electrical haircare products. The Offeror will conduct a review of the existing principal 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 look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will 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.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

Notwithstanding that the Offeror does not have the relevant experience relating to the existing principal business of the Group, the existing senior management of the Group, namely Mr. Lam Wai Ming and Mr. Tam Chi Sang, who both have extensive experience and expertise in the existing principal businesses of the Group, will remain as the directors of the operating subsidiaries of the Group and will continue to oversee the daily operation of the existing principal business of the Group.

PROPOSED CHANGE OF BOARD COMPOSITION

As at the date of this joint announcement, the Board comprises Mr. Lam Wai Ming as chairman of the Board and Mr. Tam Chi Sang as managing Director and Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung as independent non-executive Directors. After Completion and the first closing date of the Offer (or such other time as permitted by the Takeovers Code), all the existing Directors will resign as Directors pursuant to the Share Purchase Agreement.

The Offeror proposes to nominate new Directors to the Board subject to compliance with all the applicable regulatory requirements, including the Takeovers Code and the Listing Rules. As at the date of this joint announcement, the Offeror has not reached any final decision as to who will be nominated. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a separate announcement will be made in this regard as and when appropriate.

Under the Share Purchase Agreement, the Vendors have agreed to procure that Board resolutions be passed to approve the resignation of the existing Directors to take effect from a date which is no earlier than the first closing date of the Offer and the appointment of such persons as may be nominated by the Offeror as new Directors, such appointment to take effect from a date which is no earlier than the date of posting of the Composite Document in relation to the Offer or such other date as permitted under the Takeovers Code.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offer. In the event that the public float of the Company falls below 25% following the close of the Offer, the directors of the Offeror and the proposed Directors (who will be nominated by the Offeror and appointed as Directors) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company or the Offeror (including any person who owns or controls 5% or more of any class of relevant securities of the Company or the Offeror) are reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

The full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

INDEPENDENT BOARD COMMITTEE OF THE COMPANY AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Goldin Financial Limited has been appointed as the independent financial adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in connection with the Offer.

COMPOSITE DOCUMENT

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch an offer document containing the terms of the Offer, together with the Form of Acceptance, to the Shareholders within 21 days after the date of this joint announcement, or such later date as the Executive may approve. As there is a pre-condition (i.e. Completion) to the making of the Offer, the Offeror will apply to the Executive for a consent pursuant to Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to within seven (7) days from the fulfillment of such pre-condition (i.e. Completion).

If the Offer materialises, it is the intention of the Offeror and the Company to combine the offer document and the offeree board circular into the Composite Document. Accordingly, the Composite Document containing, among other things, (i) the details of the Offer (including the expected timetable and terms of the Offer); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the independent financial adviser to the Independent Board Committee in relation to the Offer, together with the Form of Acceptance, will be issued and despatched by the Offeror and the Company jointly to the Shareholders in accordance with the Takeovers Code. The Independent Shareholders are encouraged to read the Composite Document carefully, including the advice of the independent financial adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer, before deciding whether or not to accept the Offer.

SPECIAL INTERIM DIVIDEND

The Company intends to declare and distribute the Special Interim Dividend of HK\$0.2131 per Share to the Qualifying Shareholders, which is subject to the approval and declaration by the Board at a Board meeting which will be held in due course. Further announcement(s) will be made to update the Shareholders in such regard as and when appropriate. The declaration and payment of the Special Interim Dividend is not a condition precedent for Completion. If the Special Interim Dividend is declared, the Dividend Record Date shall fall on a date before the Completion Date and the actual payment of such dividend may be made upon or after Completion. The Special Interim Dividend, if declared, will be distributed based on the shareholding information on the Dividend Record Date. Accordingly, the Offeror will not be entitled to the Special Interim Dividend in respect of the Sale Shares or the Offer Shares.

Any Shareholder who is registered as a member of the Company on the Dividend Record Date and subsequently accepts the Offer would still be entitled to the Special Interim Dividend, if declared.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 18 July 2017 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 19 July 2017.

WARNING

The making of the Offer is subject to Completion taking place, which in turn is conditional on the fulfillment of the conditions precedent of the Share Purchase Agreement or waiver thereof as appropriate. Accordingly, the sale and purchase of the Sale Shares may or may not be completed and the Offer may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares during the Offer Period. If the Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holidays of Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for business
“China Investment”	China Investment International Limited, a company incorporated in the British Virgin Islands with limited liability and is holding the entire issued share capital of the Offeror
“Company”	Kenford Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 464)

“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement
“Completion Date”	the date on which Completion takes place, being 15 August 2017 or the first Business Day immediately after all conditions are fulfilled or waived in accordance with the terms and conditions of the Share Purchase Agreement, whichever is the later (or such later date as the parties thereto may agree in writing)
“Composite Document”	the document proposed to be jointly issued by or on behalf of the Offeror and the Company to the Independent Shareholders in accordance with the Takeovers Code in respect of the Offer containing, among other things, the details of the Offer (accompanied by the Form of Acceptance) and the respective letters of advice from the independent financial adviser and the Independent Board Committee
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dividend Record Date”	the record date for the payment of the Special Interim Dividend, if declared (which shall be a date prior to the Completion Date) to be fixed by the Company
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any assets of whatsoever nature and includes any agreement for any of the same

“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director from time to time
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer
“Goldin Financial Limited”	Goldin Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Offer
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors who have no direct or indirect interest in the Offer namely, Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung, formed to advise the Independent Shareholders in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Last Trading Day”	17 July 2017, being the last trading day before trading in the Shares was halted pending the publication of this joint announcement
“Lego Corporate Finance”	Lego Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, who has been appointed as the financial adviser to the Company

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 August 2017 or such other date as the Vendors and the Offeror may agree in writing
“Notes”	The guaranteed secured notes due 2017 issued by China Investment to Donghai International in the principal amount of US\$36,310,000 (equivalent to HK\$270,000,000), which is secured by, amongst other things, (i) the Sale Shares acquired by the Offeror and (ii) the Shares to be acquired by the Offeror under the Offer, and the purpose of the issue of the Notes is for the payment of part of the consideration for the Sale Shares and/or for the Offer
“Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has been appointed as the financial adviser to the Offeror in respect of the Offer
“Offer”	the mandatory unconditional cash offer to be made by Octal Capital for and on behalf of the Offeror for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code
“Offeror”	China Yuen Capital Limited, a company incorporated in the British Virgin Islands with limited liability on 4 May 2017
“Offer Period”	the period commencing from 28 April 2017, being the date of the first of the Rule 3.7 Announcements and ending on the date of the close of the Offer in accordance with the Takeovers Code

“Offer Price”	the price at which the Offer is made, being HK\$1.6 per Offer Share
“Offer Share(s)”	any and all of the Share(s), other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it
“Overseas Shareholder(s)”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan) for the purpose of this joint announcement
“Qualifying Shareholder(s)”	Shareholders whose names appear on the register of members of the Company on the Dividend Record Date
“Rule 3.7 Announcements”	the announcements issued by the Company dated 28 April 2017, 2 May 2017, 26 May 2017, 26 June 2017, 28 June 2017, 12 July 2017 and 18 July 2017, in relation to the possible sale by the Vendors of their shareholding interest in the Company
“Share Purchase Agreement ”	the share purchase agreement dated 17 July 2017 entered into among the Vendors, the Offeror and China Investment in respect of the sale and purchase of the Sale Shares
“Sale Shares”	an aggregate of 286,390,000 Shares beneficially owned by the Vendors immediately before Completion, representing approximately 64.26% of the entire issued share capital of the Company as at the date of this joint announcement

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Special Interim Dividend”	the dividend of HK\$0.2131 per Share to be approved and declared by the Company in accordance with the Listing Rules and all applicable laws and regulations prior to the Completion
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendors”	Mr. Lam Wai Ming, Mr. Tam Chi Sang, Achieve Best Limited, Realchamp International Inc and Beaute Inc
“%”	per cent.

By Order of the Board of
China Yuen Capital Limited
Lee Yuk Ying
Director

By Order of the Board
Kenford Group Holdings Limited
Lam Wai Ming
Chairman

Hong Kong, 18 July 2017

As at the date of this joint announcement, the Board of the Company comprises two executive Directors, namely Mr. Lam Wai Ming (Chairman), 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Offeror, its associates and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than the opinion expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading.

As at the date of this joint announcement, the directors of the Offeror are Mr. Liu Xuezhong, Ms. Lee Yuk Ying and Mr. Hao Yiming.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group, and confirms, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this joint announcement (other than the opinion expressed by the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading.