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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016**

On behalf of the board of directors (the "Board") of Kenford Group Holdings Limited (the "Company"), I am pleased to present the audited financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2016 (the "Year") together with the comparative figures for the prior year. These audited financial results for the Year have been reviewed by the audit committee of the Company (the "Audit Committee").

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 March 2016*

| | *Notes* | **2016** *HK$'000* | 2015 *HK$'000* |
|---|---|---|---|
| **Revenue** | *2&3* | **522,851** | 585,027 |
| Cost of sales | | **(455,665)** | (504,144) |
| Gross profit | | **67,186** | 80,883 |
| Other income, gains and losses | *4* | **(9,119)** | 7,473 |
| Distribution costs | | **(7,327)** | (9,272) |
| Administrative expenses | | **(71,613)** | (75,291) |
| Finance income | | **661** | 444 |
| Finance costs | | **(1,313)** | (1,553) |
| **(Loss) profit before taxation** | | **(21,525)** | 2,684 |
| Income tax expense | *5* | **(1,012)** | (1,891) |
| **(Loss) profit for the year attributable to owners of the Company** | *6* | **(22,537)** | 793 |
| **Other comprehensive income (expense)** | | | |
| Items that will not be reclassified to profit and loss: | | | |
| Gain on revaluation of leasehold land and buildings | | **1,598** | 10,990 |
| Deferred tax arising from revaluation of leasehold land and buildings | | **(79)** | (2,283) |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **(8,439)** | (99) |
| **Other comprehensive (expenses) income for the year** | | **(6,920)** | 8,608 |
| **Total comprehensive (expense) income for the year attributable to owners of the Company** | | **(29,457)** | 9,401 |
| **Basic (loss) earnings per share (HK cents)** | *7* | **(5.069)** | 0.181 |
| **Diluted (loss) earnings per share (HK cents)** | *7* | **(5.062)** | 0.181 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2016*

| | Notes | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **176,169** | 194,197 |
| Prepaid lease payments | | **3,442** | 3,726 |
| Deposits paid for acquisition of property, plant and equipment | | **969** | 5,842 |
| Goodwill | | **1,403** | 1,403 |
| | | **181,983** | 205,168 |
| **Current assets** | | | |
| Inventories | | **72,633** | 89,605 |
| Trade and bills receivables | *9* | **117,765** | 117,177 |
| Deposits, prepayments and other receivables | | **13,673** | 17,640 |
| Tax recoverable | | **794** | 2,325 |
| Investments held for trading | | **5,458** | - |
| Short-term bank deposit | | **-** | 2,524 |
| Bank balances and cash | | **104,003** | 96,920 |
| | | **314,326** | 326,191 |
| **Current liabilities** | | | |
| Trade payables | *10* | **60,759** | 71,607 |
| Accruals and other payables | | **20,326** | 19,921 |
| Provision for onerous contract | | **442** | 710 |
| Bank borrowings | | **46,998** | 44,476 |
| Tax liabilities | | **5,682** | 5,381 |
| | | **134,207** | 142,095 |
| **Net current assets** | | **180,119** | 184,096 |
| **Total assets less current liabilities** | | **362,102** | 389,264 |
| **Non-current liabilities** | | | |
| Provision for onerous contract | | **-** | 363 |
| Deferred tax liabilities | | **14,781** | 15,820 |
| | | **14,781** | 16,183 |
| **NET ASSETS** | | **347,321** | 373,081 |
| **Capital and reserves** | | | |
| Share capital | | **446** | 439 |
| Share premium and reserves | | **346,875** | 372,642 |
| **TOTAL EQUITY** | | **347,321** | 373,081 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. In addition, the consolidated financial statements have been prepared under the historical cost basis, except for leasehold land and buildings and structured deposits, which are measured at revalued amounts or fair values.

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

The application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to HKFRSs | Annual improvements to HKFRSs 2012-2014 cycle[1] |
| HKFRS 9 | Financial instruments[3] |
| HKFRS 15 | Revenue from contracts with customers[3] |
| HKFRS 16 | Leases[4] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture[5] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception[1] |
| Amendments to HKFRS 11 | Accounting for acquisitions of interests in joint operations[1] |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 Revenue from contracts with customers[3] |
| Amendments to HKAS 1 | Disclosure initiative[1] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation[1] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer plants[1] |
| Amendments to HKAS 27 | Equity method in separate financial statments[1] |
| Amendments to HKAS 7 | Disclosure initiative[2] |
| Amendments to HKAS 12 | Recognition of deferred tax assets for unrealized losses[2] |

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2017.
[3] Effective for annual periods beginning on or after 1 January 2018.
[4] Effective for annual periods beginning on or after 1 January 2019.
[5] Effective for annual periods beginning on or after a date to be determined.

### HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect for the application of HKFRS 15 until a detailed review has been completed.

Except as disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

## 2. 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.

The following is an analysis of the Group's revenue:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Electrical haircare products | **514,355** | 576,819 |
| Electrical healthcare products and other small household electrical appliances | **8,496** | 8,208 |
| | **522,851** | 585,027 |

## 3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of performance of a single operating and reportable segment, which is the design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances.

Amounts of segment assets and liabilities of the Group are not reviewed by the Group's CODM or otherwise regularly provided to the CODM, accordingly, segment assets and liabilities are not presented.

### (a) Geographical information

The Group's revenue is mainly derived from customers located in Europe, Asia, North and South America, Africa and Australia while the Group's business activities are conducted predominantly in Hong Kong and the People's Republic of China (the "PRC").

The Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods, and information about its non-current assets by geographical location of the assets are detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Europe | **258,311** | 313,282 | - | **-** |
| Asia | **191,913** | 206,364 | **181,983** | 205,168 |
| North and South America | **63,115** | 53,309 | - | - |
| Africa | **2,470** | 6,428 | - | - |
| Australia | **7,042** | 5,644 | - | - |
| | **522,851** | 585,027 | **181,983** | 205,168 |

### (b) Information about major customers

Revenue from customers of the year and the corresponding year contributing over 10% of the total sales of the Group are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A | **249,309** | 259,921 |
| Customer B | **81,249** | 92,973 |
| Customer C | **53,115** | * |

* Revenue below 10% of total sales for the respective period is not disclosed.

## 4. OTHER INCOME, GAINS AND LOSSES

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Other income: | | |
| Mould income | **1,517** | 3,475 |
| Compensation received in respect of cancelled orders | **3,012** | 4,308 |
| Sundry income | **584** | 756 |
| | **5,113** | 8,539 |
| Other gains and losses: | | |
| (Loss) gain on disposal of property, plant and equipment | **(1,118)** | 64 |
| Impairment loss recognised in respect of property, plant and equipment | **(10,001)** | (780) |
| Net foreign exchange (loss) gain | **(1,012)** | 723 |
| Net fair value change in investments held for trading | **(2,732)** | - |
| Net reversal of provision for (provision for) onerous contract | **631** | (1,073) |
| | **(14,232)** | (1,066) |
| Total other income, gains and losses | **(9,119)** | 7,473 |

## 5. INCOME TAX EXPENSE

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| PRC Enterprise Income Tax: | | |
| Current tax | **1,775** | - |
| (Over) under provision in prior years | **(313)** | 26 |
| | **1,462** | 26 |
| Deferred tax: | | |
| Current year | **(450)** | 1,865 |
| | **1,012** | 1,891 |

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No PRC Enterprise Income Tax was provided for the year ended 31 March 2015 in the consolidated financial statements as the subsidiaries of the Group operating in the PRC are either suffering from tax losses for the year, or the assessable profits were wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong Profits Tax has been provided in the consolidated financial statements as the subsidiaries of the Group operating in Hong Kong are either suffering from tax losses, or the assessable profits are wholly absorbed by tax losses brought forward for both years.

## 6. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging (crediting):

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Auditor's remuneration | **782** | 700 |
| Amortisation of prepaid lease payments | **95** | 98 |
| Allowance for (reversal of allowance for) inventories (included in cost of sales) (Note) | **895** | (793) |
| Directors' emoluments | **14,193** | 13,062 |
| Other staff costs | | |
| Salaries and allowances | **124,012** | 135,476 |
| Retirement benefits scheme contributions | **6,450** | 5,806 |
| Total staff costs | **144,655** | 154,344 |
| Costs of inventories recognised as expenses (included staff costs relevant to manufacturing processes) | **454,770** | 504,937 |
| Minimum lease payments in respect of rented properties | **1,005** | 2,102 |

Note: Allowance for inventories is written back during the year ended 31 March 2015 when the relevant inventory is sold.

## 7. (LOSS) EARNINGS PER SHARE

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

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| (Loss) profit for the purpose of basic and diluted (loss) earnings per share ((Loss) profit for the year attributable to owners of the Company) | **(22,537)** | 793 |
| Number of shares | | |
| | **'000** | '000 |
| Number of ordinary shares for the purpose of basic (loss) earnings per share | **444,636** | 438,926 |
| Effect of dilutive potential ordinary shares – share options | **561** | 220 |
| Number of ordinary shares for the purpose of diluted (loss) earnings per share | **445,197** | 439,146 |

The computation of diluted earnings per share did not assume the exercise of certain of the Company's share options because the exercise price of those options was higher than the average market price for shares for the year ended 31 March 2015.

## 8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

## 9. TRADE AND BILLS RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **115,650** | 116,948 |
| Less: Allowance for bad and doubtful debts | **(51)** | (51) |
| | **115,599** | 116,897 |
| Bills receivables | **2,166** | 280 |
| Total trade and bills receivables | **117,765** | 117,177 |

The following is an aged analysis of trade and bills receivables (net of allowance for bad and doubtful debts) presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition dates.

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 60 days | **81,093** | 67,272 |
| 61 – 120 days | **34,921** | 46,137 |
| 121 – 365 days | **1,598** | 3,640 |
| Over 365 days | **153** | 128 |
| | **117,765** | 117,177 |

The credit terms granted by the Group range from 14 days to 90 days. For those major customers, a credit term up to 120 days from the invoice date would be allowed.

## 10. TRADE PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 60 days | **52,715** | 62,896 |
| 61 – 120 days | **5,863** | 7,100 |
| 121 – 365 days | **1,486** | 800 |
| Over 365 days | **695** | 811 |
| | **60,759** | 71,607 |

The credit periods on purchases of goods range from 30 to 120 days.

*MANAGEMENT DISCUSSION AND ANALYSIS*

**FINANCIAL REVIEW**

During the year ended 31 March 2016, the Group continued to face the challenges of increased labour costs and a shortage of skilled labour. Due to weakened global market demand, the Group recorded a decrease of revenue and gross profit. The Group's revenue was HK$522,851,000 (2015: HK$585,027,000), a decline of 10.6% from the previous financial year attributable to the decrease of demand from both the European and Asian markets which outweighed the recovery of demand from the American market.

During the financial year 2016, revenue attributable to the sales of electrical haircare products accounted for approximately HK$514,355,000 (2015: HK$576,819,000), representing about 98.4% (2015: 98.6%) of the revenue of the Group. The remaining HK$8,496,000 (2015: HK$8,208,000), representing about 1.6% (2015: 1.4%), was for the sales of electrical healthcare products and other small household electrical appliances.

The Group reported a gross profit of HK$67,186,000 (2015: HK$80,883,000) during the year, representing a gross profit margin of 12.8% (2015: 13.8%) a decrease of 1.0% primarily due to a decrease in revenue which was offset by stable raw material prices and ongoing cost reduction initiatives.

During the financial year 2016, the Group recognised an impairment loss amounted to HK$10,001,000 in respect of the carrying amount of certain plant and equipment for the production and sales of products to various oversea customers. Based on the budgeted gross margin and direct operating expenses analysis estimated by the management, these customers will continue making loss in near future. As a result, a full impairment of the respective carrying amount is recognised in profit or loss. This item did not affect the cash flow of the Group for the financial year under review.

The Group recognised an unrealised loss, net of realised gain, arising from changes in fair value of equity securities held for trading of HK$2,732,000 (2015: Nil). As a result of the surge in market volatility during the year, 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 year under review.

In additional to the above factors, the loss on disposal of machinery of approximately HK$1,000,000 and the loss on exchange difference of approximately HK$1,000,000 as a result of the accumulated effect of the normal conversion of foreign currency to base currency during the reporting period, loss before taxation for the year ended 31 March 2016 was HK$21,525,000 (2015: profit before taxation of HK$2,684,000), representing a decrease of 902% from the previous financial year. The percentages of distribution costs and administrative expenses to revenue were about 1.4% and 13.7% respectively compared to 1.6% and 12.9% in the last financial year. In dollars term, administrative expenses was HK$71,613,000, a decrease of 4.9% compared to HK$75,291,000 during the corresponding period last year. Such decrease was caused by declining staff salaries and PRC government levies.

Loss for the year was HK$22,537,000, compared to a profit of HK$793,000 for the financial year ended 31 March 2015, representing a decrease of 2,942%.

Basic loss per share amounted to HK5.069 cents, a decrease of 2,901% compared to earnings of HK0.181 cents during the corresponding period last year.

The Board of Directors ( “The Board” ) has resolved not to declare payment of a final dividend (2015: Nil) for the financial year ended 31 March 2016. There was no interim dividend declared (2015: Nil) thus there were no dividends declared for the whole year (2015: Nil).

*BUSINESS REVIEW*

**MARKET REVIEW**

During the financial year, the Company has faced strong pressure from customers requesting price reductions as they believed the Renminbi depreciation of 3% in August 2015 would lower the Company's production cost, thus we should pass all the savings on to them. In addition, as most of the Company's customers are from European countries, the significant devaluation of the Euro against the United States dollar presents a significant cost burden as they need to pay us in that currency for all the goods they purchase from us. They also cite this as another reason for a price reduction. Moreover, the North America market has shown improvement caused by our launching of new innovative products for our American customers while the other geographic markets showed varying levels of decline in demand. In the coming year, we believe that should further crises not materialise and economic conditions continue to improve, global growth could be expected but only at a relatively slow rate.

During the current financial year, the positive 18.4% growth in demand from the American market has increased the revenue contribution from that geography to 12.1% from 9.1% over the last corresponding financial year. The revenue contribution from Australia as a percentage of revenue has also increased slightly to 1.3% during the current financial year from 0.9% in the preceding financial year. Unfortunately, a less-than-expected revenue due to the struggling economy in Europe and the decrease in promotion orders from Thailand has dampened the Group's overall sales performance. This shift has decreased the revenue contribution from the European market to 49.4% during this financial year from 53.6% in the preceding financial year. Despite the negative 7.0% drop in demand from the Asia market, the revenue contribution has actually increased slightly to 36.7% from 35.3% over the previous financial year as the drop was less than the overall decline in the Group's revenue. At the same time, the revenue contribution percentage from Africa has dropped to 0.5% during this financial year from 1.1% in the preceding financial year. The Group believes that the European and Asian markets will remain the major geographic revenue contributors in the coming years.

Testimony to the Group's quality is that most of its customers are renowned global brands. Our five major customers have accounted for approximately 83.1% and 86.0% of the Group's total revenue in the current financial year and the previous financial year, respectively.

**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 markets, the difficulties in recruiting production line operators and increased operations costs and general expenses. The monthly statutory minimum wage in Dongguan has risen from RMB1,310 to RMB1,510 effective from May 2015, an increase of approximately 15%. 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 adversely affected by most of these factors, it has been very difficult to pass all of the higher expenses on to customers.

The labour shortage remains a serious issue 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. To implement this transformation, the Group has continued to devote more resources to upgrade and automate its manufacturing. Towards this end, it has strived to improve the production efficiency and eliminate waste and, ultimately, reduce costs.

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

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had approximately HK$104,003,000 cash and bank deposits (2015: HK$99,444,000). The Group's net current assets were approximately HK$180,119,000 (2015: HK$184,096,000). The current ratio of the Group as at 31 March 2016 was maintained at 2.3 (2015: 2.3) and the net cash-to-equity ratio (cash and bank deposits less the interest bearing borrowings over total equity) was 16.4% (2015: 14.7%).

As at 31 March 2016, the Group had aggregate banking facilities of HK$160,400,000 (2015: HK$150,400,000), of which HK$46,998,000 (2015: HK$44,476,000) was used. The borrowings comprised bank loan facilities of HK$11,533,000 (2015: HK$Nil) and trade finance facilities of HK$35,465,000 (2015: HK$44,476,000). The maturity profile of the Group's borrowings falling due within one year amounted to HK$46,998,000 (2015: HK$44,476,000). The bank borrowings carry interest at rates ranging from HIBOR/LIBOR plus 2% to 2.5% (2015: 2% to 2.25%) or 1% (2015: 1%) below the Prime Rate.

The Group has maintained a healthy liquidity position and has accumulated sufficient financial resources to meet working capital and capital expenditure requirements.

## CHARGES ON ASSETS

The Group had no charges on assets as at 31 March 2016 (2015: nil).

## 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 appreciation of the Renminbi, 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 carried interest at floating rates.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed 42 staff (2015: 49) in Hong Kong and a total work force of approximately 1,573 (2015: 1,808) inclusive of all its staff and workers in China. The Group's remuneration policy is built on the principle of equitable packages to employees, incentive-based where applicable, with performance-oriented and market-competitive remuneration. 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.

## DIVIDENDS

The directors have resolved not to declare the payment of a final dividend in respect of the year ended 31 March 2016.

## PROSPECTS

The Group expects to face new challenges in the year 2016 as the minimum wage is expected to further increase, concurrent with a persistent shortage of skilled labour in China, the climbing taxes and fees of the Mainland China government, the continuous increasing of manufacturing costs, the shorter product life cycles of consumer electronic products and 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 ability to roll out new and innovative products, enhance product diversification, automate manufacturing and allocate considerably more resources to developing higher margin innovative products.

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 further expand into the haircare manufacturing sector, which is currently undergoing consolidation, as the global economy revives in the near future.

## PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2016.

## CORPORATE GOVERNANCE

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the financial year ended 31 March 2016, except for the deviation from the CG Code A.2.1.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lam Wai Ming holds the position of Chairman currently and is deemed to be the Chief Executive Officer. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies and development plans. The Board believes that the balance of power and authority is adequately ensured.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company were in line with the Code Provisions during the Year.

## COMPLIANCE WITH THE MODEL CODE

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 financial year ended 31 March 2016.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices, risk management and internal control systems adopted by the Group. The Audit Committee comprises three INEDs of the Company and none of whom is employed by or otherwise affiliated with former or existing auditors of the Company.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 9 August 2016 to Thursday, 11 August 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. Members whose names appear on the register of members of the Company on Thursday, 11 August 2016 will be entitled to attend and vote at the annual general meeting. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 8 August 2016.

## PUBLICATION OF FURTHER INFORMATION

The annual report of the Company for the Year containing all the information required by Appendix16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company (http://www.kenford.com.hk) on or before 11 July 2016.

## APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to the entire workforce for their diligence and commitment during the year. I would further like to thank our shareholders for their confidence in the Group, our customers worldwide for their trust and support of our products and services, as well as our bankers and business partners for their ongoing support.

By Order of the Board

**KENFORD GROUP HOLDINGS LIMITED**

**LAM WAI MING**

*Chairman*

Hong Kong, 29 June 2016

*As at the date of this 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.*

*Website: www.kenford.com.hk*