THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Kenford Group Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

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)

COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY

八方金融有限公司
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)

Financial adviser to
China Yuen Capital Limited

八方金融有限公司
OCTAL Capital Limited

Financial adviser to
Kenford Group Holdings Limited

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

Independent financial adviser to
the Independent Board Committee and Independent Shareholders

GOLDIN FINANCIAL LIMITED
高銀融資有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Octal Capital containing, among other things, details of the terms of the Offer is set out on pages 9 to 22 of this Composite Document.

A letter from the Board is set out on pages 23 to 29 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer is set out on pages 30 to 31 of this Composite Document.

A letter from the Independent Financial Adviser containing its advice on the Offer to the Independent Board Committee is set out on pages 32 to 48 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar no later than 4:00 p.m. on 12 September 2017 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange at http://www.hkexnews.hk and the Company at http://www.kenford.com.hk/en/as long as the Offer remains open.

22 August 2017

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The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

Event	**Time and Date**
Despatch date of this Composite Document and the Form of Acceptance *(Note 1)*	22 August 2017
Offer opens for acceptance *(Note 1)*	22 August 2017
Latest time and date for acceptance of the Offer *(Note 2)*	by 4:00 p.m. on 12 September 2017
Closing Date *(Note 2)*	12 September 2017
Announcement of the results of the Offer as at the Closing Date on the website of the Stock Exchange and the website of the Company *(Note 2)*	by 7:00 p.m. on 12 September 2017
Latest date for posting of remittances in respect of valid acceptances received under the Offer *(Notes 2 and 3)*	21 September 2017

Notes:

1. The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date.

2. The Offer, which is unconditional, will be closed on the Closing Date. The latest time and date for acceptance is at 4:00 p.m. on 12 September 2017 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued on the website of the Stock Exchange by 7:00 p.m. on 12 September 2017 stating whether the Offer has been revised, extended or has expired. In the event that the Offeror decides that the Offer will remain open until further notice, a notice by way of an announcement will be given not less than 14 days before the Offer is closed to those Shareholders who have not accepted the Offer.

   Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

3. Remittances in respect of the cash consideration payable for the Shares tendered under the Offer will be made as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar from the Shareholders accepting the Offer of all documents to render the acceptance valid in accordance with the Takeovers Code.

4. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of withdrawal" in Appendix I to this Composite Document.

5. If there is a tropical cyclone warning signal no.8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer or the posting of remittances, as the case may be, will remain at 4:00 p.m. on the same Business Day; or

   (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, as the case may be, the latest time for acceptance of the Offer or the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code.

All times and dates in this Composite Document and the Form of Acceptance shall refer to Hong Kong times and dates.

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, these defined terms are not included in the table below:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate(s)"	has the meaning ascribed to it under the Takeovers Code
"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
"BVI"	British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China Investment"	China Investment International Limited, a company incorporated in the BVI with limited liability and is holding the entire issued share capital of the Offeror
"Closing Date"	12 September 2017, the closing date of the Offer, which is 21 days after the date on which this Composite Document is posted, 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
"Company"	Kenford Group Holdings Limited, a company incorporated in Cayman Islands with limited liability, the issued 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"	15 August 2017, being the date of which Completion took place pursuant to the Share Purchase Agreement

"Composite Document"	this composite offer and response document jointly issued by 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(s)"	has the meaning ascribed thereto in the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Deed of Tax Indemnity"	deed of tax indemnity dated 15 August 2017 and executed by each of the Vendors and the Offeror pursuant to the Share Purchase Agreement
"Director(s)"	the director(s) of the Company from time to time
"Dividend Record Date"	11 August 2017, being the record date for the payment of the Special Interim Dividend
"Donghai International"	Donghai International Financial Holdings Company Limited, a company incorporated in Hong Kong with limited liability
"Encumbrance(s)"	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
"Executive"	the 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 accompanying form of acceptance and transfer of Shares in respect of the Offer
"Group"	the Company and its subsidiaries from time to time
"HKSCC"	Hong Kong Securities Clearing Company Limited

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"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 Financial Adviser"	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
"Independent Shareholder(s)"	Shareholder(s) other than the Offeror and parties acting in concert with it
"Joint Announcement"	the joint announcement issued by the Company and the Offeror dated 18 July 2017 in relation to, among other things, the Share Purchase and the Offer
"Last Trading Day"	17 July 2017, being the last trading day before trading in the Shares was halted pending for the publication of the Joint Announcement
"Latest Practicable Date"	18 August 2017, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
"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"	the Rules Governing the Listing of Securities on the Stock Exchange

"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 licensed corporation permitted to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO, being the agent making the Offer on behalf of the Offeror and the financial adviser to the Offeror
"Offer"	the mandatory unconditional cash offer 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
"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 Closing Date in accordance with the Takeovers Code
"Offer Price"	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
"Offeror"	China Yuen Capital Limited, a company incorporated in the BVI with limited liability on 4 May 2017
"Overseas Shareholder(s)"	Shareholder(s) whose address(es) as shown on the register of members of the Company is (are) outside Hong Kong
"PRC"	the People's Republic of China excluding, for the purpose of this Composite Document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Registrar"	Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company
"Relevant Period"	the period from 28 October 2016, being the date falling six (6) months prior to 28 April 2017 (the date of the commencement of the Offer Period), and ending on and including the Latest Practicable Date
"relevant securities"	as defined in Note 4 to Rule 22 of the Takeovers Code
"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 in relation to the possible sale by the Vendors of their shareholding interest in the Company
"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 Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	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
"Share Purchase"	the sale and purchase of the Sale Shares between the Vendors and the Offeror pursuant to the terms and conditions of the Share Purchase Agreement
"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 Share Purchase
"Shareholder(s)"	holder(s) of Share(s)

"Special Interim Dividend"	the special interim dividend of HK$0.2131 per Share approved and declared by the Company on 27 July 2017 payable to the Shareholders whose names appear on the register of members of the Company at the close of business on the Dividend Record Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong
"US$"	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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

八方金融有限公司
OCTAL Capital Limited

22 August 2017

To the Independent Shareholders,

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY 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)

INTRODUCTION

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 and representing approximately 64.26% of the entire issued share capital of the Company as at the date of the Joint Announcement, for a total consideration of HK$458,224,000 (equivalent to approximately HK$1.6 per Sale Share), free from all Encumbrances and together with all rights attached thereto as at the Completion Date (including all rights to any dividends (excluding the Special Interim Dividend) or other distribution which may be paid, made or declared on or after the Completion Date). The Offer Price is determined with reference to the recent prices of the Shares traded on the Stock Exchange, the financial conditions of the Group and the current market conditions. The Completion took place on 15 August 2017.

Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were 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, the Offeror and parties acting in concert with it are required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and/or its concert parties).

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the terms of the Offer and procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

MANDATORY UNCONDITIONAL CASH OFFER

As at the Latest Practicable Date, there were 445,646,000 Shares in issue. The Company did not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Principal terms of the Offer

Octal Capital, for and on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or its concert parties) 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 paid by the Offeror under the Share Purchase Agreement. The Offer Price is determined with reference to the recent prices of the Shares traded on the Stock Exchange, the financial conditions of the Group and the current market conditions.

The Offer Shares to be acquired under the Offer shall be (a) fully paid; (b) free from all Encumbrances; and (c) together with all rights attaching to them, including all rights to receive in full all dividends and distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document. The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

The Offer is unconditional in all respects.

Comparisons of value

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

(i) a premium of approximately 24.5% to the closing price of HK$1.285 per Share as quoted on the Stock Exchange on the Last Trading Day (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend);

(ii) a premium of approximately 21.3% over the average closing price of approximately HK$1.319 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend);

(iii) a premium of approximately 22.6% over the average closing price of approximately HK$1.305 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend);

(iv) a premium of approximately 20.8% over the average closing price of approximately HK$1.325 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend);

(v) the same as the closing price of HK$1.600 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a premium of approximately 13.6% over HK$1.408 per Share as quoted on the Stock Exchange on 27 April 2017, being the last trading day for the Shares prior to the commencement of the Offer Period (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend);

(vii) a premium of approximately 120.1% over the audited consolidated net asset value attributable to the Shareholders of approximately HK$0.727 per Share as at 31 March 2017, being the date of which the latest audited financial results of the Group were made up; and

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

Highest and lowest Share prices

During the Relevant Period:

(i) the highest closing price of the Shares as quoted on the Stock Exchange was HK$1.850 per Share on 30 December 2016; and

(ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK$1.021 per Share on 9 November 2016, after adjustment due to commencement of dealing in the Shares on an ex-entitlement basis for the Special Interim Dividend.

Value of the Offer

As at the Latest Practicable Date, there are 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, as at the Latest Practicable Date.

As at the Latest Practicable Date, excluding the 286,390,000 Shares held by the Offeror and parties acting in concert, 159,256,000 Offer Shares are subject to the Offer, which are valued at approximately HK$254,809,600 on the basis of the Offer Price of HK$1.6 per Offer Share and assuming that there is no change in the entire issued share capital of the Company prior to the close of the Offer.

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, as the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy 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 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 authorised 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 the 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, which shall be 21 days after the date on which this 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; or (c) 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 this 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 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.

Dealing in securities in the Company

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 Relevant Period.

As at the Latest Practicable Date, 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 Latest Practicable Date, 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.

Other arrangements

The Offeror confirms that, as at the Latest Practicable Date:

(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 to 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.

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).

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror and the Company that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers in case of any doubt.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		**Immediately after Completion and as at the Latest Practicable Date**	
	Number of Shares	*Approximate % of issued Shares*	*Number of Shares*	*Approximate % of issued Shares*
The Vendors				
Mr. Lam Wai Ming *(Note 1)*	395,000	0.09	–	–
Mr. Tam Chi Sang *(Note 2)*	395,000	0.09	–	–
Achieve Best Limited *(Note 3)*	40,800,000	9.15	–	–
Realchamp International Inc *(Note 4)*	40,800,000	9.15	–	–
Beaute Inc *(Note 5)*	204,000,000	45.78	–	–
Sub-total	286,390,000	64.26	–	–
The Offeror and parties acting in concert with it	–	–	286,390,000	64.26
Other public Shareholders	159,256,000	35.74	159,256,000	35.74
Total	445,646,000	100.00	445,646,000	100.00

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.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI 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. As at the Latest Practicable Date, the directors of the Offeror are Mr. Liu Xuezhong, Ms. Lee Yuk Ying and Mr. Hao Yiming.

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 the 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.

INFORMATION ON THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed "Information on the Group" in the "Letter from the Board" and Appendices II and IV to this Composite Document.

INTENTIONS OF THE OFFEROR IN RELATION TO 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 rationalisation, 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 Latest Practicable Date, 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.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

Set out below are the biographic details of the nominees for appointment as Directors. Further details required by Rule 13.51(2) of the Listing Rules will be announced after the appointments take effect:

Proposed executive Director

Ms. Cai Dongyan（蔡冬艷女士）

Ms. Cai Dongyan ("Ms. Cai"), aged 41, worked at Shanghai Shenmei Beverage and Food Co., Ltd.*（上海申美飲料食品有限公司）from July to December 1998, Motorola Paging Products Company*（摩托羅拉尋呼產品公司）from 2000 to 2001, 3M China Limited*（3M中國有限公司）from 2001 to 2006 and Minnesota Mining Production (Shanghai) International Trade Co., Ltd*（明尼蘇達礦業製造(上海)國際貿易有限公司）from 2009 to 2016. Ms. Cai obtained an undergraduate diploma majoring in hotel management at Shanghai Jiao Tong University in 1998. Ms. Cai is the spouse of Mr. Hao Yiming, one of the directors of the Offeror.

Mr. Zhang Huijun（張慧君先生）

Mr. Zhang Huijun ("Mr. Zhang"), aged 35, has around 6 years of management experience. From 2006 to 2009, Mr. Zhang served as the trade investment manager of Tsingshan Holding Group Shanghai International Trading Co., Ltd.*（青山控股集團上海國際貿易有限公司）. From 2010 to 2012, Mr. Zhang served as the project manager of Pt. Modern Group Indonesia. Mr. Zhang completed three years studies majoring in Taxation at Hunan Tax College*（湖南稅務高等專科學校）in 2002.

Ms. Pauline Lam（林佳慧女士）

Ms. Pauline Lam ("Ms. Lam"), aged 34, worked at China Point Enterprises Limited from 2006 to 2011, and her last position was sales and merchandising manager. From 2013 to 2017, she worked at TAG Aviation Asia Limited and her last position was senior client responsible manager. Ms. Lam obtained a bachelor's degree in business administration from Pepperdine University in California of the United States in December 2004.

Proposed non-executive Director

Mr. Kwok Kai Hing Daniel（郭啟興先生）

M. Kwok Kai Hing Daniel ("Mr. Kwok"), aged 60, has over 14 years of experience in management and education. Mr. Kwok has been the principal of the associate campus of Hong Kong Institute of Vocational Education since 2003. Mr. Kwok graduated from The Chinese University of Hong Kong with a bachelor's degree in social science in 1982 and obtained a postgraduate diploma in education at the same university in 1987. He further obtained a master's degree in business administration from the City University of Hong Kong in 1994. Mr. Kwok is currently a member of the Fourth Chongqing Committee of Chinese People's Political Consultative Conference（第四屆重慶市政治協商會議委員會）and a director of Hong Kong Economic and Trade Association Limited（香港經貿商會有限公司）and Youth Elderly Care Movement Limited（耆菁頌有限公司）, respectively.

Proposed independent non-executive Director

Mr. Han Dengpan（韓登攀先生）

Mr. Han Dengpan ("Mr. Han"), aged 49, has been a partner of Jiangsu Branch of Zhong Rui Yue Hua Tax Agents（中瑞岳華稅務師事務所江蘇有限公司）since 2013. From 2000 to 2004, Mr. Han served as the officer, deputy director general and director of Nanjing Jingzhou Lianxin Tax Advisor Co., Ltd*（京洲聯信南京稅務師事務所有限公司）(formerly known as Nanjing Shicheng Tax Agents Co., Ltd.*（南京石城稅務師事務所有限公司）). From 2007 to 2012, Mr. Han worked as the general manager of Jiangsu Huamingrui Tax Consultancy Co., Ltd*（江蘇華明瑞稅務諮詢有限公司）(formerly known as Jiangsu Branch of Huarui Tax Agents*（江蘇華瑞稅務師事務所有限公司）).

Mr. Han obtained a bachelor's degree in finance majoring in taxation from Jiangxi Finance and Economics College*（江西財經學院）in 1990 and a master's degree in professional accountancy from the Chinese University of Hong Kong in 2006. Mr. Han is qualified as a certified public accountant since 1997, a certified tax agent since 2002 and an enterprise legal advisor*（企業法律顧問）in China since 2003.

***Mr. Fung Chi Kin*（馮志堅先生）**

Mr. Fung Chi Kin ("Mr. Fung"), aged 68, is the Permanent Honorary President of The Chinese Gold & Silver Exchange Society, and director of Fung Chi Kin Consulting Limited. Prior to his retirement, Mr. Fung served as a Council Member of the First Legislative Council of the HKSAR from 1998 to 2000. Mr. Fung has been an independent non-executive director for Chaoda Modern Agriculture (Holdings) Limited (Stock Exchange stock code: 682) since Sep 2003. He has also been an executive director of Powerwell Pacific Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Exchange stock code:8265)) from 2014 to 2017.

***Mr. Huang Zhiwei*（黃志偉先生）**

Mr. Huang Zhiwei ("Mr. Huang"), aged 67, has over 14 years of management experience.

He served as the chief executive of Shanghai branch of Bank of China（中國銀行上海市分行）from 2003 to 2007.From 2007 to 2013, he worked as the president and chief executive of Bank of Jiangsu Co., Ltd.（江蘇銀行股份有限公司）. Mr. Huang also serves as the chairman of The Jiangsu Chamber of Commerce in Shanghai（上海市江蘇商會）since 2009 and as an independent non-executive director of China Yu Tian Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, (Stock Exchange stock code: 8230)) since 2013.

Mr. Huang obtained a postgraduate qualification in international finance from Nanjing University（南京大學）in the PRC in June 2000. He obtained the senior economist qualification in December 2008 granted by Jiangsu Department of Personnel（江蘇省人事廳）and the qualification for independent director from Shanghai Stock Exchange in 2015.

Save as disclosed herein, each of the above-mentioned nominees did not hold any other positions with other members of the Group as at the Latest Practicable Date and any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed herein, each of the above-mentioned nominees (a) did not have any interests in the Shares (within the meaning of Part XV of the SFO); and (b) did not have any relationship with any directors, senior management or substantial or controlling Shareholders of the Company, or any of their respective associates as defined in the Listing Rules.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends the Company to remain listed on the Main Board of the Stock Exchange after 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, at the close 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 dealings in the Shares until the prescribed level of public float is restored.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and the acceptance period as set out Appendix I to this Composite Document and the accompanying Form of Acceptance.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Offer after the close of the Offers.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer. The attention of Independent Shareholders with registered addresses outside Hong Kong is also drawn to the section headed "Overseas Shareholders" in Appendix I to this Composite Document.

To accept the Offer, Independent Shareholders should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon. The Form of Acceptance forms part of the terms of the Offer. The duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be sent by post or by hand to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in an envelope marked "Kenford Group Holdings Limited – Offer" as soon as possible but in any event so as to reach the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code.

All documents and remittances to the Independent Shareholders will be sent by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company. None of the Offeror, the Company, Octal Capital, the Registrar or any of their respective directors or associates or professional advisers or any other party involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. You are reminded to read carefully the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from the Independent Financial Adviser" and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	**Wong Wai Leung**
Managing Director	*Executive Director*

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)

Executive Directors:
Mr. Lam Wai Ming *(Chairman)*
Mr. Tam Chi Sang *(Managing Director)*

Independent non-executive Directors:
Mr. Chiu Fan Wa
Mr. Choi Hon Keung
Mr. Li Chi Chung

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

Principal place of business:
Unit 2511-2517,
25th Floor,
Tower A,
Regent Centre,
63 Wo Yi Hop Road,
Kwai Chung
New Territories, Hong Kong

22 August 2017

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY 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)

INTRODUCTION

Reference is made to the joint announcement dated 18 July 2017, 8 August 2017 and 15 August 2017 issued by the Company and the Offeror in relation to the Share Purchase Agreement and the completion of the sale and purchase of the Sale Shares pursuant thereto.

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 at the Latest Practicable Date, 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. Following the fulfilment of all the conditions of the Share Purchase Agreement, Completion took place on 15 August 2017.

Prior to Completion, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any Shares in the share capital or voting rights of the Company. Immediately upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned 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, 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 Latest Practicable Date, 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, as at the Latest Practicable Date.

The purpose of this Composite Document is to provide you with, 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.

INDEPENDENT BOARD COMMITTEE

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, was 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 was 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.

You are advised to read the "Letter from the Independent Board Committee" addressed to the Independent Shareholders, the "Letter from the Independent Financial Adviser" and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Offer.

MANDATORY UNCONDITIONAL CASH OFFER

Principal terms of the Offer

The terms of the Offer as set out in the "Letter from Octal Capital" are extracted below. You are recommended to refer to the "Letter from Octal Capital" and the Form of Acceptance for further details.

Octal Capital, on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer on the following terms in accordance with Rule 26.1 of the Takeovers Code:

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 is 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 this Composite Document.

Further details regarding the Offer, including the terms and procedures for acceptance of the Offer are set out in the "Letter from Octal Capital" and Appendix I to this Composite Document and the accompanying Form of Acceptance.

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 three financial years ended 31 March 2015, 2016 and 2017, as extracted from the accounts prepared in accordance with Hong Kong Financial Reporting Standards in the Company's annual report of final results for the year ended 31 March 2016 and 2017:

	For the year ended 31 March		
	2015	**2016**	**2017**
	(audited)	(audited)	(audited)
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Revenue	585,027	522,851	495,390
Profit/(loss) before tax	2,684	(21,525)	(20,934)

	As at 31 March		
	2015	**2016**	**2017**
	(audited)	(audited)	(audited)
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Total assets	531,359	496,309	489,410
Total liabilities	158,278	148,988	165,506
Net assets	373,081	347,321	323,904

Your attention is drawn to the further details of the information of the Group as set out in Appendices II and IV to this Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		**Immediately after Completion and as at the Latest Practicable Date**	
	Number of Shares	*Approximate % of issued Shares*	*Number of Shares*	*Approximate % of issued Shares*
The Vendors				
Mr. Lam Wai Ming *(Note 1)*	395,000	0.09	–	–
Mr. Tam Chi Sang *(Note 2)*	395,000	0.09	–	–
Achieve Best Limited *(Note 3)*	40,800,000	9.15	–	–
Realchamp International Inc *(Note 4)*	40,800,000	9.15	–	–
Beaute Inc *(Note 5)*	204,000,000	45.78	–	–
Sub-total	286,390,000	64.26	–	–
The Offeror and parties acting in concert with it	–	–	286,390,000	64.26
Other public Shareholders	159,256,000	35.74	159,256,000	35.74
Total	445,646,000	100.00	445,646,000	100.00

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.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from Octal Capital" as set out in this Composite Document, and Appendix III to this Composite Document.

FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the section headed "Information on the Offeror" and "Intentions of the Offeror in relation to the Group" in the "Letter from Octal Capital" as set out in this Composite Document. The Board is pleased to note the Offeror's intention to continue the existing principal businesses of the Group. The Board is willing to render co-operation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

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.

RECOMMENDATION

Your attention is drawn to the "Letter from the Independent Board Committee" set out on pages 30 to 31 of this Composite Document and the "Letter from the Independent Financial Adviser" set out on pages 32 to 48 of this Composite Document, which contain, among other things, their advice in relation to the Offer and the principal factors considered by them in arriving at their recommendation.

The Independent Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

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

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer.

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)

22 August 2017

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY 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)

INTRODUCTION

We refer to the composite offer and response document dated 22 August 2017 jointly issued by the Company and the Offeror (the "**Composite Document**"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to the acceptance of the Offer. Goldin Financial Limited has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the "Letter from the Independent Financial Adviser" on pages 32 to 48 of the Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from Octal Capital" and the additional information set out in the appendices to the Composite Document.

RECOMMENDATION

Taking into account the terms of the Offer and the advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the period of the Offer. Should the market price of the Shares exceed the Offer Price during the period of the Offer, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the open market instead of accepting the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the Composite Document and the Form of Acceptance.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Kenford Group Holdings Limited

Mr. Chiu Fan Wa **Mr. Choi Hon Keung** **Mr. Li Chi Chung**
Independent Non-executive Directors

The following is the full text of the letter from Goldin Financial Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.

GOLDIN FINANCIAL LIMITED
高銀融資有限公司

Goldin Financial Limited
Suites 2202-2209, 22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

22 August 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER BY 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)

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer. The details of the Offer, among other things, are set out in the Composite Document dated 22 August 2017, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

With reference to the Joint Announcement dated 18 July 2017, 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 at the Latest Practicable Date, 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. Following the fulfilment of all the conditions of the Share Purchase Agreement, Completion took place on 15 August 2017.

Prior to Completion, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any Shares in the share capital or voting rights of the Company. Immediately upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned 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, 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 Latest Practicable Date, 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, as at the Latest Practicable Date.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the 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.

We, Goldin Financial Limited, have been appointed by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

Apart from the normal professional fees for our services to the Company in connection with the engagements described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We have not acted, within the past two years, as an independent financial adviser or a financial adviser to the Company. As at the Latest Practicable Date, we are not aware of any relationships or interests between us and the Group, the Offeror, their respective substantial shareholders, directors or chief executive, their respective associates, or any party acting in concert with any of them that could reasonably be regarded as relevant to our independence. We are independent under Rule 13.84 of the Listing Rules and under the Takeovers Code to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Offer.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Joint Announcement, the annual report of the Company for the year ended 31 March 2016 (the "**Annual Report 2016**") and the annual report of the Company for the year ended 31 March 2017 (the "**Annual Report 2017**"). We have relied on the statements, information and representations contained or referred to in the Composite Document and the information provided and representations made to us by the Directors and the management of the Company. We have assumed that all the statements, information and representations contained or referred to in the Composite Document and all the information provided and representations made by the Directors and the management of the Company for which they are solely responsible, are true and accurate in all material respects as at the Latest Practicable Date and Shareholders will be notified of material changes, if any, as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the Directors and the management of the Company. We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld; nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, incorrect or misleading. We have not, however, carried out any independent verification of the information provided; nor have we conducted any independent investigation into the business and affairs of the Group and the Offeror.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations on the Offer to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background information of 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.

1.1 Financial overview of the Group

Set out in Table 1 below is a summary of the audited financial information of the Group for each of the three financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 as extracted from the Annual Report 2016 and the Annual Report 2017, respectively.

Table 1: Financial highlights of the Group

	For the year ended 31 March		
	2017	**2016**	**2015**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue	495,390	522,851	585,027
(Loss)/profit for the year attributable to owners of the Company	(22,220)	(22,537)	793

	As at 31 March		
	2017	**2016**	**2015**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	105,687	181,983	205,168
Current assets	383,723	314,326	326,191
Current liabilities	153,041	134,207	142,095
Net current assets	230,682	180,119	184,096
Non-current liabilities	12,465	14,781	16,183
Net assets	323,904	347,321	373,081

For the year ended 31 March 2016

For the year ended 31 March 2016, the Group recorded revenue of approximately HK$522.85 million, representing a decrease of approximately 10.63% as compared to approximately HK$585.03 million as recorded in the previous year. Based on the Annual Report 2016, the decrease in revenue was primarily due to weakened global market demand in particular the decrease of demand from both the European and Asian markets, which outweighed the recovery of demand from the American market.

The Group recorded loss attributable to owners of the Company of approximately HK$22.54 million for the year ended 31 March 2016, against the profit attributable to owners of the Company of approximately HK$0.79 million as recorded in the previous year. With reference to the Annual Report 2016, we noted that such loss was mainly the result of (i) the drop in gross profit of approximately HK$13.70 million due to the decreased revenue as elaborated above; (ii) an impairment loss recognised in respect of certain plant and equipment of approximately HK$10.0 million; (iii) an unrealised loss arising from the fair value change of equity securities held for trading of approximately HK$2.73 million due to the significant drop of the fair value of such securities due to the surge in market volatility during the year; (iv) the loss on disposal of machinery of approximately HK$1.12 million; and (v) the loss on exchange difference of approximately HK$1.01 million.

As at 31 March 2016, the net current assets and net assets of the Group amounted to approximately HK$180.12 million and approximately HK$347.32 million, respectively.

For the year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded revenue of approximately HK$495.39 million, representing a decrease of approximately 5.25% as compared to approximately HK$522.85 million as recorded in the previous year. Based on the Annual Report 2017, it is noted that the Group continued to face the weakened global market demand for its products and services.

The Group recorded loss attributable to owners of the Company of approximately HK$22.22 million for the year ended 31 March 2017, which has reduced by approximately 1.42% as compared to the loss attributable to owners of the Company of approximately HK$22.54 million as recorded in the previous year. With reference to the Annual Report 2017, we noted that such loss was mainly resulting from (i) an impairment loss recognised in respect of certain plant and equipment of approximately HK$14.15 million; and (ii) the increase in the administrative expenses incurred during the year of approximately HK$11.76 million.

As at 31 March 2017, the net current assets and net assets of the Group amounted to approximately HK$230.68 million and approximately HK$323.90 million, respectively.

1.2 Prospect and outlook of the Group

The Group is a major Original Design Manufacturing (ODM) supplier of world-leading brand owners, who will then resell the Group's products to beauty supply retailers and wholesalers, chain stores, mass merchandisers, warehouse clubs, catalogues and grocery stores. As stated in the Annual Report 2017, the Group expects to face new challenges in 2017 including rising raw material costs, persistent shortage of skilled labour in China which leads to significant increase in labour costs, increasing governmental taxes and fees, rising manufacturing costs in China, shortening life cycles of consumer electronic products and the volatile capital markets and currency fluctuations, all of which have contributed to the lack of sales growth momentum and low margins in recent years.

As China remains the Group's major production centre, we have performed research on the public domain in respect of the general outlook of the manufacturing sector in China. Based on the statistics available from the State Council of the PRC (http://www.gov.cn/shuju/index.htm), the manufacturing sector has demonstrated a stable growth ranging from about 5.4% to 7.6% during the period from 2015 and up to June 2017, representing a slowdown against the manufacturing growth recorded for the year 2014 which ranged from about 6.9% to 9.2%. According to the National Bureau of Statistics of the PRC, the Purchasing Managers' Indexes (PMI), an indicator of economic health of the manufacturing sector, amounted to 51.4% in July 2017, which approximates to the average PMI of approximately 51.5% as recorded in the first half of 2017, suggesting a weak growth in the manufacturing sector in the PRC. With reference to 中國製造業走向2025 (China's Manufacturing Industry 2025*) (the "**Report**") published in 2015 by 中國電子信息產業發展研究院 (The China Center for Information Industry Development), a direct affiliate under 中華人民共和國工業和

信息化部 (Ministry of Industry and Information Technology of the PRC), the manufacturers in China were facing internal challenges mainly arising from the surge in labour costs which has increased by 2.7 times as recorded in 2014 as compared to a decade ago, and the rising raw material costs as well as logistic costs, all together contributed to the increase in total production cost. The Report further discussed the need for transformation from traditional manufacturing into automated manufacturing such that the manufacturing process will be less dependent on labours. According to "An analysis of manufacturing labour costs in China", a research report published by The Economist Intelligence Unit, a business unit within The Economist Group which is a global well-known publisher providing advisory services on country, industry and management perspective through research and analysis, it was found that China has seen rapid growth in manufacturing labour costs since 2000, which had reached an estimate of US$2.1 per hour in 2012 at the national level, compared with an estimate of US$0.4 per hour in 2000, showing an average annual growth of approximately 14.82%. It is anticipated that the manufacturing labour costs in China will continue to increase steeply by 2020. Based on "China Manufacturing 2025" issued in 2017, a study conducted by The European Union Chamber of Commerce in China, a non-profit organisation founded in Beijing in 2000, the weak innovation capacity combined with a low rate of scientific research achievements has led to a very short average lifespan for many small and medium-sized enterprises in China, which further emphasised the importance of production automation through the utilisation of information technology in the near future.

On the other hand, we have also reviewed the market demand for the Group's products. Based on the Annual Report 2016 and Annual Report 2017, we noted that most of the Group's customers are from European countries. As advised by management of the Company, we understand that the Company exports its products from the PRC where they are manufactured. Accordingly, we have looked at the recent trade statistics in respect of exports of relevant goods and products to the European countries by PRC exporters. With reference to the statistics generated from the export helpdesk of the European Commission (http://exporthelp.europa.eu/thdapp/index.htm), an institution of the European Union, it is noted that the total value of electric appliances including but not limited to electrothermic hairdressing apparatus such as hairdryers, hair curlers and curling tong heaters imported from the PRC to the European Union member countries has dropped from approximately 4.60 billion euro in 2015 to approximately 4.51 billion euro in 2016, representing a decrease of approximately 1.96%. In particular, we noted that the imported value of such products from the PRC to the principal European countries which the Group currently exports to, dropped from approximately 3.08 billion euro in 2015 to approximately 2.99 billion euro in 2016, representing a decrease of approximately 2.92%.

Considering the slowing down of growth and the gradual phasing out of traditional manufacturing process, we consider the prospect of the manufacturing industry which the Group is currently operating in is uncertain. In light of the overall decreasing value of electronic products exported to European countries, being the Group's major source of customers, and coupled with the economic turmoil in Europe, it is expected that the sales of the Group's products will remain challenging.

In view of the challenging operating environment faced by the Group and in order to stay competitive, the Group has been strategically transforming itself from a labour-intensive operation into a more capital-intensive enterprise by investing in new technologies including the upgrade of equipments and machineries for production automation to improve production efficiency and develop new and innovative products with strong value-added features to boost its margins.

Despite the active approach taken/to be implemented by the Company to turnaround the unsatisfactory financial performance as seen from the slowing down of sales growth and the consecutive loss of the Group for each of the two years ended 31 March 2017, given the rising cost of production and keen competition in the manufacturing industry in China and the ever changing business environment, we consider that it is uncertain as to the prospect of the Group and the time required for its transformation from the current labour-intensive operation into capital-intensive operation and as to the effect on the financial performance of the Group to be reflected from implementation of such business strategy.

2. Principal terms of the Offer

Octal Capital, for and on behalf of the Offeror, is making the Offer to acquire all of the Offer Shares 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 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 in respect of their respective Shares.

The Offer Price of HK$1.6 represents:

(i) a premium of approximately 24.5% over the closing price of HK$1.285 per Share as quoted on the Stock Exchange on 17 July 2017, being the Last Trading Day (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend);

(ii) a premium of approximately 21.3% over the average closing price of approximately HK$1.319 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend);

(iii) a premium of approximately 22.6% over the average closing price of approximately HK$1.305 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend);

(iv) a premium of approximately 20.8% over the average closing price of approximately HK$1.325 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend);

(v) the same as the closing price of HK$1.600 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a premium of approximately 13.6% over to the closing price of HK$1.408 per Share as quoted on the Stock Exchange on 27 April 2017, being the last trading day for the Shares prior to the commencement of the Offer Period (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend);

(vii) a premium of approximately 120.1% over the audited consolidated net asset value attributable to the Shareholders of approximately HK$0.727 per Share as at 31 March 2017, being the date of which the latest audited financial results of the Group were made up; and

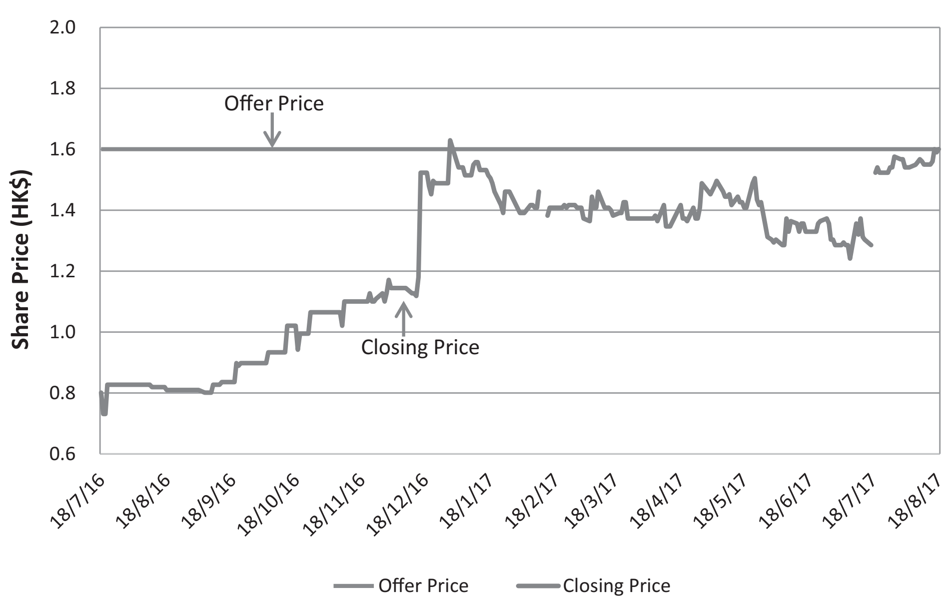
(viii) a premium of approximately 211.3% over the adjusted audited consolidated net asset value attributable to the Shareholders of approximately HK$0.514 per Share after adjustment of the Special Interim Dividend as at 31 March 2017, being the date of which the latest audited financial results of the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

To assess the fairness and reasonableness of the Offer Price, we have primarily made reference to (i) the historical Share price performance; and (ii) the market valuations of comparable companies listed on the Stock Exchange.

Historical Share price performance

Chart 1 below sets out the daily closing prices of the Shares on the Stock Exchange for the period from 18 July 2016 (being the first trading day of the 12-month period ending on the date of the Joint Announcement) up to and including the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period which covers a full year prior to the date of the Joint Announcement represents a reasonable period to provide a general overview of the recent Share price performance when assessing the fairness and reasonableness of the Offer Price. The closing prices of the Shares prior to 10 August 2017, being the first day of trading on ex-entitlement basis as a result of the Special Interim Dividend, have been adjusted on ex-entitlement basis.

Chart 1: Share price performance against the Offer Price during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. *The trading of Shares was halted at 9:00 a.m. on 13 February 2017 pending the release of an announcement pursuant to Rule 3.7 of the Takeovers Code and trading of Shares was resumed on 14 February 2017.*

2. *The trading of Shares was halted at 10:05 a.m. on 28 April 2017 pending the release of an announcement pursuant to Rule 3.7 of the Takeovers Code and trading of Shares was resumed on 2 May 2017.*

3. *The trading of Shares was halted at 9:00 a.m. on 18 July 2017 pending the release of the Joint Announcement and trading of Shares was resumed on 19 July 2017.*

As shown in Chart 1 above, the closing prices of the Shares during the Review Period were traded within a range from the lowest adjusted closing price at HK$0.731 per Share on 19 and 20 July 2016 to the highest adjusted closing price of HK$1.629 per Share on 30 December 2016 with an average closing price per Share of approximately HK$1.238. The Offer Price of HK$1.6 represents a premium of approximately 118.88% over the lowest adjusted closing price, a discount of approximately 1.78% to the highest adjusted closing price and a premium of approximately 29.24% over the average closing price during the Review Period, respectively. As observed from Chart 1, the Shares were traded in a general upward trend from the beginning of the Review Period with a surge in December 2016 and reached its peak at HK$1.629 on 30 December 2016. We noticed that on 16 December 2016, the Company published an announcement pursuant to Rule 3.7 of the Takeovers Code (the "**R3.7 Announcement**") in relation to a possible mandatory general offer. Save for the R3.7 Announcement, the Company did not publish any price sensitive information in December 2016 which might have impacted the Share price. We consider the surge in Share prices in December 2016 were due to market speculation on the potential takeover and further development of the Group after a change in control. Thereafter, the closing price of the Shares showed a gradually decreasing pattern up to the Last Trading Day. Trading of the Shares was suspended on 18 July 2017 pending the release of the Joint Announcement. With the Shares resumed trading on 19 July 2017 following the publication of the Joint Announcement on 18 July 2017, the adjusted closing price of the Shares surged by approximately 18.52% from HK$1.285 on the Last Trading Day to HK$1.523 on 19 July 2017. During the period from 19 July 2017 and up to the Latest Practicable Date, the Shares were traded within the range of HK$1.523 to HK$1.60 with an average of approximately HK$1.553. We have enquired with the management of the Company regarding the possible reasons for the significant increase in Share price after the publication of the Joint Announcement and we were advised that save for the Offer and the declaration of the Special Interim Dividend by the Company, they were not aware of any matters which might have an impact on the Share price. As such, we consider the significant increase in Share price following the publication of the Joint Announcement was primarily due to market reaction on the Offer and the declaration of the Special Interim Dividend as disclosed in the Joint Announcement.

Taking into account that the Offer Price represents (i) a premium of approximately 29.24% over the average closing price of the Shares during the Review Period; and (ii) 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, we consider that the Offer Price is fair and reasonable.

Comparison with other comparable companies

In further assessing the fairness and reasonableness of the Offer Price, we have carried out comparable analysis to compare the Offer Price against the market valuation of other comparable companies using the commonly adopted valuation method including price-to-earnings ratio and price-to-book ratio. Given that the Group recorded a loss attributable to owners of the Company of approximately HK$22.22 million for the year ended 31 March 2017, we consider the price-to-earnings ratio analysis to be inapplicable. Accordingly, we have performed the price-to-book ratio ("**PBR**") analysis in evaluating the Offer Price.

We noticed that the Group has a single operating segment, being the design, manufacture and sale of electrical haircare products. We have attempted to identify comparable companies listed on the Main Board of the Stock Exchange which are engaged in the same line of business as the Group. Based on the aforesaid criteria, we cannot identify any listed company which is principally engaged in the design, manufacture and sale of electrical haircare products. Taking into account the uniqueness of the principal business of the Group, we have extended our selection criteria to include companies which (i) are engaged in manufacture and/or sale of electrical household appliances; (ii) derived over 50% of revenue from the manufacture and/or sale of electrical household appliances (the "**Relevant Principal Business**") as disclosed in their latest respective published annual reports; and (iii) have market capitalisation between HK$500 million to HK$2,000 million as at the Latest Practicable Date. In this regard, we have, to the best of our knowledge and on a best-effort basis, identified an exhaustive list of five comparable companies (the "**Comparables**") based on our research on the website of the Stock Exchange. Since the Comparables are principally engaged in similar business as the Group such that the fundamentals of the Comparables and the Group are in general affected by similar factors including but not limited to, global economy and industry outlook, cost of raw materials and manpower and demand from customers, we consider that the Comparables are fair and representative samples for comparison purpose and are relevant in assessing the fairness and reasonableness of the Offer Price. Set out in Table 2 below are a summary of the Comparables.

Table 2: Summary of the Comparables

Company name (Stock code)	**Principal business**	**Portion of revenue derived from the Relevant Principal Business** *Approximate*	**Net assets attributable to equity holders** *(Note 1)* *Approximate (HK$ million)*	**Market capitalisation as at the Latest Practicable Date** *(Note 2)* *Approximate (HK$ million)*	**PBR** *(Note 3)* *Approximate (times)*
Raymond Industrial Limited (229)	Manufacture and sale of electrical home appliances	100%	571.89	529.32	0.93
Allan International Holdings Limited (684)	Design and manufacturing of a wide range of household electrical appliances	100%	1,118.19	811.75	0.73
The Grande Holdings Limited (186)	Distribution of household appliances and consumer electronic products and licensing of trademarks	80.21%	222.00	1,455.44	6.56
Kin Yat Holdings Limited (638)	Design, manufacture and sale of electrical and electronic products, motors and materials primarily for use in panel display, the exploration, processing and sale of mineral products and real estate development	70.15%	955.14	894.32	0.94
Huiyin Smart Community Co., Limited (1280)	Retail and bulk distribution sales of household appliances, e-commerce and import merchandise business in the PRC	53.76%	361.46 *(Note 4)*	1,409.47	3.90
			Average	2.61	
			Maximum	6.56	
			Minimum	0.73	
The Company (464)	Design, manufacture and sale of electrical haircare products		228.93	713.03 *(Note 5)*	3.11 *(Note 6)*

Notes:

1. *Based on the net assets attributable to equity holders as disclosed in the respective latest published annual results of the Comparables.*

2. *Based on the respective closing share prices of the Comparables multiplied by the respective number of issued shares as at the Latest Practicable Date.*

3. *Based on the respective market capitalisation of the Comparables as at the Latest Practicable Date and divided by the respective net assets attributable to equity holders.*

4. *The figure is presented in Renminbi (RMB) in the annual report which has been converted into HK$ based on an illustrative exchange rate of RMB1.00 to HK$1.15.*

5. *Calculated based on the Offer Price of HK$1.6 per Offer Share.*

6. *The PBR of the Offer was computed based on the Offer Price of HK$1.6 multiplied by the number of issued Shares of 445,646,000 Shares as at the Latest Practicable Date and then divided by the adjusted audited consolidated net assets attributable to owners of the Company of approximately HK$228.93 million as at 31 March 2017 after adjustment of the Special Interim Dividend.*

As shown in Table 2 above, the PBRs of the Comparables range from approximately 0.73 times to approximately 6.56 times, with an average PBR of approximately 2.61 times. The PBR of the Offer of approximately 3.11 times is above the average PBR of the Comparables and is within the PBRs range of the Comparables. As such, we consider that the Offer Price is fair and reasonable.

3. Background and intention of the Offeror

Information of the Offeror

The Offeror is an investment holding company incorporated in the BVI 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. As at the Latest Practicable Date, the directors of the Offeror are Mr. Liu, Ms. Lee Yuk Ying and Mr. Hao Yiming.

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 rationalisation, 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 Latest Practicable Date, 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. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate. The biographic details of the nominees for appointment as Directors are set out in the "Letter from Octal Capital".

As set out in the above, it is expected that there will not be material change in the business of the Company as the Offeror intends to continue the existing principal business of the Group.

RECOMMENDATIONS

Based on the above principal factors and reasons as set out in this letter, which are summarised as below:

(i) the Group recorded loss attributable to owners of the Company for two consecutive years ended 31 March 2016 and 31 March 2017;

(ii) the prospects and outlook of the Group is uncertain given the rising production cost and keen competition of the manufacturing sector in China;

(iii) the Offer Price represents (a) a premium of approximately 29.24% over the average closing price of the Shares during the Review Period and (b) 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; and

(iv) the PBR of the Offer is above the average PBR of the Comparables and is within the range of the PBRs of the Comparables,

we are of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, accept the Offer.

Independent Shareholders who wish to realise their investment in the Shares should monitor the Share price performance. Should the market price of the Shares exceed the Offer Price, those Independent Shareholders who wish to accept the Offer should consider realising all or part of their investments in the market instead of accepting the Offer if the net proceeds from the sale of such Shares in the market exceed the net amount receivable under the Offer. However, those Shareholders who are confident in the future prospects of the Group should consider retaining some or all of their interest in the Shares.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

Note: Mr. Billy Tang is a licensed person registered with the SFC and a responsible officer of Goldin Financial Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance profession.

PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of the Shares in respect of which you intend to accept the Offer by post or by hand to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, marked "**Kenford Group Holdings Limited – Offer**" on the envelope as soon as possible but in any event so as to reach the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce as a result of a revision or an extension of the Offer in accordance with the Takeovers Code, if any.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:

  (i) lodge your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, and with instructions authorizing it to accept the Offer on your behalf and request it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or

  (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar by no later than 4:00 p.m. on the Closing Date; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC Nominees Limited.

(c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and signed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Octal Capital and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

(e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine in compliance with the requirements of the Takeovers Code and announce, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other document(s) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Independent Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(f) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(g) The address of the Registrar, Computershare Hong Kong Investor Services Limited, is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer has previously been revised with the consent of the Executive, all Form of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon.

If the Offer is extended or revised, the announcement of such extension or revision will state the next Closing Date and the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification and/or announcement of the extension or revision to the Independent Shareholders and, unless previously extended or revised, shall close on the subsequent Closing Date. If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer as so extended.

ANNOUNCEMENTS

(a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating whether the Offer has been revised or extended or has expired. The announcement will state the following:

   (i) the total number of Shares and rights over Shares (if any) for which acceptances of the Offer have been received;

   (ii) the total number of Shares and rights over Shares (if any) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period (as defined under the Takeovers Code); and

   (iii) the total number of Shares and rights over Shares (if any) acquired or agreed to be acquired during the Offer Period by the Offeror or parties acting in concert with it.

The announcement must include details of any relevant securities in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

(b) In computing the total number of Offer Shares represented by acceptances, only valid acceptances which are in all respects complete and in good order, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

(c) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Independent Shareholders or by their agent(s) on their behalves shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Independent Shareholders who have tendered acceptances of the Offer be granted the right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

SETTLEMENT

Provided that the Form of Acceptance and/or the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date for the acceptance of the Offer, a cheque for the amount representing the cash consideration due to each accepting Independent Shareholder in respect of the Shares tendered by him/her or his/her agent(s) under the Offer, less seller's ad valorem stamp duty payable by him/her in the case for tendered Shares, will be despatched to each accepting Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the date of receipt of duly completed acceptances by the Registrar.

Save for payment of stamp duty set out above, settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

If the Offer is withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the relevant Independent Shareholders who have tendered acceptances to the Offer.

No fraction of a cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

OVERSEAS SHAREHOLDERS

The making of the Offer to or the acceptance thereof by a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. The Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdictions and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consent and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdictions). The Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties by whomsoever payable in respect of all relevant jurisdictions.

Acceptances of the Offer by any Overseas Shareholders will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws. The Overseas Shareholders are recommended to seek professional advice on deciding whether to accept the Offer.

GENERAL

(a) All communications, notices, Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents through post at their own risk, and none of the Company, the Offeror, Octal Capital, the Registrar or any of their respective directors or agents or other parties involved in the Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

(c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(d) The Offer and all acceptances under the Offer will be governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form of Acceptance will constitute an authority to any director of the Offeror, Octal Capital or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, Octal Capital or such person or persons as it may direct the Shares, in respect of which such person has accepted the Offer.

(f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Octal Capital that the Shares held by such person or persons to be acquired under the Offer are sold by any such person or persons free from all third party rights, liens, charges, equities, options, claims, adverse interests and encumbrances and together with all rights attaching thereto as at the date on which the Offer is made including the right to receive in full all dividends or other distributions that may be declared, made or paid by the Company on or after the date on which the Offer is made.

(g) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and, or revision thereof.

(h) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it has indicated in the relevant Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who are accepting the Offer.

(i) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts in case of inconsistency.

I. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated results of the Group for each of the three financial years ended 31 March 2015, 2016 and 2017, as extracted from the accounts prepared in accordance with Hong Kong Financial Reporting Standards in the Company's annual report of final results for the year ended 31 March 2016 and 2017:

	Year ended 31 March		
	2015	**2016**	**2017**
	(audited)	(audited)	(audited)
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Revenue	585,027	522,851	495,390
Profit/(loss) before income tax	2,684	(21,525)	(20,934)
Income tax expense	(1,891)	(1,012)	(1,286)
(Loss)/profit for the year attributable to owners of the Company	793	(22,537)	(22,220)
Profit/(loss) and total comprehensive income/(loss) attributable to Owners of the Company	9,401	(29,457)	(23,417)
Basic earnings/(loss) per share	0.181	(5.069)	(4.986)
Diluted earnings/(loss) per share	0.181	(5.062)	(4.986)
Dividends	–	–	–

	As at 31 March		
	2015	**2016**	**2017**
	(audited)	(audited)	(audited)
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Non-current Assets	205,168	181,983	105,687
Current Assets	326,191	314,326	383,723
Current liabilities	142,095	134,207	153,041
Net current assets	184,096	180,119	230,682
Non-current liabilities	16,183	14,781	12,465
Net assets	373,081	347,321	323,904
Capital and reserves			
Share capital	439	446	446
Share premium and reserve	372,642	346,875	323,458
Total Equity	373,081	347,321	323,904

The auditors of the Company, Deloitte Touche Tohmatsu, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the respective financial statements of the Group for the three years ended 31 March 2015, 2016 and 2017, and the Company had no items which are exceptional or extraordinary because of size, nature or incidence for the same financial years.

II. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2017

Set out below are the audited consolidated financial statements of the Group for the year ended 31March 2017 which are contained in the Company's annual report published on 10 July 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

		2017	2016
	NOTES	*HK$'000*	*HK$'000*
Revenue	*5*	495,390	522,851
Cost of sales		(415,912)	(455,665)
Gross profit		79,478	67,186
Other income, gains and losses	*7*	6,289	882
Impairment loss recognised in respect of property, plant and equipment		(14,146)	(10,001)
Impairment loss recognised in respect of goodwill		(1,403)	–
Distribution costs		(6,752)	(7,327)
Administrative expenses		(83,372)	(71,613)
Finance income		364	661
Finance costs	*8*	(1,392)	(1,313)
Loss before taxation		(20,934)	(21,525)
Income tax expense	*9*	(1,286)	(1,012)
Loss for the year attributable to owners of the Company	*10*	(22,220)	(22,537)

	NOTES	2017 HK$'000	2016 HK$'000
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		6,256	1,598
Income tax relating to item that will not be reclassified		2,638	(79)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(10,091)	(8,439)
Other comprehensive expense for the year		(1,197)	(6,920)
Total comprehensive expense for the year attributable to owners of the Company		(23,417)	(29,457)
Basic loss per share *(HK cents)*	14	(4.986)	(5.069)
Diluted loss per share *(HK cents)*	14	(4.986)	(5.062)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	100,651	176,169
Prepaid lease payments	16	3,163	3,442
Deposits paid for acquisition of property, plant and equipment		1,873	969
Goodwill	17	–	1,403
		105,687	181,983
Current assets			
Inventories	18	60,792	72,633
Trade and bills receivables	19	142,547	117,765
Deposits, prepayments and other receivables		12,872	13,673
Tax recoverable		1,816	794
Investments held for trading	20	5,909	5,458
Bank balances and cash	21	106,707	104,003
		330,643	314,326
Assets classified as held for sale	22	53,080	–
		383,723	314,326

	NOTES	2017 HK$'000	2016 HK$'000
Current liabilities			
Trade payables	23	65,159	60,759
Accruals and other payables		32,784	20,326
Provision for onerous contract	24	–	442
Bank borrowings	25	49,811	46,998
Tax liabilities		5,287	5,682
		153,041	134,207
Net current assets		230,682	180,119
Total assets less current liabilities		336,369	362,102
Non-current liabilities			
Deferred tax liabilities	26	12,465	14,781
Net assets		323,904	347,321
Capital and reserves			
Share capital	27	446	446
Share premium and reserves		323,458	346,875
Total equity		323,904	347,321

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Properties revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Share options reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2015	439	58,873	942	81,606	18,889	536	211,796	373,081
Loss for the year	–	–	–	–	–	–	(22,537)	(22,537)
Other comprehensive income (expense) for the year	–	–	–	1,519	(8,439)	–	–	(6,920)
Total comprehensive income (expense) for the year	–	–	–	1,519	(8,439)	–	(22,537)	(29,457)
Issue of shares upon exercise of share options	7	4,226	–	–	–	(536)	–	3,697
At 31 March 2016	446	63,099	942	83,125	10,450	–	189,259	347,321
Loss for the year	–	–	–	–	–	–	(22,220)	(22,220)
Other comprehensive income (expense) for the year	–	–	–	8,894	(10,091)	–	–	(1,197)
Total comprehensive income (expense) for the year	–	–	–	8,894	(10,091)	–	(22,220)	(23,417)
At 31 March 2017	446	63,099	942	92,019	359	–	167,039	323,904

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	(20,934)	(21,525)
Adjustments for:		
Depreciation of property, plant and equipment	11,697	16,313
Amortisation of prepaid lease payments	90	95
Loss on disposal of property, plant and equipment	–	1,118
Impairment loss recognised in respect of property, plant and equipment	14,146	10,001
Impairment loss recognised in respect of goodwill	1,403	–
Change in fair value of investments held for trading	270	4,747
Provision for onerous contract	–	79
Finance income	(364)	(661)
Dividends from investment held for trading	(104)	–
Allowance for inventories	6,673	895
Finance costs	1,392	1,313
Operating cash flows before movements in working capital	14,269	12,375
Decrease in inventories	5,168	16,077
Increase in trade and bills receivables	(27,665)	(588)
Decrease in deposits, prepayments and other receivables	359	3,967
Increase in investments held for trading	(721)	(10,205)
Increase (decrease) in trade payables	5,372	(10,848)
Decrease in provision for onerous contract	(442)	(710)
Increase in accruals and other payables	13,108	405
Net cash generated from operations	9,448	10,473
Income tax (paid) refunded	(1,641)	370
NET CASH FROM OPERATING ACTIVITIES	7,807	10,843

	2017	2016
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Withdrawal of short-term bank deposit	–	2,524
Purchase of property, plant and equipment	(3,183)	(10,538)
Proceeds from disposal of property, plant and equipment	–	514
Deposits paid for acquisition of property, plant and equipment	(1,658)	(30)
Interests received	364	661
Dividends received from investments held for trading	104	–
NET CASH USED IN INVESTING ACTIVITIES	(4,373)	(6,869)
FINANCING ACTIVITIES		
New bank borrowings raised	160,415	151,375
Repayment of bank borrowings	(157,602)	(148,853)
Interests paid	(1,392)	(1,313)
Proceeds from exercise of share options	–	3,697
NET CASH FROM FINANCING ACTIVITIES	1,421	4,906
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,855	8,880
CASH AND CASH EQUIVALENTS AT 1 APRIL	104,003	96,920
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,151)	(1,797)
CASH AND CASH EQUIVALENTS AT 31 MARCH represented by bank balances and cash	106,707	104,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. General

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is Beaute Inc., a company incorporated in the British Virgin Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong is at 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.

The functional currency of the Company is United States dollars ("US$"), the currency of the primary economic environment in which the Company and its major subsidiaries operate. For the purpose of the preparation of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are presented in Hong Kong dollars ("HK$").

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

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

New and amendments to HKFRSs and interpretation in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle[5]

[1] *Effective for annual periods beginning on or after 1 January 2018.*

[2] *Effective for annual periods beginning on or after 1 January 2019.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for annual periods beginning on or after 1 January 2017.*

[5] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are related to the impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under Hong Kong Accounting Standard ("HKAS") 39 "Financial instruments: Recognition and measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have material impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect of HKFRS 9 until the directors of the Company perform a detailed review.

HKFRS 15 "Revenue from contracts with customers"

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, HKFRS 15 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.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may not have material impact on the amounts reported. However, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned used and those classified as investment property while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, although the Group, as lessee, has no non-cancellable operating lease commitment as disclosed in note 31, any further leases entered into in the future may meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company perform a detailed review.

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 April 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as disclosed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and interpretation in issue but not yet effective will have no material impact on the consolidated financial statements.

3 Significant accounting policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings and investments held for trading, which are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represented the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Property, plant and equipment

Property, plant and equipment other than leasehold land and buildings and construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on revaluation of such leasehold land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or fair value of items of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire lease is generally classified as a finance lease and accounted for as land and building under property, plant and equipment.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "translation reserve".

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition of assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and costs necessary to make the sale.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets include loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL, of which interest income is included in net gain or losses.

Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other income, gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 34.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For loans and receivables, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Impairment on tangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value on use (if determinable) and zero. The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro rata to other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment

Determining whether an item of property, plant and equipment is impaired requires an estimate of the recoverable amount of the relevant cash-generating unit to which the asset belongs, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. Details of the recoverable amount calculation for the cash-generating units in respect of property, plant and equipment are set out in note 15.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of goodwill are set out in note 17.

Allowance for inventories

The Group performed monthly inventory counts to identify defective or obsolete inventories. Management determined the provision for slow-moving inventories based on inventory ageing which is by applying a certain percentage to the inventories aged over a specific period of time and applied judgement to make specific provision for long aged inventories. Management also applied judgement in determining the estimated selling price less cost to sell based on historical experience of selling products and expectation of future sales based on current market conditions and available information. As at 31 March 2017, the carrying amount of inventories was HK$60,792,000 (2016: HK$72,633,000).

Allowance for bad and doubtful debts

When there is objective evidence of impairment loss, management of the Group takes into consideration the estimation of future cash flows (details please refer to accounting policies in note 3) to determine allowance for trade receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of allowance for bad and doubtful debts on trade receivables are set out in note 19.

5. Revenue

The Group is principally engaged in the design, manufacture and sale of electrical haircare products. Revenue represents the fair value of amounts received and receivable from sale of electrical haircare products.

6. 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.

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.

Geographical information

The Group's revenue is mainly derived from customers located in Europe, Asia, North and South America, Australia and Africa 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	
	2017	**2016**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Europe	252,424	258,311	–	–
Asia	181,853	191,913	105,687	181,983
North and South America	54,236	63,115	–	–
Australia	5,002	7,042	–	–
Africa	1,875	2,470	–	–
	495,390	522,851	105,687	181,983

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:

	2017	**2016**
	HK$'000	*HK$'000*
Customer A	213,653	249,309
Customer B	75,087	81,249
Customer C	N/A*	53,115

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

7. Other income, gains and losses

	2017 *HK$'000*	2016 *HK$'000*
Other income:		
Compensation received in respect of cancelled orders	2,692	3,012
Mould income	1,081	1,517
Written off of other payables	851	–
Sales of samples	526	–
Government grants *(Note)*	617	33
Penalty from vendors for bad quality or late delivery	331	302
Sundry income	313	249
	6,411	5,113
Other gains and losses:		
Net foreign exchange loss	(398)	(1,012)
Net fair value change in investments held for trading	(166)	(2,732)
Reversal of provision for onerous contract	442	631
Loss on disposal of property, plant and equipment	–	(1,118)
	(122)	(4,231)
Total other income, gains and losses	6,289	882

Note: Amount represents subsidies received as compensation for expenses incurred during the year ended 31 March 2016 and 2015. There is no conditions attached to the subsidies granted to the Group and the grants are not related to capital expenditures.

8. Finance costs

	2017	2016
	HK$'000	*HK$'000*
Interests on:		
Trust receipt loans	1,392	1,306
Other bank borrowings	–	7
	1,392	1,313

9. Income tax expense

	2017	2016
	HK$'000	*HK$'000*
PRC Enterprise Income Tax:		
Current tax	2,204	1,775
Overprovision in prior years	(1,980)	(313)
	224	1,462
Deferred tax:		
Current year *(Note 26)*	1,062	(450)
	1,286	1,012

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%.

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 forwards for both years.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Loss before taxation	(20,934)	(21,525)
Taxation at the tax rate of 25% (2016: 25%)	(5,234)	(5,381)
Tax effect of expenses not deductible for tax purposes	3,235	34
Tax effect of income not taxable for tax purposes	(432)	–
Tax effect of tax exemptions granted *(Note)*	687	(441)
Overprovision in prior years	(1,980)	(313)
Tax effect of temporary differences not recognised	5,351	–
Tax effect of tax losses not recognised	1,257	3,713
Tax effect of utilisation of tax losses previously not recognised	(1,907)	(43)
Effect of different tax rates of subsidiaries operating in other jurisdictions	490	3,093
Others	(181)	350
Income tax expense	1,286	1,012

Note: Amount mainly represents the tax effect of the 50% of assessable profit/loss of a wholly-owned subsidiary of the Company, Kenford Industrial Company Limited ("Kenford Industrial"), which is exempted under Departmental Interpretation and Practice Notes No. 21 (Revised 2009) issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of manufacturing profit/loss as offshore profit/loss.

10. Loss for the year

	2017	2016
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Auditor's remuneration	830	782
Amortisation of prepaid lease payments	90	95
Depreciation of property, plant and equipment	11,697	16,313
Allowance for inventories (included in cost of sales)	6,673	895
Directors' emoluments *(note 11)*	23,143	14,193
Other staff costs:		
Salaries and allowances	107,748	124,012
Retirement benefits scheme contributions	5,847	6,450
Total staff costs	136,738	144,655
Costs of inventories recognised as expenses (included staff costs relevant to manufacturing processes)	371,042	454,770
Minimum lease payments in respect of rented properties	489	1,005

11. Directors' and chief executive officer's emoluments

The emoluments paid or payable to each of the five (2016: five) directors are as follows:

Year ended 31 March 2017

	Directors' fees	Salaries and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
Executive directors					
Lam Wai Ming	–	8,574	6,500	18	15,092
Tam Chi Sang	–	4,645	3,100	18	7,763
Independent non-executive directors					
Chiu Fan Wa	96	–	–	–	96
Choi Hon Keung	96	–	–	–	96
Li Chi Chung	96	–	–	–	96
Total	288	13,219	9,600	36	23,143

Year ended 31 March 2016

	Directors' fees	Salaries and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
Executive directors					
Lam Wai Ming	–	8,284	750	18	9,052
Tam Chi Sang	–	4,585	250	18	4,853
Independent non-executive directors					
Chiu Fan Wa	96	–	–	–	96
Choi Hon Keung	96	–	–	–	96
Li Chi Chung	96	–	–	–	96
Total	288	12,869	1,000	36	14,193

Note: The performance related incentive payments are determined having regard to the performance of individuals.

Mr. Lam Wai Ming is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The executive directors' emoluments shown above were mainly paid or payable for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly paid or payable for their services as directors of the Company.

During both years, no emoluments are paid by the Group to the directors as compensation for loss of office or an inducement to join or upon joining the Group. None of the directors has waived or agreed to waive any emoluments in both years.

12. Employee's emoluments

During the year ended 31 March 2017, of the five individuals with the highest emoluments in the Group, two (2016: two) were directors of the Company whose emoluments were included in the disclosures in note 11 above.

The emoluments of the remaining three (2016: three) individuals are as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	4,110	4,040
Contributions to retirement benefits schemes	54	54
	4,164	4,094

Their emoluments are within the band HK$1,000,001 – HK$1,500,000.

During both years, no emolument was paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Dividends

No dividend was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

14. Loss per share

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

	2017	2016
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	(22,220)	(22,537)

Number of shares

	'000	*'000*
Number of ordinary shares for the purpose of basic loss per share	445,646	444,636
Effect of dilutive potential ordinary shares – share options	–	561
Number of ordinary shares for the purpose of diluted loss per share	445,646	445,197

No diluted earnings per share is presented as there is no potential ordinary shares outstanding for the year ended 31 March 2017.

15. Property, plant and equipment

	Leasehold land and building in Hong Kong	Buildings in the PRC	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Moulds	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION									
At 1 April 2015	51,000	101,809	30,053	58,726	35,565	6,298	70,289	2,557	356,297
Additions	–	–	5,097	3,260	1,391	–	5,693	–	15,441
Disposals/written off	–	–	(1,301)	(11,492)	(397)	–	(119)	(318)	(13,627)
Transfer	–	–	–	–	–	–	2,109	(2,109)	–
Revaluation increase (decrease)	100	(2,072)	–	–	–	–	–	–	(1,972)
Exchange realignment	–	(5,203)	(1,172)	(1,164)	(831)	(112)	(188)	(130)	(8,800)
At 31 March 2016	51,100	94,534	32,677	49,330	35,728	6,186	77,784	–	347,339
Additions	–	–	433	808	1,034	–	1,662	–	3,937
Disposals/written off	–	–	–	(142)	(11)	–	–	–	(153)
Revaluation increase	1,980	882	–	–	–	–	–	–	2,862
Reclassified as held for sale	(53,080)	–	–	–	–	–	–	–	(53,080)
Exchange realignment	–	(5,240)	(1,273)	(1,183)	(858)	(118)	(303)	–	(8,975)
At 31 March 2017	–	90,176	31,837	48,813	35,893	6,068	79,143	–	291,930
Comprising:									
At cost	–	–	31,837	48,813	35,893	6,068	79,143	–	201,754
At valuation – 2017	–	90,176	–	–	–	–	–	–	90,176
	–	90,176	31,837	48,813	35,893	6,068	79,143	–	291,930
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 April 2015	–	–	17,461	42,786	28,301	5,088	68,130	334	162,100
Charge for the year	1,214	2,402	4,105	3,132	3,153	434	1,873	–	16,313
Eliminated on disposals/written off	–	–	(1,301)	(9,905)	(390)	–	(81)	(318)	(11,995)
Eliminated on revaluation	(1,214)	(2,356)	–	–	–	–	–	–	(3,570)
Impairment loss recognised in profit or loss	–	–	19	1,600	837	576	6,969	–	10,001
Exchange realignment	–	(46)	(391)	(447)	(506)	(102)	(171)	(16)	(1,679)
At 31 March 2016	–	–	19,893	37,166	31,395	5,996	76,720	–	171,170
Charge for the year	1,216	2,216	3,959	2,013	1,797	92	404	–	11,697
Eliminated on disposals/written off	–	–	–	(142)	(11)	–	–	–	(153)
Eliminated on revaluation	(1,216)	(2,178)	–	–	–	–	–	–	(3,394)
Impairment loss recognised in profit or loss	–	–	5,397	6,460	1,759	57	473	–	14,146
Exchange realignment	–	(38)	(621)	(524)	(645)	(111)	(248)	–	(2,187)
At 31 March 2017	–	–	28,628	44,973	34,295	6,034	77,349	–	191,279
CARRYING VALUES									
At 31 March 2017	–	90,176	3,209	3,840	1,598	34	1,794	–	100,651
At 31 March 2016	51,100	94,534	12,784	12,164	4,333	190	1,064	–	176,169

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings in Hong Kong	Over the unexpired lease terms
Buildings in the PRC	The shorter of the lease terms of the land use rights on which the buildings are located or 50 years
Leasehold improvements	The shorter of the lease terms or 5 years
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Moulds	20%

As at 31 March 2017, for the purposes of impairment testing, the carrying amounts of goodwill (details as set out in note 17) and property, plant and equipment have been allocated into individual cash generating unit ("CGU") in respect of production and sales of products to PRC customers ("Unit A"), amounting to HK$40,590,000 (2016: HK$49,442,000), and production and sales of products to customers outside PRC ("Unit B"), amounting to HK$74,207,000 (2016: HK$136,728,000).

During the year ended 31 March 2017, due to the change in customers' demand and preference for electrical haircare products, the management conducted a review of the recoverable amount of Unit A and determined that the recoverable amount is lower than the carrying amount of the unit. The recoverable amount of Unit A has been determined based on a value in use calculation. That calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period, and a discount rate of 15%. Unit A's cash flows beyond the 5-year period are extrapolated using a steady 2.5% growth rate. Other key assumption for the value in use calculation relates to the estimation of cash inflows/outflows which include budgeted revenue and gross profit margin during the forecast period, such estimation is based on the unit's historical performance and sales orders on hand. Based on the value in use calculation, an impairment of HK$1,403,000 has been recognised on goodwill, and the remaining impairment of HK$14,146,000 has been allocated to each category of plant and equipment on pro rata basis according to the carrying amounts of the assets in Unit A, except for buildings. The buildings located in the PRC, amounting to HK$18,035,000 as at 31 March 2017, which are used by Unit A, are measured at fair values with details set out below. The management believes that the costs of disposal of such buildings are insignificant and accordingly, no impairment has been recognised.

For the year ended 31 March 2016, the management conducted a review of the recoverable amount of Unit B and compared to its carrying amount for the purpose of impairment testing. Based on the assessment, the management determined that the recoverable amount, which is the higher of fair value less cost of disposal and value in use, of the plant and equipment of Unit B was minimal. As a result, full impairment was recognised on the plant and equipment of Unit B, amounting to HK$10,001,000. The leasehold land and buildings used by Unit B, amounting to HK$51,100,000 and HK$75,627,000 located in Hong Kong and the PRC, respectively, at 31 March 2016 were measured at fair values with details set out below. The management believed that the costs of disposal of such leasehold land and buildings were insignificant and accordingly, no impairment was recognised. During the year ended 31 March 2017, the management conducted a review of the recoverable amount of Unit B and determined that no reversal of impairment recognised in respect of assets allocated under Unit B is required.

Fair value measurement of the Group's leasehold land and buildings

As at 31 March 2016, the fair value of the Group's leasehold land and building in Hong Kong was determined by the directors using direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in the location and conditions of the properties under review. On 23 March 2017, Kenford Industrial entered into the "Agreement for Sale and Purchase" (the "Agreement") with an independent third party for the sale and purchase of the leasehold land and building at a consideration of HK$53,080,000. Pursuant to the terms set out in the Agreement, the completion of the Agreement is scheduled to take place on 8 June 2017 with an option for Kenford Industrial to defer the date of completion to a later date but in any event no later than 8 September 2017. Accordingly, the leasehold land and building in Hong Kong is revalued to its selling price at HK$53,080,000, which represents the lower of carrying amount and fair value less costs to sell of the assets, and reclassified to assets classified as held for sales at 31 March 2017. Details are set out in note 22.

The buildings in the PRC were valued on 31 March 2017 and 2016 by qualified valuers from an independent firm not connected to the Group, LCH (Asia-Pacific) Surveyors Limited, using depreciated replacement cost method.

In determining the fair value of the buildings located in the PRC, at the end of each reporting period, the chief financial officer ("CFO") works closely with the independent qualified professional valuers to establish and determine the appropriate valuation techniques and inputs to be used in determining the fair value of the properties. Discussion of valuation processes and results is held between CFO and the directors of the Company at least once a year.

The fair value of the buildings located in the PRC has been determined using the depreciated replacement cost method that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's leasehold land and buildings at revalued amount are categorised into level 3 of the fair value hierarchy.

The following table shows the valuation techniques used in the determination of fair values and unobservable inputs used in the valuation models.

Description	Fair value 2017 HK$'000	Fair value 2016 HK$'000	Valuation techniques	Unobservable inputs	Significant inputs	Relationship of unobservable inputs to fair value
Leasehold land and building in Hong Kong	Note	51,100	Direct comparison method	Market price per square feet	Adjusted price of HK$2,654 per square feet in average as at 31 March 2016	The higher the market price, the higher the fair value
Buildings in the PRC	90,176	94,534	Depreciated replacement cost method	Replacement cost per square meter	RMB438 to RMB1,515 (2016: RMB1,990 to RMB2,040) per square meter	The higher the replacement cost, the higher the fair value
				Discount factor	66% (2016: 68%) for buildings acquired in 1999 85% (2016: 87%) for buildings acquired in 2009	The higher the discount factor, the higher the fair value
	90,176	145,634				

Note: During the year ended 31 March 2017, the Group entered into the Agreement to sell the leasehold land and building, accordingly, the amount was reclassified to "asset classified as held for sale".

There were no transfers into or out of Level 3 during the year.

Had the buildings in the PRC been carried at cost less accumulated depreciation and accumulated impairment losses, their carrying values would have been HK$41,485,000 (2016: HK$49,774,000).

16. Prepaid lease payments

	2017	2016
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong	3,163	3,442

17. Goodwill

	2017	2016
	HK$'000	*HK$'000*
Carrying value	–	1,403

The amount in last year represented goodwill arising on the acquisition of interests in Kario Company Limited and its subsidiaries. Based on the impairment testing with details set out in note 15, the management determined that goodwill should be fully impaired during the year ended 31 March 2017.

18. Inventories

	2017	2016
	HK$'000	*HK$'000*
Raw materials	35,101	39,678
Work in progress	7,872	11,419
Finished goods	17,819	21,536
	60,792	72,633

19. Trade and bills receivables

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	140,059	115,650
Less: Allowance for bad and doubtful debts	(51)	(51)
	140,008	115,599
Bills receivables	2,539	2,166
Total trade and bills receivables	142,547	117,765

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.

	2017	2016
	HK$'000	*HK$'000*
0 – 60 days	66,319	81,093
61 – 120 days	26,602	34,921
121 – 365 days	49,159	1,598
Over 365 days	467	153
	142,547	117,765

The credit terms normally 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.

Before accepting any new customers, the Group assesses the potential customer's credit quality by reference to their historical settlement record and defines credit limits by customers on geographical basis. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. Included in the Group's trade and bills receivables balance is receivables with aggregate carrying amount of HK$98,459,000 and (2016: HK$95,464,000) which are neither past due nor impaired as the directors consider these amounts are of good credit quality and there are continuous subsequent settlements from customers.

Included in the Group's trade and bills receivables balance is debtors with aggregate carrying amount of HK$44,088,000 (2016: HK$22,301,000) which are past due at the end of the reporting period but for which the Group has not provided for impairment loss. The directors consider that these receivables are of good credit quality and there are continuous subsequent settlements from these customers. The Group does not hold any collateral over these balances.

Ageing of trade and bills receivables which are past due but not impaired

	2017	**2016**
	HK$'000	*HK$'000*
Overdue by:		
0 – 60 days	36,858	20,942
61 – 120 days	7,065	277
121 – 365 days	–	918
Over 365 days	165	164
Total	44,088	22,301

20. Investments held for trading

	2017	**2016**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at fair value	5,909	5,458

At the end of the reporting period, investments held for trading comprise equity listed in Hong Kong and their fair values are based on quoted market bid prices. Details are set out in note 34.

21. Bank balances and cash

The bank balances carry interests at market rates ranging from 0.01% – 4.34% (2016: 0.01% – 2.68%) per annum.

22. Assets classified as held for sale

On 23 March 2017, Kenford Industrial, a wholly-owned subsidiary of the Company, entered into the Agreement for the sale and purchase of the leasehold land and building at a consideration of HK$53,080,000. Pursuant to the terms of the Agreement, the completion of the Agreement is scheduled to take place on 8 June 2017 with the option for Kenford Industrial to defer the date of completion to a later date but in any event no later than 8 September 2017. Accordingly, the leasehold land and building have been classified as assets held for sale presented separately in the consolidated statement of financial position (see below). As at 31 March 2017, Kenford Industrial has received deposit and partial payment amounting to HK$5,380,000, which is included in "accruals and other payable" in the consolidated statement of financial position.

	2017
	HK$'000
Leasehold land and buildings classified as held for sale	53,080

23. Trade payables

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

	2017	**2016**
	HK$'000	*HK$'000*
0 – 60 days	57,950	52,715
61 – 120 days	3,993	5,863
121 – 365 days	2,132	1,486
Over 365 days	1,084	695
	65,159	60,759

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

24. Provision for onerous contract

	HK$'000
At 1 April 2015	1,073
Amount utilised during the year	(710)
Amount provided during the year	79
At 1 April 2016	442
Amount utilised during the year	**(442)**
At 31 March 2017	**–**

The amount as at 31 March 2016 represented the provision on onerous operating lease contract in relation to a hairstyle flagship shop of the Group. Management considered the unavoidable costs of meeting the obligation under such lease contract exceeded the economic benefits expected to be received under such lease contract.

25. Bank borrowings

	2017	**2016**
	HK$'000	*HK$'000*
Trust receipt loans – unsecured	49,811	35,465
Other bank borrowings – unsecured	–	11,533
	49,811	46,998
Carrying amount repayable within one year *(Note)*:	49,811	46,998
Carrying amount of bank borrowings repayable within one year which contain a repayable on demand clause and shown under current liabilities	49,811	46,998

Note: The amounts due are based on scheduled repayable dates set out in loan agreements.

The ranges of effective interest rates (which are same as the contracted interest rates) on the Group's bank borrowings are as follows:

	2017	2016
Effective interest rates:		
Variable-rate bank borrowings, Hong Kong Interbank Offered Rate ("HIBOR") + 2% to 2.25% or 1% below Prime Rate (2016: HIBOR + 2% to 2.25% or 1% below Prime Rate)	2.44% – 3.35%	2.12% – 2.96%

26. Deferred taxation

The followings are the major deferred tax liabilities and (assets) recognised and movements thereon during the current and prior years:

	Accelerated depreciation allowance for property, plant and equipment other than leasehold land and buildings	Provisions	Tax losses	Revaluation of leasehold land and buildings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	1,108	(815)	(1,036)	16,563	15,820
(Credit) charge to profit or loss *(Note 9)*	(481)	(61)	92	–	(450)
Charge to other comprehensive income	–	–	–	79	79
Exchange realignment	–	–	46	(714)	(668)
At 31 March 2016	627	(876)	(898)	15,928	14,781
(Credit) charge to profit or loss *(Note 9)*	(627)	876	–	813	1,062
Credit to other comprehensive income	–	–	–	(2,638)	(2,638)
Exchange realignment	–	–	–	(740)	(740)
At 31 March 2017	–	–	(898)	13,363	12,465

Under the PRC law, withholding tax is imposed on dividends declared to non-residents in respect of profits earned by subsidiaries in the PRC from 1 January 2008 onwards. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by subsidiaries in the PRC amounting to HK$82,936,000 (2016: HK$99,320,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of HK$47,925,000 (2016: HK$50,525,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$10,891,000 (2016: HK$10,891,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$37,034,000 (2016: HK$39,634,000) due to unpredictability of future profit streams. Included in unused tax losses are losses of HK$16,587,000 (2016: HK$23,625,000) that will expire in 2021 (2016: 2020). All other tax losses may be carried forward indefinitely.

27. Share capital

	Number of shares	**Nominal value**
	'000	*HK$'000*
Ordinary shares of HK$0.001 each:		
Authorised:		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	1,000,000	1,000
Issued and fully paid:		
At 1 April 2015	438,926	439
Issue of shares upon exercise of share options *(note)*	6,720	7
At 31 March 2016, 1 April 2016 and 31 March 2017	445,646	446

Note: During the year ended 31 March 2016, options were exercised to subscribe for 6,720,000 shares in the Company at a consideration of approximately HK$3,697,000 of which approximately HK$7,000 was credited to the share capital, approximately HK$536,000 was debited to share options reserve and the balance of approximately HK$4,226,000 was credited to the share premium.

28. Share-based payments

Equity-settled share option scheme

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to a resolution passed on 27 May 2005 for the primary purpose of providing incentives to directors and eligible employees, and will remain in force for a period of ten years. The Share Option Scheme was expired on 26 May 2015. A new share option scheme (the "New Share Option Scheme") was adopted pursuant to a resolution passed on 6 August 2015 for the primary purpose of providing incentives to directors and eligible employees, and will remain in force for a period of ten years.

Share Option Scheme

Under the Share Option Scheme, the Board of Directors (the "Board") may, at its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any adviser, consultant, supplier, customer and/or agent of the Group whom the Board considered have contributed or will contribute to the Group.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the nominal amount of all issued shares as at 16 June 2005, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted were exercisable from 22 February 2011 to 26 May 2015 (both days inclusive). The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

At 31 March 2015, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 6,720,000, representing 1.53% of the shares of the Company in issue at that date. On 26 May 2015, the outstanding share options were fully exercised.

In respect of the share options exercised during the year ended 31 March 2016, the weighted average share price and exercise price at the dates of exercise were HK$1.52 and HK$0.55 respectively.

New Share Option Scheme

Under the New Share Option Scheme, the Board may, at its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any adviser, consultant, supplier, customer and/or agent of the Group whom the Board considered have contributed or will contribute to the Group.

The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the nominal amount of all issued shares as at 6 August 2015, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted were exercisable from the date of grant to 5 August 2025 (both days inclusive). The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share option has been granted since the adoption of the New Share Option Scheme.

29. Retirement benefits schemes

The Group currently participates in MPF Scheme for all qualifying employees of the Group in Hong Kong. The Group follows the minimum contribution requirement of 5% of eligible employees' relevant aggregated income with a cap of HK$1,500 per month. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of the trustees.

The employees of the PRC wholly owned subsidiaries of the Group are required to participate in a defined contribution retirement benefit plan organised by the local municipal government in the PRC under which the subsidiaries and the employees are required to make monthly contributions to the plan calculated at 16% of the employees' average monthly salary in the preceding year.

The Group's contributions to the retirement benefits scheme charged to profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017 amounted to approximately HK$5,883,000 (2016: HK$6,486,000).

30. Capital commitments

	2017 *HK$'000*	2016 *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	1,263	1,023

31. Operating lease commitments

At the end of the reporting period, the Group has future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 *HK$'000*	2016 *HK$'000*
Within one year	–	549

32. Related party transactions

The Group does not have any material related party transactions for both years.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	2017 *HK$'000*	2016 *HK$'000*
Salaries and allowances	18,813	18,366
Discretionary bonuses	9,600	1,000
Contributions to retirement benefits schemes	126	126
	28,539	19,492

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

33. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of the bank borrowings disclosed in note 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as addition to new borrowings and repayment of existing borrowings.

34. Financial instruments

Categories of financial instruments

	2017	**2016**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	243,583	223,719
Financial assets at FVTPL	5,909	5,458
Financial liabilities		
Amortised cost	133,357	121,111

Financial risk management objectives and policies

The Group's financial instruments include investments held for trading, trade and bills receivables, deposits and other receivables, bank balances, trade payables, other payables and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. In addition, certain deposits and other receivables, bank balances and cash, trade payables, other payables and bank borrowings are denominated in foreign currencies other than the functional currency of the respective group entities.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date exposing to currency risk are as follows:

	Assets		**Liabilities**	
	2017	**2016**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi ("RMB") against US$	8,165	8,590	4,050	3,930

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in the functional currency of each group entity against RMB and all other variables are held constant. 5% (2016: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% (2016: 5%) change in RMB. A positive number below indicates decrease in post-tax loss (2016: increase in post-tax profit) for the year where RMB strengthens 5% (2016: 5%) against the functional currency of each group entity. For a 5% (2016: 5%) weakening of RMB against the functional currency of each group entity, there would be an equal and opposite impact on the post-tax (loss) profit for the year and the balances below would be negative.

	2017	**2016**
	HK$'000	*HK$'000*
Decrease in post-tax loss for the year		
Impact of RMB against US$	172	195

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest rate risk

The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and financial liabilities at variable rates, namely bank balances and variable rate bank borrowings, which mainly concentrate on the fluctuation of HIBOR.

The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors of the Company consider the Group's exposure to interest rate risk of bank deposits and bank balances as a result of the change of market interest rate is insignificant and thus no sensitivity analysis is performed.

Sensitivity analysis

The sensitivity analysis below is determined based on the exposure to interest rates for the variable rate bank borrowings at the end of the reporting period. It is prepared assuming the amount of liability outstanding at the end of the reporting period is outstanding for the whole year. A 25 basis points (2016: 25 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2016: 25 basis points) higher/lower and all other variables were held constant, the Group's loss for the year would increase/ decrease by approximately HK$125,000 (2016: HK$117,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank borrowings.

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Equity price risk

The Group is exposed to equity price risk through its investments held for trading. The Group's equity price risk is mainly concentrated on securities listed on the Stock Exchange. Management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

Sensitivity analysis

For sensitivity analysis purpose, the sensitivity rate is 15% in current year as a result of the volatile financial market. The sensitivity analysis below has been determined based on the exposure for equity price risks at the end of reporting period. If the prices of the respective equity instruments had been 15% higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2017 would decrease/increase by approximately HK$886,000 (2016: HK$819,000) as a result of the changes in fair value of investments held for trading.

In the management's opinion, the sensitivity analysis was unrepresentative of the inherent equity risk as the year end exposure did not reflect the exposure during the year.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position at 31 March 2017 and 2016. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounts for 51% (2016: 44%) of the total trade receivables as at 31 March 2017.

The Group has concentration of credit risk as 83% (2016: 77%) and 95% (2016: 95%) of the total trade receivables are due from the Group's largest customer and the five largest customers respectively.

The Group's bank balances and bank deposits are deposited with banks of high credit rating and the Group has limited exposure to any single financial institution.

Other than the concentration of credit risk on bank balances, bank deposits and trade receivables, the Group has no other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2017, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$95,589,000 (2016: HK$113,402,000). At 31 March 2017 and 2016, all the undrawn banking facilities are in floating rate without specific expiry terms. Details of the Group's bank borrowings at 31 March 2017 and 2016 are set out in note 25.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayable on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate	On demand	Less than 1 year	Total undiscounted cash flows	Total carrying amounts at 31.3.2017
	% per annum	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017					
Non-derivative financial liabilities					
Trade payables	–	–	65,159	65,159	65,159
Accruals and other payables	–	–	18,387	18,387	18,387
Bank borrowings	2.73	49,811	–	49,811	49,811
		49,811	83,546	133,357	133,357

	Weighted average effective interest rate	On demand	Less than 1 year	Total undiscounted cash flows	Total carrying amounts at 31.3.2016
	% per annum	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016					
Non-derivative financial liabilities					
Trade payables	–	–	60,759	60,759	60,759
Accruals and other payables	–	–	13,354	13,354	13,354
Bank borrowings	2.60	46,998	–	46,998	46,998
		46,998	74,113	121,111	121,111

Bank borrowings with a repayable on demand clause are included in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors do not believe that it is probable that the counterparties will exercise their discretionary rights to demand immediate repayment and believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At 31 March 2017, the directors consider that the aggregate undiscounted principal and interest cash outflows of these bank borrowings is HK$50,172,000 (2016: HK$47,303,000) under the time band of "less than 1 year".

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

Fair value measurements of financial instruments

Financial assets	Fair value as at 31 March		Fair value hierarchy	Valuation technique(s) and key input(s)
	2017	**2016**		
	HK$'000	*HK$'000*		
Investments held for trading	5,909	5,458	Level 1	Quoted bid prices in an active market

The Group's investments held for trading are measured at Level 1. There are no transfers between level 1 and 2 for both years.

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

35. Particulars of principal subsidiaries

Details of the Company's principal subsidiaries at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operation	Issued and paid up shares/ registered capital	Percentage of ownership interest attributable to the Company 2017	2016	Principal activities
Direct subsidiary						
Asia Pilot Development Limited	Corporation	British Virgin Islands ("BVI")	US$1	100%	100%	Investment holding
Indirect subsidiaries						
Kenford Industrial	Corporation	Hong Kong	HK$1,000,000	100%	100%	Design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances
Elite Concept Inc Limited	Corporation	Hong Kong	HK$10,000	100%	100%	Marketing of hair products
Sky Ocean Group Limited	Corporation	BVI	US$1	100%	100%	Investment holding
Kario Company Limited	Corporation	Hong Kong	HK$10,000	100%	100%	Investment holding and trading
東莞家利來電器有限公司 Dongguan Kario Electrical Appliance Company Limited *(Note 1)*	Corporation	PRC	US$4,050,000	100%	100%	Design, manufacture and sale of electrical haircare products
Talent Star (China) Limited	Corporation	Hong Kong	HK$1	100%	100%	Managerial services for group companies
Fame Motor Limited	Corporation	Hong Kong	HK$1	100%	100%	Investment holding and trading
東莞榮豐電機有限公司 Dongguan Fame Motor Limited *(Notes 1 and 2)*	Corporation	PRC	US$1,210,000	–	100%	Design, manufacture and sale of motors
東莞建福電器有限公司 Dongguan Kenford Electrical Appliance Company Limited *(Note 1)*	Corporation	PRC	HK$21,600,000	100%	100%	Provision of contract processing services

Note 1: These entities are registered as wholly foreign owned enterprises under the PRC law. The English translation of the company names is for identification purpose only.

Note 2: The subsidiary applied and completed deregistration process with local government authority during the year ended 31 March 2017.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of year or at any time during the year.

36. Statement of financial position of the company

Information about the statement of the financial position of the Company at the end of the reporting period is as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Non-current asset		
Interests in subsidiaries	58	58
Current assets		
Amount due from a subsidiary	59,899	61,838
Cash and bank balances	97	203
	59,996	62,041
Current liabilities		
Other payables and accruals	120	120
Amount due to a subsidiary	–	1,096
	120	1,216
Net current assets	59,876	60,825
Net assets	59,934	60,883
Capital and reserves		
Share capital	446	446
Share premium and reserves	59,488	60,437
Total equity	59,934	60,883

Movement in the Company's reserves:

	Share premium	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	58,873	536	(1,717)	57,692
Loss for the year	–	–	(945)	(945)
Issue of shares upon exercise of share options	4,226	(536)	–	3,690
At 31 March 2016	63,099	–	(2,662)	60,437
Loss for the year	–	–	(949)	(949)
At 31 March 2017	63,099	–	(3,611)	59,488

III. INDEBTEDNESS

As at the close of business on 30 June 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Composite Document, the Group had outstanding trust receipt loans from banks of HK$37,560,000 which is unsecured and guaranteed by the Company.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 30 June 2017 any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that there were no material changes in terms of indebtedness and contingent liabilities of the Group since 30 June 2017 and up to the Latest Practicable Date.

IV. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Group, the Vendors and parties acting in concert with them (excluding the Offeror and parties acting in concert with it)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS IN THE COMPANY

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it were as follows:

Name	**Type of interest**	**Capacity and nature of interest**	**Number of Shares held**	**Approximate % of interest of issued share capital of the Company**
The Offeror *(Note)*	Long position	Beneficial owner	286,390,000	64.26%
China Investment	Long position	Interest of controlled corporation	286,390,000	64.26%
Mr. Liu	Long position	Interest of controlled corporation	286,390,000	64.26%
Ms. Li	Long position	Interest of controlled corporation	286,390,000	64.26%

Note: The Offeror is wholly-owned by China Investment. Mr. Liu and Ms. Li (Mr. Liu's spouse) are the ultimate controlling shareholders of the Offeror and China Investment. Therefore, China Investment, Mr. Liu and Ms. Li are deemed to be interested in 286,390,000 Shares in which the Offeror has interests by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, the directors of the Offeror or any parties acting in concert with them had any interest in the relevant securities of the Company.

3. DISCLOSURE OF OTHER INTERESTS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date:

(i) save for 286,390,000 Shares (representing 64.26% of the entire issued share capital of the Company) owned by the Offeror, the Offeror or any parties acting in concert with it did not hold other relevant securities of the Company;

(ii) save for the undertaking offered by the Offeror to pledge the Sale Shares and Offer Shares to be acquired pursuant to the Offeror in favour of Donghai International as collaterals for the issue of the Notes by China Investment to Donghai International, there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;

(iii) none of the Offeror or any parties acting in concert with it has received any irrevocable commitment to accept the Offer;

(iv) no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Offer;

(v) there is no agreement or arrangement to which the Offeror 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;

(vi) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Offer;

(vii) there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;

(viii) none of the Offeror or any parties acting in concert with it has borrowed or lent any relevant securities in the Company; and

(ix) save for Mr. Liu indirectly holds 100% equity interests (including 39.92% equity interest held by Ms. Li, his spouse), none of the directors of the Offeror is interested in the shareholdings of the Offeror or the Company.

4. MARKET PRICES

(a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$1.850 per Share on 30 December 2016, and HK$1.021 per Share on 9 November 2016 after adjustment due to commencement of dealing in the Shares on an ex-entitlement basis for the Special Interim Dividend, respectively.

(b) The table below sets out the closing prices per Share as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend, as appropriate); (ii) the Last Trading Day (after adjustment due to commencement of dealings in the Shares on an ex-entitlement basis for the Special Interim Dividend, as appropriate); (iii) the Latest Practicable Date; and (iv) the last business day immediately preceding the date of the first Rule 3.7 Announcements:

	Closing prices per Share *(HK$)*
31 October 2016	1.065
30 November 2016	1.127
30 December 2016	1.629
27 January 2017	1.461
28 February 2017	1.408
31 March 2017	1.373
27 April 2017	1.408
28 April 2017	1.488
31 May 2017	1.303
30 June 2017	1.285
17 July 2017 (Last Trading Day)	1.285
31 July 2017	1.567
18 August 2017 (Latest Practicable Date)	1.600

5. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice contained in this Composite Document.

Name	**Qualification**
Octal Capital	a licensed corporation permitted to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the agent making the Offer on behalf of the Offeror and the financial adviser to the Offeror

Octal Capital has given and has not withdrawn its respective written consent to the issue of this Composite Document with the inclusion of its letter and references to its name in the form and context in which they appear respectively.

6. INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI 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 and 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.

7. GENERAL

As at the Latest Practicable Date:

(i) the correspondence address of the Offeror was Units 07-08, 26th Floor, Nine Queen's Road Central, Hong Kong;

(ii) the registered office of Donghai International was situated at 20th Floor, Shanghai Commercial Bank Tower, 12 Queen's Road Central, Hong Kong;

(iii) the registered office of Octal Capital was situated at Rooms 802-805, 8th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong;

(iv) the registered office of Goldin Financial Limited was situated at Suites 2202-2209, 22nd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong; and

(v) in the event of inconsistency, the English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (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 Composite Document (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 Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

Authorised		*HK$*
1,000,000,000	Shares	1,000,000.00
Issued and fully paid		
445,646,000	Shares	445,646.00

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 31 March 2017, the date to which the latest audited financial statements of the Company were made up.

As at the Latest Practicable Date, the Company had no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

3. INTERESTS IN AND DEALINGS IN SECURITIES OF THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the shares of the Offeror or any convertible securities, warrants, options or derivatives issued by the Offeror, and no such person had dealt in the shares of the Offeror or any convertible securities, warrants, options or derivatives issued by the Offeror during the Offer Period and up to the Latest Practicable Date.

4. SHAREHOLDING AND DEALINGS IN SECURITIES OF THE COMPANY

Save for the sale of 286,390,000 Shares by the Vendors (Mr. Lam and Mr. Tam being two of the Vendors) to the Offeror pursuant to the Share Purchase Agreement, none of the Directors have dealt for value in any Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Offer Period and up to the Latest Practicable Date.

As at the Latest Practicable Date,

(i) none of the Directors had any interests in the Shares or any convertible securities, warrants, options or derivatives issued by the Company;

(ii) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code or by the Independent Financial Adviser, and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Offer Period and up to the Latest Practicable Date;

(iii) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code, and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Offer Period and up to the Latest Practicable Date;

(iv) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) (if any) connected with the Company, and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Offer Period and up to the Latest Practicable Date;

(v) no Director who owned or controlled any Shares or convertible securities, warrants, options or derivatives issued by the Company had irrevocably committed himself to accept or not to accept the Offer; and

(vi) none of the Company nor any of its Directors has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Offer Period and up to the Latest Practicable Date.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against either the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in ordinary course of business of the Group, have been entered into by a member of the Group within 2 years before the date of commencement of the Offer Period and up to the Latest Practicable Date which are, or may be, material:

(a) the preliminary sale and purchase agreement (the "**Preliminary Agreement**") dated 8 March 2017 and entered into between Kenford Industrial Company Limited ("**Kenford Industrial**"), a wholly-owned subsidiary of the Company, as the vendor and Castle Capital Limited ("**Castle Capital**"), an independent third party, as the purchaser in connection with the sale and purchase of a property at a consideration of HK$53,080,000. Pursuant to the terms of the Preliminary Agreement, Kenford Industrial and Castle Capital would enter into a formal agreement for the sale and purchase of the property on or before 23 March 2017. Further details of the Preliminary Agreement are set out in the announcement of the Company dated 8 March 2017; and

(b) the formal sale and purchase agreement (the "**Formal Agreement**") dated 23 March 2017 and entered into between Kenford Industrial and Castle Capital in accordance with the terms of the Preliminary Agreement, completion of which took place on 25 July 2017.

Save and except for the contracts as disclosed above, the Group had not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years before the date of commencement of the Offer Period and up to the Latest Practicable Date.

7. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date,

(a) no benefit (other than statutory compensation) had been and would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

(b) save and except the Share Purchase Agreement and the Deed of Tax Indemnity and the arrangements disclosed below, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer:–

(i) prior to completion of the Share Purchase, the corporate guarantees given by the Company in favour of three banks to secure the indebtedness of certain subsidiaries of the Company had been replaced by the personal guarantees of Mr. Lam and Mr. Tam, the corporate guarantees of certain companies controlled by them and/or the mortgages of certain properties owned by certain companies controlled by them in favour of such banks; and

(ii) under the Share Purchase Agreement, the Vendors have undertaken to provide interest-free loan to the existing subsidiaries of the Company to enable them to continue as a going concern if they do not have sufficient working capital or they become insolvent within 24 months after completion. Such undertaking will cease to be valid if (subject to certain exceptions) the Offeror and the Company (including their receivers, administrators, liquidators and provisional liquidators, if any) has changed the board of directors of any of those subsidiaries or the board of directors of any of those subsidiaries has been changed as a result of court order granted by reason of the problems of the Offeror or the Company or if the boards of directors of those subsidiaries have not been duly authorised to continue to conduct the operation, finance and management of those subsidiaries. Mr. Lam and Mr. Tam gave a similar undertaking to the Company at completion of the Share Purchase.

(c) save and except for the Share Purchase Agreement, no material contract had been entered into by the Offeror in which any Director has a material personal interest.

8. DIRECTORS' SERVICE CONTRACTS

Mr. Lam, an executive Director, has entered into a director's service agreement with the Company dated 10 March 2017 to renew his directorship in the Company for a fixed term of three years from 13 March 2017 to 12 March 2020 and continuing thereafter on an annual basis until terminated in accordance with the terms of the agreement. The service agreement is terminable by either party by not less than three months' notice terminating on or after the three-year fixed term. It has, however, been mutually agreed by the parties that such agreement will terminate upon resignation of Mr. Lam as Director on the first closing date of the Offer (or such other time as permitted by the Takeovers Code). Under the current service agreement, Mr. Lam is entitled to a fixed remuneration of HK$6,867,000 per annum (subject to an annual review by the Board), as well as the reimbursement of (i) expenses incurred in journeys for holiday purposes, (ii) all travelling, hotel, entertainment and other out-of-pocket expenses reasonably incurred and (iii) all taxation (including salary tax payable in Hong Kong and the PRC) and also the housing benefits (as may be approved by the Board at its absolute discretion), medical benefits, travel/personal accident insurance and directors/officers liability insurance provided by the Company. The Company provides company cars with private drivers to be used by Mr. Lam in Hong Kong and the PRC for the discharge of his duties and also domestic helpers for use by Mr. Lam and his family members at Mr. Lam's residence. The Company shall pay Mr. Lam the business trip allowance at a rate of HK$3,000 per day for Mr. Lam's business trips outside Hong Kong. In addition, Mr. Lam may, at the discretion of the Board, be granted share options entitling him to subscribe for Shares under any share option scheme from time to time adopted by the Company and is also entitled to a discretionary performance bonus of an amount to be determined by the Board. Save as disclosed above, there is no other variable remuneration payable under Mr. Lam's service agreement. Under Mr. Lam's previous service agreement with the Company for a fixed term of three years from 13 March 2014 to 12 March 2017, Mr. Lam was entitled to a fixed remuneration of HK$6,540,000 per annum (subject to an annual review by the Board).

There is no director's service agreement entered into between Mr. Lam and any subsidiaries of the Company nor any other agreement under which Mr. Lam will be entitled to any remuneration as director of the operating subsidiaries of the Company after his resignation as Director on the first closing date of the Offer (or such other time as permitted by the Takeovers Code).

Mr. Tam, an executive Director, has entered into a director's service agreement with the Company dated 10 March 2017 to renew his directorship in the Company for a fixed term of three years from 13 March 2017 to 12 March 2020 and continuing thereafter on an annual basis until terminated in accordance with the terms of the agreement. The service agreement is terminable by either party by not less than three months' notice terminating on or after the three-year fixed term. It has, however, been mutually agreed by the parties that such agreement will terminate upon resignation of Mr. Tam as Director on the first closing date of the Offer (or such other time as permitted by the Takeovers Code). Under the current service agreement, Mr. Tam is entitled to a fixed remuneration of HK$3,780,000 per annum (subject to an annual review by the Board), as well as the reimbursement of (i) expenses incurred in journeys for holiday purposes, (ii) all travelling, hotel, entertainment and other out-of-pocket expenses reasonably incurred and (iii) all taxation (including salary tax payable in Hong Kong and the PRC) and also the housing benefits (as may be approved by the Board at its absolute discretion), medical benefits, travel/personal accident insurance and directors/officers liability insurance provided by the Company. The Company provides company cars with private drivers to be used by Mr. Tam in Hong Kong and the PRC for the discharge of his duties and also domestic helpers for use by Mr. Tam and his family members at Mr. Tam's residence. The Company shall pay Mr. Tam the business trip allowance at a rate of HK$3,000 per day for Mr. Tam's business trips outside Hong Kong. In addition, Mr. Tam may, at the discretion of the Board, be granted share options entitling him to subscribe for Shares under any share option scheme from time to time adopted by the Company and is also entitled to a discretionary performance bonus of an amount to be determined by the Board. Save as disclosed above, there is no other variable remuneration payable under Mr. Tam's service agreement. Under Mr. Tam's previous service agreement with the Company for a fixed term of three years from 13 March 2014 to 12 March 2017, Mr. Tam was entitled to a fixed remuneration of HK$3,600,000 per annum (subject to an annual review by the Board).

There is no director's service agreement entered into between Mr. Tam and any subsidiaries of the Company nor any other agreement under which Mr. Tam will be entitled to any remuneration as director of the operating subsidiaries of the Company after his resignation as director on the first closing date of the Offer (or such other time as permitted by the Takeovers Code).

Mr. Chiu Fan Wa ("**Mr. Chiu**"), an independent non-executive Director, has entered into a letter of appointment with the Company dated 16 June 2017 to renew his directorship in the Company for a term of one year from 16 June 2017 to 15 June 2018. Mr. Chiu is entitled to a director's fee of HK$96,000 per annum and there is no variable remuneration payable under the letter of appointment. The terms of such re-appointment are identical with those of the letter of appointment for the period from 16 June 2016 to 15 June 2017.

Mr. Choi Hon Keung ("**Mr. Choi**"), an independent non-executive Director, has entered into a letter of appointment with the Company dated 1 August 2017 to renew his directorship in the Company for a term of one year from 15 August 2017 to 14 August 2018. Mr. Choi is entitled to a director's fee of HK$96,000 per annum and there is no variable remuneration payable under the letter of appointment. The terms of such re-appointment are identical with those of the letter of appointment for the period from 15 August 2016 to 14 August 2017.

Mr. Li Chi Chung ("**Mr. Li**"), an independent non-executive Director, has entered into a letter of appointment with the Company dated 16 June 2017 to renew his directorship in the Company for a term of one year from 16 June 2017 to 15 June 2018. Mr. Li is entitled to a director's fee of HK$96,000 per annum and there is no variable remuneration payable under the letter of appointment. The terms of such re-appointment are identical with those of the letter of appointment for the period from 16 June 2016 to 15 June 2017.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing service contracts with any member of the Group or any associated company of the Group:

(a) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the Offer Period;

(b) which are continuous contracts with a notice period of 12 months or more; or

(c) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. QUALIFICATIONS AND CONSENT OF EXPERT

The followings are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Goldin Financial Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Goldin Financial Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its advice, letter and recommendation and the references to its name and logo in the form and context in which they respectively appear.

10. GENERAL

(a) The company secretary of the Company is Ms. Pang Kit Teng.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Unit 2511-2517 on 25th Floor of Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.

(c) The principal share registrar and transfer office of the Company is SMP Partners (Cayman) Limited of 3rd Floor, Royal Bank House, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The registered office of Goldin Financial Limited, the Independent Financial Adviser, is at Suites 2202-2209, 22/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(f) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 2511-2517 on 25th Floor of Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (www.kenford.com.hk) from the date of this Composite Document onwards for so long as the Offer remains open for acceptance:

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of the Offeror;

(c) the annual reports of the Company for the two financial years ended 31 March 2016 and 2017;

(d) the letter from Octal Capital, the text of which is set out in this Composite Document;

(e) the letter from the Board, the text of which is set out in this Composite Document;

(f) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;

(g) the letter from Independent Financial Adviser, the text of which is set out in this Composite Document;

(h) the written consents referred to in the paragraph headed "Qualification and Consent of Expert" in each of Appendices III and IV to this Composite Document;

(i) the material contracts referred to in the paragraph headed "Material Contracts" in Appendix IV to this Composite Document;

(j) this Composite Document and the accompanying Form of Acceptance; and

(k) the service agreements and letters of appointment of the Directors referred to under section headed "Directors' Service Contracts" in Appendix IV to this Composite Document.