建福集團控股有限公司

**KENFORD GROUP HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00464)**

**ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018**

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kenford Group Holdings Limited (the "**Company**"), I am pleased to present the audited financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2018 (the "**Year**") together with the comparative figures for the prior year. The audited financial results for the Year have been reviewed by the audit committee of the Company (the "**Audit Committee**").

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

*For the year ended 31 March 2018*

| | *Notes* | **2018** *HK$'000* | 2017 *HK$'000* |
|---|---|---|---|
| **Revenue** | *2&3* | **429,684** | 495,390 |
| Cost of sales | | **(384,463)** | (415,912) |
| Gross profit | | **45,221** | 79,478 |
| Other income, gains and losses | *4* | **2,507** | 6,289 |
| Impairment loss recongised in respect of property, plant and equipment | | **(7,143)** | (14,146) |
| Impairment loss recongised in respect of goodwill | | **-** | (1,403) |
| Distribution costs | | **(6,544)** | (6,752) |
| Administrative expenses | | **(70,931)** | (83,372) |
| Finance income | | **176** | 364 |
| Finance costs | | **(1,443)** | (1,392) |
| **Loss before taxation** | | **(38,157)** | (20,934) |
| Income tax expense | *5* | **(784)** | (1,286) |
| **Loss for the year attributable to owners of the Company** | *6* | **(38,941)** | (22,220) |
| **Other comprehensive income (expense)** | | | |
| Items that will not be reclassified to profit and loss: | | | |
| Gain on revaluation of leasehold land and buildings | | **4,332** | 6,256 |
| Income tax relating to item that will not be reclassified | | **(1,082)** | 2,638 |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **16,949** | (10,091) |
| **Other comprehensive income (expense) for the year** | | **20,199** | (1,197) |
| **Total comprehensive expense for the year attributable to owners of the Company** | | **(18,742)** | (23,417) |
| **Basic loss per share (HK cents)** | *7* | **(8.738)** | (4.986) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2018*

| | Notes | *2018* *HK$'000* | *2017* *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **111,393** | 100,651 |
| Prepaid lease payments | | **3,398** | 3,163 |
| Deposits paid for acquisition of property, plant and equipment | | **2,533** | 1,873 |
| | | **117,324** | 105,687 |
| **Current assets** | | | |
| Inventories | | **65,057** | 60,792 |
| Trade and bills receivables | *9* | **112,569** | 142,547 |
| Deposits, prepayments and other receivables | | **17,112** | 12,872 |
| Tax recoverable | | **584** | 1,816 |
| Investments held for trading | | **-** | 5,909 |
| Bank balances and cash | | **58,072** | 106,707 |
| | | **253,394** | 330,643 |
| Assets classified as held for sale | | **-** | 53,080 |
| | | **253,394** | 383,723 |
| **Current liabilities** | | | |
| Trade payables | *10* | **53,904** | 65,159 |
| Accruals and other payables | | **24,516** | 32,784 |
| Loan from a shareholder | | **4,045** | - |
| Bank borrowings | | **57,662** | 49,811 |
| Tax liabilities | | **4,541** | 5,287 |
| | | **144,668** | 153,041 |
| **Net current assets** | | **108,726** | 230,682 |
| **Total assets less current liabilities** | | **226,050** | 336,369 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **15,855** | 12,465 |
| **NET ASSETS** | | **210,195** | 323,904 |
| **Capital and reserves** | | | |
| Share capital | | **446** | 446 |
| Share premium and reserves | | **209,749** | 323,458 |
| **TOTAL EQUITY** | | **210,195** | 323,904 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

*Amendments to Hong Kong Accounting Standard ("HKAS") 7 "Disclosure Initiative"*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following 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.

A reconciliation between the opening and closing balances of these items is provided in the note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the note to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments[1] |
| HKFRS 16 | Leases[2] |
| HKFRS 17 | Insurance Contracts[3] |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments[2] |
| 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 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[2] |
| Amendments to HKAS 28 | As Part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015-2017 Cycle[2] |

[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 1 January 2021.
[4] Effective for annual periods beginning on or after a date to be determined.

## 2. REVENUE

Revenue represents amounts received and receivable from sale of electrical haircare products.

## 3. SEGMENT INFORMATION

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

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

### (a) Geographical information

The Group's revenue is mainly derived from customers located in Europe, Asia, North and South America, 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 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Europe | **207,974** | 252,424 | **-** | - |
| Asia | **165,568** | 181,853 | **117,324** | 105,687 |
| North and South America | **50,671** | 54,236 | **-** | - |
| Australia | **2,890** | 5,002 | **-** | - |
| Africa | **2,581** | 1,875 | **-** | - |
| | **429,684** | 495,390 | **117,324** | 105,687 |

**(b) Information about major customers**

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

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A | **166,110** | 213,653 |
| Customer B | **67,861** | 75,087 |

## 4. OTHER INCOME, GAINS AND LOSSES

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Other income: | | |
| Compensation received in respect of cancelled orders | **1,717** | 2,692 |
| Mould income | **846** | 1,081 |
| Written off of other payables | **285** | 851 |
| Sales of samples | **266** | 526 |
| Government grants | **-** | 617 |
| Penalty from vendors for bad quality or late delivery | **327** | 331 |
| Sundry income | **495** | 313 |
| | **3,936** | 6,411 |
| Other gains and losses: | | |
| Net foreign exchange loss | **(936)** | (398) |
| Fair value change in investments held for trading | **(493)** | (166) |
| Reversal of provision for onerous contract | **-** | 442 |
| | **(1,429)** | (122) |
| Total other income, gains and losses | **2,507** | 6,289 |

## 5. INCOME TAX EXPENSE

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| PRC Enterprise Income Tax: | | |
| Current tax | **6** | 2,204 |
| Overprovision in prior years | **(120)** | (1,980) |
| | **(114)** | 224 |
| Deferred tax: | | |
| Current year | **898** | 1,062 |
| | **784** | 1,286 |

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.

## 6. LOSS FOR THE YEAR

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

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Auditor's remuneration | **833** | 830 |
| Amortisation of prepaid lease payments | **93** | 90 |
| Depreciation of property, plant and equipment | **5,083** | 11,697 |
| (Reversal of allowance for) / allowance for inventories (included in cost of sales) | **(5,251)** | 6,673 |
| Directors' emoluments | **15,552** | 23,143 |
| Other staff costs | | |
| Salaries and allowances | **110,347** | 107,748 |
| Retirement benefits scheme contributions | **6,048** | 5,847 |
| Total staff costs | **131,947** | 136,738 |
| Costs of inventories recognised as expenses (included reversal of allowance for/allowance for inventories) | **384,463** | 415,912 |
| Minimum lease payments in respect of rented properties | **2,206** | 489 |

## 7. 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:

| | **2018** | 2017 |
|---|---|---|
| | **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) | **(38,941)** | (22,220) |

Number of shares

| | **'000** | '000 |
|---|---|---|
| Number of ordinary shares for the purpose of basic loss per share | **445,646** | 445,646 |

No diluted loss per share is presented as there is no potential dilutive ordinary shares during both years or at the end of the respective reporting periods.

## 8. DIVIDENDS

During the year ended 31 March 2018, a special interim dividend in respect of the year ended 31 March 2018 of 2.131 HK cents per ordinary share, in the aggregate amount of HK$94,967,000, has been recognised as distributed and paid (2017: nil).

The Board does not recommend the declaration of the payment of a final dividend for the year ended 31 March 2018 (2017: nil).

## 9. TRADE AND BILLS RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **108,481** | 140,059 |
| Less: Allowance for bad and doubtful debts | **(51)** | (51) |
| | **108,430** | 140,008 |
| Bills receivables | **4,139** | 2,539 |
| Total trade and bills receivables | **112,569** | 142,547 |

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.

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 60 days | **65,801** | 82,838 |
| 61 – 120 days | **21,836** | 32,192 |
| 121 – 365 days | **24,650** | 27,050 |
| Over 365 days | **282** | 467 |
| | **112,569** | 142,547 |

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.

## 10. TRADE PAYABLES

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

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 60 days | **46,067** | 57,950 |
| 61 – 120 days | **5,117** | 3,993 |
| 121 – 365 days | **2,003** | 2,132 |
| Over 365 days | **717** | 1,084 |
| | **53,904** | 65,159 |

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

*MANAGEMENT DISCUSSION AND ANALYSIS*

**FINANCIAL REVIEW**

During the year ended 31 March 2018, the Group continued to face the challenges of high labour and raw material costs and shortage of skilled labour. With weaken global market demand, the decrease in sales as a result of a decrease in orders from the European and Mainland China markets caused by their struggling economies and the decrease in selling price for the matured products which outweighed the recovery of demand from the Japanese market; the Group recorded a decrease in revenue and gross profit. Its revenue was HK$429,684,000 (2017: HK$495,390,000), down by 13.3% against the previous financial year.

The Group reported gross profit of HK$45,221,000 (2017: HK$79,478,000) for the year, representing a gross profit margin of 10.5% (2017: 16.0%), down 5.5% primarily resulted from the increase in operating expenses due to the appreciation of Renminbi and the surge in material cost, especially in packaging material, plastic resins and copper, which hampered the Group's gross profit margin.

Due to the change in customers' demand and preference for electrical haircare products, management of the Group conducted a review of the recoverable amount of the property, plant and equipment and determined the recoverable amount of these assets based on a value in use calculation. Based on the result of the assessment, management of the Group determined that the recoverable amount of these assets is lower than the carrying amount. Based on the value in use calculation, an impairment of HK$7,143,000 on plant and equipment (2017: HK$1,403,000 on goodwill and HK$14,146,000 on plant and equipment, respectively) has been recognised and the amount has been allocated to each category of plant and equipment on pro rata basis according to the carrying amounts of the assets, except for buildings.

As a result of the above factors, loss before taxation for the year ended 31 March 2018 was HK$38,157,000 (2017: HK$20,934,000), representing an increase of 82.3% against the last corresponding year. Expressed proportionately as a percentage of revenue, distribution costs and administrative expenses were about 1.5% and 16.5% respectively for the year ended 31 March 2018 compared to 1.4% and 16.8% in the last corresponding year. In dollars term, administrative expenses was HK$70,931,000, representing a decrease of 14.9% when compared to the HK$83,372,000 spent in last corresponding year. The decrease was mainly due to the decrease in Directors' salaries and bonus and depreciation expenses.

Loss for the year was HK$38,941,000, representing an increase of 75.3% when compared to loss of HK$22,220,000 in the last corresponding year.

Basic loss per share for the year amounted to HK8.738 cents, representing an increase of 75.3% when compared to loss of HK4.986 cents in the last corresponding year.

During the year, a special interim dividend of HK$94,967,000 was declared and paid to the shareholders. The Board has resolved not to declare payment of a final dividend (2017: Nil) for the financial year ended 31 March 2018.

*BUSINESS REVIEW*

**MARKET REVIEW**

During the Financial Year, both the global and China economic growth remained relatively slow which directly dampened the demand for electronic haircare appliances, thereby affecting the Group's sales. With demand for electrical haircare products sluggish and rise in cost of commodities related raw materials, the overall operating environment continued to be challenging for the Company.

Also, the Group has faced strong pressure from customers requesting price reductions for mature products. However, despite such pressures, leveraging on its long-term relationship with customers and high-quality products, the Group has maintained a strong position as one of the key global suppliers in the electronic haircare appliances segment.

During the Financial Year, at different levels, all geographic markets saw a decline in demand volume. Revenue contribution to total revenue from the Europe, Asia, North & South American, Australia and Africa markets changed slightly to 48.4%, 38.5%, 11.8%, 0.7% and 0.6% respectively from 51.0%, 36.7%, 10.9%, 1.0% and 0.4% in the last financial year. The Group believes the European and Asian markets will remain as its major geographic revenue contributors in the coming years.

The fact that most of the customers of the Group are renowned global brands is testimony to the superb quality of its products. Our five major customers together accounted for approximately 78.3% and 78.4% of the Group's total revenue in the Financial Year and the previous financial year, respectively.

**OPERATION REVIEW**

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

Labour shortage continues to be a serious issue in China, leading to significant increase in labour costs thus a heavier burden on the entire manufacturing process and operational efficiency. The Group has employed a two-pronged approach to maintain its profitability. As such, the Group has continued to streamline its production processes as well as to adjust its sales strategy by focusing on niche markets and eliminating low margin products. To this end, the Group has continued to put more resources into production upgrade and automation that can help improve production efficiency and eliminate waste and, ultimately, reduce costs.

On the other hand, the Group has exerted extra efforts in improving the competitiveness of its high quality products together with bolstering its R&D capabilities with an aim to enhance its market share and maintain a long term relationship with its customers.

The immediate priorities of the Group are to monitor the progress of on-going initiatives to improve operational efficiency and to invest in people and processes conducive to its long-term development.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had approximately HK$58,072,000 cash and bank deposits (2017: HK$106,707,000). Its net current assets amounted to approximately HK$108,726,000 (2017: HK$230,682,000). Current ratio of the Group as at 31 March 2018 was maintained at 1.8 (2017: 2.5) and net cash-to-equity ratio (cash and bank deposits less the interest bearing borrowings over total equity) was 0.2% (2017: 17.6%).

As at 31 March 2018, the Group had aggregate banking facilities of HK$78,400,000 (2017: HK$145,400,000), of which HK$57,662,000 (2017: HK$49,811,000) had been used. The borrowings comprised bank loan facilities of HK$12,078,000 (2017: Nil) and trade finance facilities of HK$45,584,000 (2017: HK$49,811,000). The borrowings due within one year amounted to HK$57,662,000 (2017: HK$49,811,000). The bank borrowings carried interest rates ranging from HIBOR/LIBOR plus 1.8% to 2.25% (2017: 2% to 2.25%) or 1% (2017: 1%) below Prime Rate.

## CHARGES ON ASSETS

The Group had no charges on assets as at 31 March 2018 (2017: nil).

## FOREIGN EXCHANGE EXPOSURE

The Group's consolidated financial statements are presented in Hong Kong dollars. The Group conducts business transactions mainly in Hong Kong dollars, United States dollars and Renminbi. As the Hong Kong dollar remains pegged to the United States dollar, there has been no material exchange risk in this respect. To manage fluctuation of the Renminbi, the Group has been able to hedge Renminbi receipts and Renminbi payments on an ongoing basis with revenue generated in Mainland China. All of the Group's bank loan facilities are denominated in Hong Kong dollars and carry interest at floating rates.

## CONTRACTUAL AND CAPITAL COMMITMENTS

As at 31 March 2018, the Group had operating lease commitments of HK$1,845,000 (2017: Nil) and capital commitments of HK$2,082,000 (2017: HK$1,263,000).

## CONTINGENT LIABILITIES

As at 31 March 2018, the Group had no material contingent liabilities (2017: Nil).

## EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2018, the Group had a total workforce of approximately 1,609 (2017: 1,619) including 31 employees (2017: 39) in Hong Kong. The Group's remuneration policy is underscored by the principle of awarding equitable packages to employees, incentive-based where applicable, with remunerations being performance-oriented and market-competitive. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, the Group offers other staff benefits including share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

## DIVIDENDS

The Directors do not recommend the declaration of the payment of a final dividend for the year ended 31 March 2018.

## PROSPECTS

The Group has achieved major milestones in its development during the year ended 31 March 2018. China Yuen Capital Limited, as the Offeror (the "**Offeror**"), has completed the acquisition of the controlling interests in the Company on 15 August 2017 thereby becoming the controlling shareholder of the Group. With the mandatory unconditional cash offer by the Offeror closed on 12 September 2017 and the new Directors on board, the Group has officially started a new chapter in its history.

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

With reference to the existing principal haircare appliances business, the Group expects to face lingering challenges in 2018 including climbing raw material costs, persistent shortage of skilled labour and rising manufacturing costs in Mainland China, shortening life cycles of consumer electronic products and the volatile capital markets and currency fluctuations. At the same time, the relatively low visibility of sales orders received makes resources planning difficult.

Although the Group sees the macroeconomic environment as unfavourable for the ODM manufacturing sector, it has continued to invest in new technologies enabling it to roll out new and innovative products, diversify product offerings, automate manufacturing and direct considerably more resources to developing higher margin innovative products.

As a major global haircare product manufacturer, the Group will continue to adhere to the strategic direction of reinforcing its position as a major ODM supplier of world-leading brand owners. Moving forward, our seasoned management team will focus on formulating business strategies and using the research and development capabilities of the Group to create innovative products with strong value-added features to boost the Group's margins. The haircare manufacturing sector is currently undergoing consolidation. The management will work hard to present a solid platform to the Group that it may expand in the sector when the global economy starts to revive hopefully in the near future. Our strengths in advanced and innovative product design and development should drive sales and enable us to sustain sales growth momentum in the years to come.

At the same time, the Group will continue to implement stringent cost control measures to combat rising operating cost pressures. It will diligently adhere to the strategic focus of developing lifestyle haircare products superior to traditional products for fashion and lifestyle brands.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2018.

## EVENTS AFTER THE REPORTING PERIOD

The Group has no other significant events after the reporting period up to the date of this announcement.

## CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the financial year ended 31 March 2018, except for the deviation from the CG Code A.2.1 and A.6.7 explained in the following relevant section.

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

Code Provision A.2.1 stipulates that the roles of chairman of the Board and chief executive officer should be separated and should not be performed by the same individual. Currently, Ms. Cai Dongyan holds the position of the chairman of the Board as well as the chief executive officer of the Company. However, the Board believes that the vesting of the roles of the chairman and the chief executive officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies and development plans. Therefore, the Board believes that the balance of power and authority is adequately ensured despite Ms. Cai Dongyan being both the chairman of the Board and the chief executive officer.

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

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company were in line with the Code Provisions during the year ended 31 March 2018.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the Directors of the Company (the "**Directors**") have confirmed that they fully complied with the required standards as set out in the Model Code throughout the year ended 31 March 2018.

## AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management of the Company the accounting principles and practices, risk management and internal control systems adopted by the Group. The Audit Committee comprises three independent non-executive Directors and none of them is employed by or otherwise affiliated with former or existing auditors of the Company.

## PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement of the Company for the year ended 31 March 2018 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.kenford.com.hk). The annual report for the year ended 31 March 2018 will be published on the above websites and despatched to the shareholders of the Company in due course.

## APPRECIATION

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

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

Hong Kong, 22 June 2018

*As at the date hereof, the board of the Directors of the Company comprises three executive Directors, namely Ms. Cai Dongyan, Ms. Pauline Lam and Mr. Zhang Huijun, one non-executive Director, namely Mr. Kwok Kai Hing Daniel, and three independent non-executive Directors, namely Mr. Fung Chi Kin, Mr. Han Dengpan and Mr. Huang Zhiwei.*

*Website: www.kenford.com.hk*