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建福集團控股有限公司
KENFORD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00464)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

RESULTS HIGHLIGHTS

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Operating results		
Revenue	**190,285**	217,222
Gross profit	**5,467**	34,322
Net loss	**(22,916)**	(9,649)
Per share data	***HK cents***	*HK cents*
Basic loss per share	**(5.142)**	(2.165)
Net assets per share	**39.1**	50.7
Financial position	***HK$'000***	*HK$'000*
Cash	**80,316**	97,707
Net Cash (Cash and bank deposits less interest bearing borrowings)	**30,162**	40,910
Total assets	**388,518**	392,486
Net assets	**174,397**	225,803
Financial ratio		
Gross profit margin	**2.9%**	15.8%
Net loss to revenue	**(12.0%)**	(4.4%)
Return on equity	**(13.1%)**	(4.3%)
Net cash to equity	**17.3%**	18.1%

INTERIM RESULTS

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I am pleased to present the unaudited interim results of Kenford Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2018 (the "**current period**") together with the comparative figures for the corresponding period last year (the "**last corresponding period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**190,285**	217,222
Cost of sales		**(184,818)**	(182,900)
Gross profit		**5,467**	34,322
Other income, gains and losses		**8,023**	1,508
Distribution costs		**(3,348)**	(3,375)
Administrative expenses		**(31,652)**	(41,382)
Finance income		**33**	143
Finance costs	*6*	**(914)**	(616)
Loss before taxation	*6*	**(22,391)**	(9,400)
Income tax expenses	*7*	**(525)**	(249)
Loss for the period attributable to owners of the Company		**(22,916)**	(9,649)
Other comprehensive (expenses) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(12,882)**	6,515

	Notes	For the six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Total comprehensive expenses for the period attributable to owners of the Company		**(35,798)**	(3,134)
Loss per share ***(HK cents)***	*8*		
– Basic		**(5.142)**	(2.165)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 September 2018 (Unaudited) *HK$'000***	As at 31 March 2018 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*10*	**108,362**	111,393
Prepaid lease payments		**3,047**	3,398
Deposits paid for acquisition of property, plant and equipment		**3,840**	2,533
		115,249	117,324
Current assets			
Inventories		**90,603**	65,057
Trade and bills receivables	*11*	**82,768**	112,569
Deposits, prepayments and other receivables		**19,582**	17,112
Tax recoverable		**–**	584
Bank balances and cash		**80,316**	58,072
		273,269	253,394
Current liabilities			
Trade payables	*12*	**92,674**	53,904
Accruals and other payables		**13,311**	13,653
Contract liabilities		**8,665**	10,863
Loan from a shareholder		**30,045**	4,045
Bank borrowings		**50,154**	57,662
Tax liabilities		**4,850**	4,541
		199,699	144,668
Net current assets		**73,570**	108,726

	Notes	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Total assets less current liabilities		**188,819**	226,050
Non-current liabilities			
Deferred tax liabilities		**14,422**	15,855
Net assets		**174,397**	210,195
Capital and reserves			
Share capital	*13*	**446**	446
Share premium and reserves		**173,951**	209,749
Total equity		**174,397**	210,195

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. General Information

Kenford Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 10 November 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 June 2005. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its ultimate holding company is China Yuen Capital Limited, a company incorporated in the British Virgin Islands. The registered office and principal place of business of the Company is Office 810, Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are design, manufacture and sale of electrical haircare appliances.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), and all values are rounded to nearest thousand unless otherwise stated.

2. Basis of Preparation and Principal Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings and investment held for trading, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from design, manufacturing and sale of electrical haircare appliances.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from the design, manufacturing and sale of electronic haircare appliances is recognised at a point in time when the control of goods has transferred, being when the goods have been shipped to the customers' specific location. Transportation and other related activities that occur before customers obtains control of the related products are considered as fulfilment activities.

A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.1.2 *Summery of effects arising from initial application of HKFRS 15*

The following adjustments are made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018.

Line items that are not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Other payables and accruals	24,516	(10,863)	13,653
Contract liabilities	–	10,863	10,863

As at 1 April 2018, advances from customers of approximately HK$10,863,000 in respect of sales orders previously included in other payables and accruals were reclassified to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each line items affected. Line items that were not affected by the changes have not been included.

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Other payables and accruals	13,311	8,665	21,976
Contract liabilities	8,665	(8,665)	–

There is no material impact on the revenue recognition on the timing and amounts of revenue recognised upon the application of HKFRS 15 on 1 April 2018.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("ECL") for financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured at fair value.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivable, deposits and other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed individually for each debtor.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables where the corresponding adjustment is recognised through a loss allowance account.

At 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. Based on assessment by the management of the Group, management of the Group considers the ECL for deposits and other receivables and amounts due from directors is insignificant.

3. Revenue

The Group is principally engaged in the design, manufacture and sale of electrical haircare appliances. Revenue represents the net amounts received and receivable for goods sold in the normal course of business, net of discounts.

4. Seasonality of Operations

The Group on average experiences higher sales in the second and third quarters of the financial year, compared to other quarters in the financial year, due to the increased retail demand for its products during the Christmas holiday and the Chinese New Year period. The Group anticipates this demand by increasing its production to build up inventories during the second quarter of the financial year. Those built-up inventories still held at the end of the interim reporting period are sold off in the third quarter of the financial year.

5. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision maker for the purposes of resources allocation and assessment of performance of a single reportable and operating segment, which is the design, manufacture and sale of electrical haircare appliances.

The Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods is as follows:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Europe	**95,520**	116,415
Asia	**62,155**	68,446
North and South America	**28,378**	30,041
Africa	**2,445**	1,430
Australia	**1,787**	890
	190,285	217,222

6. Loss before Taxation

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

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**185,016**	181,683
Depreciation of property, plant and equipment	**2,549**	2,559
Amortisation of prepaid lease payments	**46**	45
Interests on bank borrowings	**914**	616
Total staff costs (including Directors' remuneration)	**70,529**	71,111
(Reversal of allowance for) allowance for inventories	**(198)**	1,217
Net foreign exchange loss	**417**	445

7. Income Tax Expenses

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**(510)**	–
– Over-provision in prior year	**–**	137
– The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	**(15)**	(386)
Income tax expenses	**(525)**	(249)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2017: 16.5%) of the estimated assessable profits for the period.

Under the Law of the PRC on EIT (the "EIT" Law) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 September 2017: 25%).

8. Loss per Share

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

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the purposes of calculating basic loss per share (Loss for the period attributable to owners of the Company)	**(22,916)**	(9,649)
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	445,646	445,646
Basic loss per share (HK cents)	(5.142)	(2.165)

There was no diluted loss per share for the six months ended 30 September 2018 and 2017 as there was no potential ordinary share issued during both periods.

9. Dividends

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

The Board had declared a special interim dividend (the "Special Interim Dividend") of HK$0.2131 per share of the Company, amounting to approximately HK$94,967,000 in total on 27 July 2017. The Special Interim Dividend was paid on 21 August 2017 to the shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 11 August 2017.

10. Property, Plant and Equipment

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK$9,533,000 (six months ended 30 September 2017: HK$1,415,000).

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's leasehold land and buildings as at the end of the current interim period that is carried at revalued amounts does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current interim period.

11. Trade and Bills Receivables

The credit periods granted by the Group ranged from 14 to 90 days. For those major customers, a credit term up to 120 days from the invoice date is allowed.

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Trade receivables	**78,863**	108,481
Less: Allowance for bad and doubtful debts	**(51)**	(51)
	78,812	108,430
Bills receivables	**3,956**	4,139
	82,768	112,569

The aging analysis of trade and bills receivables, net of allowance for bad and doubtful debts, presented based on invoice date at the end of the reporting period, which approximates to the respective date of revenue recognition, is as follows:

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Within 60 days	**59,971**	65,801
61 – 120 days	**17,605**	21,836
121 – 365 days	**4,842**	24,650
Over 365 days	**350**	282
	82,768	112,569

12. Trade Payables

The credit periods on purchases of goods ranged from 30 to 120 days. The aging analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 September 2018 (Unaudited)	31 March 2018 (Audited)
	HK$'000	*HK$'000*
Within 60 days	**86,775**	46,067
61 – 120 days	**3,191**	5,117
121 – 365 days	**1,923**	2,003
Over 365 days	**785**	717
	92,674	53,904

13. Share Capital

	Number of share	**Normal value**
	'000	*HK$'000*
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 April 2017, 30 September 2017, 1 April 2018 and 30 September 2018	1,000,000	1,000
Issued and fully paid:		
At 1 April 2017, 30 September 2017, 1 April 2018 and 30 September 2018	445,646	446

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover for the current period was HK$190,285,000, representing a decrease of 12.4% from HK$217,222,000 for the last corresponding period. The decline was mainly due to the 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.

Gross profit for the current period amounted to HK$5,467,000, representing a decrease of 84.1% from HK$34,322,000 in the last corresponding period. Gross profit over revenue ("**gross profit margin**") during the current period was 2.9% compared to 15.8% in the last corresponding period. The decrease was mainly contributed by the surge in material cost, especially in packaging material, plastic resins and copper, and the increase in operating expenses during the period.

Net loss for the current period was HK$22,916,000, representing an increase of 137.5% from net loss of HK$9,649,000 in the last corresponding period.

Basic loss per share was HK5.142 cents, representing an increase of 137.5% from a loss per share of HK2.165 cents in the last corresponding period.

BUSINESS REVIEW

Market Review

The Group is principally engaged in the design, manufacture and sale of electrical haircare appliances. The Group's manufacturing base is in Dongguan PRC, with its products mainly sold on original design manufacturing (ODM) and original equipment manufacturing (OEM) basis.

During the period under review, both the global and China economic growth remained relatively slow which directly dampened the demand for electronic haircare appliances, thereby affected the Group's sales. However, leveraged on its long-term relationship with customers and high-quality products, the Group had maintained a strong position as one of the key global suppliers in the electronic haircare appliances segment. Its predominant revenue stream still had hair dryers leading the way followed by hair straighteners, airbrushes, curling tongs and curling brushes.

During the current period, the Group had faced strong pressure from customers requesting price reductions for mature products due to depreciation of Renminbi during the period. In addition, as compared with the last corresponding period, one of the major customers had entirely exited the hair-care product market in the current period.

However, testimony to the Group's quality was that most of its customers were renowned global brands, as its five major customers had accounted for approximately 76% and 77% of its total turnover during the current period and the last corresponding period, respectively. The Group believes that the European and Asian markets will remain the major geographic revenue contributors in the coming years.

Operations Review

China remained the Group's major production center. Similar to other manufacturers in China, the Group had faced a series of operating challenges, such as the slow recovery in export markets, declining growth in Mainland China's domestic market, the difficulties in recruiting production line operators and increasing raw material costs and other manufacturing expenses such as the increase in minimum wage in the Guangdong province in the PRC. Though these factors had adversely affected its gross profit margin, the Group had found it very difficult to pass all of the higher expenses on to its customers.

Shortage of labour continued to be a serious issue in China, leading to a significant increase in labour costs and subsequently a heavier burden on the entire manufacturing process and operational efficiency. As such, the Group had employed a two-pronged approach to maintain its profitability. On the one hand, the Group had continued to streamline its production processes as well as to adjust its sales strategy by focusing on niche markets and eliminating low margin products. On the other hand, the Group continued to allocate more resources to upgrade and automate its manufacturing processes. Towards this end, it had strived to improve production efficiency, eliminate waste and, ultimately, reduce costs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had approximately HK$80,316,000 in cash and bank deposits as at 30 September 2018, (31 March 2018: HK$58,072,000). The Group's net current assets were approximately HK$73,570,000 (31 March 2018: HK$108,726,000). The current ratio was 1.4 (31 March 2018: 1.8). The net cash position after deducting all interest-bearing borrowings was HK$30,162,000 (31 March 2018: HK$410,000) and the net cash to equity ratio was 17.3% (31 March 2018: 0.2%).

The Group had aggregate banking facilities of HK$98,400,000 (31 March 2018: HK$78,400,000), of which HK$50,154,000 (31 March 2018: HK$57,662,000) was used. The borrowings comprised bank loan facilities of HK$12,139,000 (31 March 2018: HK$12,078,000) and trade finance facilities of HK$38,015,000 (31 March 2018: HK$45,584,000) with maturity due within one year. The bank borrowings carried interest at rates ranging from HIBOR/LIBOR plus 1.8% to 2.25% (31 March 2018: 1.8% to 2.25%) or 1% below (31 March 2018: 1% below) the prime rate.

As at 30 September 2018, the gearing ratio of the Group which was calculated by dividing total bank borrowings and other borrowings with total equity attributable to owners of the Company, was 28.8% (31 March 2018: 27.4%).

The Group has maintained a healthy liquidity position and has continuously monitored financial resources to ensure sufficient funding to meet working capital and capital expenditure requirements.

FOREIGN EXCHANGE EXPOSURE

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

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 30 September 2018, the Group had operating lease commitments of HK$748,000 (31 March 2018: HK$1,845,000) and capital commitments of HK$3,460,000 (31 March 2018: HK$2,082,000).

CONTINGENT LIABILITIES

As at 30 September 2018, the Group had no material contingent liabilities (31 March 2018: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2018, the Group employed 29 staff in Hong Kong (30 September 2017: 36) and a total work force of approximately 1,589 (30 September 2017: 1,479) inclusive of all its staff and workers in China. For the current period, the total staff costs (including Directors' remuneration) were HK$70,529,000 (the corresponding period: HK$71,111,000). The Group's remuneration policy is underscored by the principle of awarding equitable packages to employees, incentive-based where applicable, with remuneration 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.

OUTLOOK AND PROSPECTS

The Group anticipates that uncertainty still exists in the haircare appliances industry due to the continuous sluggish demand, the volatile raw material costs, the lack of skilled labours and the continuous increase of manufacturing costs. Together with the on-going trade tension between the United States and China, the Group expects the coming year will continue to be challenging. Nevertheless, the Group will work diligently and implement a two-pronged approach to address the challenges: tightening cost control and upholding its product quality and R&D capabilities in the years to come.

To achieve long term growth potential of the Group, while preparing for the market rebounce through enhancing the Group's competitiveness, the Group will actively explore and identify any investment and other business opportunities.

SHARE CAPITAL

During the six months ended 30 September 2018, the listed shares of HK$0.001 each in the share capital of the Company (the "**Shares**") was 445,646,000 Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the period.

INTERIM DIVIDENDS

The Board has resolved not to declare payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

EVENTS AFTER THE CURRENT PERIOD

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

CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2018, except for the deviation from the CG Code A.2.1 and Code A.6.7 as explained below.

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 chairman of the Board as well as the chief executive officer of the Company. However, the Board believes that 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. Independent non-executive director, Mr. Huang Zhiwei, did not attend the annual general meeting of the Company held on 17 August 2018 due to other business engagements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the directors of the Company (the "**Directors**") have confirmed that they fully complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 29 April 2005 with written terms of reference published on both the websites of the Stock Exchange and the Company. They are available for inspection by the shareholders of the Company upon request made to the company secretary. The primary duties of the Audit Committee are, inter alia, to review and supervise the financial reporting process, risk management and internal control system of the Group, to review the financial statements focusing particularly on (i) any changes in accounting policies and practices of the Group; (ii) the compliance with accounting standards and (iii) the compliance with the legal requirements, as well as to review the Company's annual reports and interim reports.

The audit committee has the responsibilities and powers set forth in the terms of reference of the audit committee. Committee members shall meet at least twice to consider the interim and final results prepared by the Board.

The Audit Committee comprises three Independent Non-Executive Directors, namely, Mr. Fung Chi Kin, Mr. Han Dengpan and Mr. Huang Zhiwei. Mr. Han Dengpan was appointed as the chairman of the Audit Committee. None of the Audit Committee members are members of the former or existing auditors of the Company.

The Audit Committee has discussed with the management the accounting principles and policies adopted by the Group, and reviewed this announcement and the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2018.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established for the purpose of (i) to review and give comment to the overall remuneration policy and remuneration packages of the Group; (ii) to review and give comment to the basic salary of the Executive Directors and senior management of the Group; (iii) to review and give comment to the performance bonus of the Executive Directors of the Company; (iv) to note the fact that no compensation had been paid to the Executive Directors and senior management of the Group in relation to their resignation, if any; and (v) to recommend the remuneration packages of the Executive Directors and senior management of the Group for each financial year prior to recommending them to the Board for determination.

The Remuneration Committee comprises three Independent Non-Executive Directors namely, Mr. Fung Chi Kin, Mr. Han Dengpan and Mr. Huang Zhiwei and one Executive Director, Mr. Zhang Huijun. Mr. Fung Chi Kin was appointed as chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference, which are in line with the CG Code under Appendix 14 of the Listing Rules.

The Nomination Committee comprises three Independent Non-Executive Directors namely, Mr. Fung Chi Kin, Mr. Han Dengpan and Mr. Huang Zhiwei. Mr. Fung Chi Kin was appointed as the chairman of the Nomination Committee.

INTERNAL AUDIT

The Company has set up an internal audit department since February 2008. The Audit Committee has met with the internal auditor and discussed with the Board about the internal control report. The Board also through the Audit Committee conducted a review of the effectiveness of the systems of internal control and risk management of the Group which cover all material controls, including strategic, financial, operational and compliance controls. The Audit Committee considers the systems effective and adequate.

The Company has engaged a qualified accountant with appropriate working experiences in the Finance & Accounting Department of the Group. The Board was also satisfied with the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

RISK MANAGEMENT

The Board recognises risk management as one of the key elements to the success of the Company. The Group takes a pragmatic approach to manage different risks to align with its business development strategically. The management identifies potential risks, assesses their impact and likelihood and develops appropriate action plans to mitigate risks to a level that the Company is willing to take in achieving the Company's objectives on a regular basis. The Group will continue to enhance the risk management practices and internal control system and adopt a stringent governance framework with reference to the best practices in the market.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control and risk management systems within the Group and reviewing their effectiveness, particularly in respect of financial, operational, and compliance controls, and setting appropriate policies so that the objectives of the Group can be effectively and efficiently achieved and the associated risks can be identified, managed and mitigated at an acceptable level.

Appropriate policies and procedures are provided to the staff to take all measures that can (i) safeguard assets against unauthorised use or disposition; (ii) keep proper and accurate accounting records and enhance the reliability of financial reporting; and (iii) ensure efficiency and effectiveness of operations and compliance with applicable laws and regulations. The design of the internal control and risk management systems is to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimise the risk of failure in the Group's operational systems.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all members of the staff for their dedication and commitment and the continuing support from our customers, suppliers, banks and shareholders.

By Order of the Board
Zhang Huijun
Director

Hong Kong, 26 November 2018

As at the date hereof, Board of the Company comprises three executive Directors, namely Ms. Cai Dongyan, Ms. Pauline Lam and Mr. Zhang Huijun, one nonexecutive 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.