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 2017

RESULTS HIGHLIGHTS

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Operating results		
Revenue	**217,222**	238,370
Gross profit	**34,322**	39,648
(Deficit) earnings before interest, tax, depreciation and amortisation	**(6,181)**	2,068
Net loss	**(9,649)**	(4,238)
Per share data	***HK cents***	*HK cents*
Basic loss per share	**(2.165)**	(0.951)
Net assets per share	**50.7**	75.8
Financial position	***HK$'000***	*HK$'000*
Cash	**97,707**	107,897
Net cash (Cash and bank deposits less interest bearing borrowings)	**40,910**	60,034
Total assets	**392,486**	515,055
Net assets	**225,803**	337,604
Financial ratio		
Gross profit margin	**15.8%**	16.6%
(Deficit) earnings before interest, tax, depreciation and amortisation to revenue	**(2.8%)**	0.9%
Net loss to revenue	**(4.4%)**	(1.8%)
Return on equity	**(4.3%)**	(1.3%)
Net cash to equity	**18.1%**	17.8%

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kenford Group Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2017 (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	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**217,222**	238,370
Cost of sales		**(182,900)**	(198,722)
Gross profit		**34,322**	39,648
Other income, gains and losses		**1,508**	3,234
Distribution costs		**(3,375)**	(2,814)
Administrative expenses		**(41,382)**	(44,086)
Finance income		**143**	115
Finance costs	*6*	**(616)**	(616)
Loss before taxation	*6*	**(9,400)**	(4,519)
Income tax (expenses) credit	*7*	**(249)**	281

		For the six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Loss for the period attributable to owners of the Company		**(9,649)**	(4,238)
Other comprehensive income (expenses)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**6,515**	(5,479)
Total comprehensive expense for the period attributable to owners of the Company		**(3,134)**	(9,717)
Loss per share	*8*		
– Basic *(HK cents)*		**(2.165)**	(0.951)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2017 (Unaudited) *HK$'000*	As at 31 March 2017 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*10*	**102,771**	100,651
Prepaid lease payments		**3,222**	3,163
Deposits paid for acquisition of property, plant and equipment		**2,670**	1,873
		108,663	105,687
Current assets			
Inventories		**71,136**	60,792
Trade and bills receivables	*11*	**98,379**	142,547
Deposits, prepayments and other receivables		**13,563**	12,872
Tax recoverable		**1,600**	1,816
Investments held for trading		**1,438**	5,909
Bank balances and cash		**97,707**	106,707
		283,823	330,643
Assets classified as held for sale		**–**	53,080
		283,823	383,723
Current liabilities			
Trade payables	*12*	**71,323**	65,159
Accruals and other payables		**20,044**	32,784
Bank borrowings		**56,797**	49,811
Tax liabilities		**5,611**	5,287
		153,775	153,041
Net current assets		**130,048**	230,682
Total assets less current liabilities		**238,711**	336,369

	Notes	As at 30 September 2017 (Unaudited) *HK$'000*	As at 31 March 2017 (Audited) *HK$'000*
Non-current liabilities			
Deferred tax liabilities		**12,908**	12,465
Net assets		**225,803**	323,904
Capital and reserves			
Share capital	*13*	**446**	446
Share premium and reserves		**225,357**	323,458
Total equity		**225,803**	323,904

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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 Room 2511-2517, 25/F., Tower A, Regent Centre, 63 Wo Yi Hop 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 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.

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 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017.

In the current interim period, the Group has applied, for the first time, the following new 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:

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

The application of the above new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. The application of Amendments to HKAS 7 "Disclosure initiative" 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 in the consolidated financial statements for the year ending 31 March 2018 on application.

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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Europe	**116,415**	130,943
Asia	**68,446**	74,287
North and South America	**30,041**	30,295
Africa	**1,430**	460
Australia	**890**	2,385
	217,222	238,370

6. Loss before taxation

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

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**181,683**	196,478
Depreciation of property, plant and equipment	**2,559**	5,924
Amortisation of prepaid lease payments	**45**	46
Interests on bank borrowings	**616**	616
Total staff costs (including Directors' remuneration)	**71,111**	69,321
Allowance for inventories	**1,217**	2,244
Net foreign exchange loss	**445**	514

7. Income tax (expenses) credit

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**–**	–
– Over-provision in prior year	**137**	1,636
– The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	**(386)**	(1,355)
Income tax (expenses) credit	**(249)**	281

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2016: 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 2016: 25%).

8. Loss per share

The calculation of the basic (2016: basic) loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the purposes of calculating basic (2016: basic) loss per share (Loss for the period attributable to owners of the Company)	**(9,649)**	(4,238)

	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic (2016: basic) loss per share	**445,646**	445,646
Basic (2016: basic) loss per share *(HK cents)*	**(2.165)**	(0.951)

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

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the six months ended 30 September 2016.

9. Dividends

During the current interim period, a special dividend of HK$94,967,000 was declared and paid to the shareholders. The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

10. Property, plant and equipment

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK$1,415,000 (six months ended 30 September 2016: HK$1,880,000).

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.

	As at 30 September 2017 (Unaudited) ***HK$'000***	As at 31 March 2017 (Audited) *HK$'000*
Trade receivables	**95,449**	140,008
Bills receivables	**2,930**	2,539
	98,379	142,547

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:

	As at 30 September 2017 (Unaudited) ***HK$'000***	As at 31 March 2017 (Audited) *HK$'000*
Within 60 days	**62,773**	66,319
61 – 120 days	**19,794**	26,602
121 – 365 days	**15,480**	49,159
Over 365 days	**332**	467
	98,379	142,547

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:

	As at 30 September 2017 (Unaudited)	As at 31 March 2017 (Audited)
	HK$'000	*HK$'000*
Within 60 days	**66,963**	57,950
61 – 120 days	**1,652**	3,993
121 – 365 days	**1,448**	2,132
Over 365 days	**1,260**	1,084
	71,323	65,159

13. Share capital

	Number of shares	**Nominal value**
	'000	*HK$'000*
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 April 2016, 30 September 2016, 1 April 2017 and 30 September 2017	1,000,000	1,000
Issued and fully paid:		
At 1 April 2016, 30 September 2016, 1 April 2017 and 30 September 2017	445,646	446

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2017 (the "**current period**") was HK$217,222,000, representing a decrease of 8.9% from HK$238,370,000 during the corresponding period last year (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$34,322,000, representing a decrease of 13.4% from HK$39,648,000 in the last corresponding period. Gross profit over revenue ("**gross profit margin**") during the current period was 15.8% compared to 16.6% in the last corresponding period. The decrease was mainly contributed by the surge in material cost, especially in packaging material, plastic resins and copper, which had reduced the Company's gross profit margin.

Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") dropped to a deficit of HK$6,181,000, representing a decrease of 398.9% from HK$2,068,000 in the last corresponding period. Affected by the decrease in turnover, EBITDA over revenue ("**EBITDA Margin**") was a deficit of 2.8% compared to 0.9% during the last corresponding period.

Net loss for the current period was HK$9,649,000, an increase of 127.7% from HK$4,238,000 in the last corresponding period.

Basic loss per share was HK2.165 cents, representing an increase of 127.7% from a loss per share of HK0.951 cents in the last corresponding period.

The board (the "**Board**") of directors of the Company (the "**Directors**") has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

BUSINESS REVIEW

Market Review

Kenford Group Holdings Limited (the "**Company**", together with its subsidiaries, 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 affecting the Group's sales. However, 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. Its predominant revenue stream still has hair dryers leading the way followed by hair straighteners, airbrushes, curling tongs and curling brushes.

During the current period, the Group has faced strong pressure from customers requesting price reductions for mature products. As most of the Group's customers are from European countries, the continuous devaluation of the Euro and British Pound against the United States ("**US**") dollar presents a significant cost burden as they need to pay US dollars for all the goods that they purchase from the Group.

However, testimony to the Group's quality is that most of its customers are renowned global brands, as its five major customers have accounted for approximately 77% and 80% 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 remains the Group's major production center. Similar to other manufacturers in China, the Group has faced a series of operating challenges, such as the slow recovery in export markets, declining growth in China's domestic market, the 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 to its customers.

Shortage of labour continues 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 has employed a two-pronged approach to maintain its profitability. On the one hand, 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. 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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had approximately HK$97,707,000 in cash and bank deposits as at 30 September 2017, (31 March 2017: HK$106,707,000). The Group's net current assets were approximately HK$130,048,000 (31 March 2017: HK$230,682,000). The current ratio was 1.8 (31 March 2017: 2.5). The net cash position after deducting all interest-bearing borrowings was HK$40,910,000 (31 March 2017: HK$56,896,000) and the net cash to equity ratio was 18.1% (31 March 2017: 17.6%).

The Group had aggregate banking facilities of HK$70,400,000 (31 March 2017: HK$145,400,000), of which HK$56,797,000 (31 March 2017: HK$49,811,000) was used. The borrowings comprised bank loan facilities of HK$13,720,000 (31 March 2017: Nil) and trade finance facilities of HK$43,077,000 (31 March 2017: HK$49,811,000) 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 2017: 2% to 2.25%) or the prime rate (31 March 2017: the prime rate).

As at 30 September 2017, the gearing ratio of the Group which was total bank borrowings and other borrowings as a percentage of total equity, was 25.2% (31 March 2017: 15.4%).

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, US dollars and Renminbi. As the Hong Kong dollar remains pegged to the US dollar, there is no material exchange risk in this respect. To manage the exchange risk in relation to the fluctuation of the Renminbi exchange rate, the Group has successfully generated revenue from its business operations in China to hedge Renminbi receipts and payments on an ongoing basis. During the period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk. 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 2017, the Group had operating lease commitments of HK$1,499,000 (31 March 2017: Nil) and capital commitments of HK$2,003,000 (31 March 2017: HK$1,263,000).

CONTINGENT LIABILITIES

As at 30 September 2017, the Group had no material contingent liabilities (31 March 2017: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2017, the Group employed 36 staff in Hong Kong (30 September 2016: 39) and a total work force of approximately 1,479 (30 September 2016: 1,550) inclusive of all its staff and workers in China. For the current period, the total staff costs (including Directors' remuneration) were HK$71,111,000 (the corresponding period: HK$69,321,000). 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

During recent months, the Group has achieved major milestones in its development. China Yuen Capital Limited, as the Offeror (the "**Offeror**"), has completed the acquisition of 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 (the "**Offer**") 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, manufacturing 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 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 businesses, the Group anticipates that the business will be confronted with several key challenges. These include continuous sluggish demand due to weak consumer sentiment and business environment, the pressure from customers to lower its selling price, a shortage of skilled labour in Mainland China, the climbing raw material costs and fees assessed by Mainland China's government, the continuous increase of manufacturing costs, the shorter product life cycles of consumer electronic products as well as volatile capital markets and currency fluctuations. At the same time, the predictability of future sales orders received is comparatively low which presents difficulties in planning the allocation of resources.

Facing political and economic uncertainties, the global economy is expected to remain challenging in the coming year. Nevertheless, the Group is continuously working diligently and implementing 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.

SHARE CAPITAL

During the six months ended 30 September 2017, the total number of issued 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 current period.

INTERIM DIVIDENDS

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 appear on the register of members of the Company at the close of business on 11 August 2017.

The Board has resolved not to declare payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

EVENTS AFTER THE CURRENT PERIOD

Following the close of the Offer and the transfer of the offer shares in respect of which valid acceptances had been received, 34,425,500 shares, representing approximately 7.72% of the entire issued share capital of the Company as at the date of the joint announcement of the Company dated 15 August 2017, were held by the public (within the meaning of the Listing Rules). Accordingly, as at 12 September 2017, the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules was not satisfied and trading in the shares of the Company on the Stock Exchange had been suspended with effect from 9:00 a.m. on 13 September 2017 at the request of the Company.

As disclosed in the announcement of the Company dated 6 November 2017, upon completion of the placing of an aggregate of 76,988,000 shares (the "**Placing Shares**") through the placing agents to not less than six placees at the placing price of HK$1.60 per Placing Share, a total of 111,413,500 shares, representing approximately 25% of the total number of issued shares of the Company, were held by the public. As such, the public float of the Company had been restored to at least 25% of the total number of issued shares of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules and trading in the shares of the Company on the Stock Exchange was resumed from 9:00 a.m. on 7 November 2017.

Save as above, the Group has no other significant events after the current period up to the date of this announcment.

CORPORATE GOVERNANCE PRACTICES

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 2017, except for the deviation from the CG Code A.6.7 explained in the following.

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.

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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted procedures governing directors' securities transactions terms no less exacting than the requested standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standards as set out in the Model Code throughout the six months ended 30 September 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 29 April 2005 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules 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 2017.

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
Kenford Group Holdings Limited
Zhang Huijun
Executive Director

Hong Kong, 29 November 2017

As at the date of this announcement, the Board of the Company comprises four executive Directors, namely Mr. Yang Yubin, 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