



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

Annual Report **2018**

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# Corporate Information

## BOARDS OF DIRECTORS

### Executive Directors

Cai Dongyan (*appointed as Director: Note 1, chief executive officer: Note 2 and chairman: Note 4*)

Pauline Lam (*appointed as Director: Note 1*)

Zhang Huijun (*appointed as Director: Note 1; chairman: Note 2 and ceased to be chairman: Note 3*)

Yang Yubin (*appointed as Director and chairman: Note 3 and resigned: Note 4*)

Lam Wai Ming (*resigned as Director and chairman: Note 2*)

Tam Chi Sang (*resigned as Director and managing director: Note 2*)

### Non-Executive Directors

Kwok Kai Hing Daniel (*appointed as Director: Note 1*)

### Independent Non-Executive Directors

Fung Chi Kin (*appointed as Director: Note 1*)

Han Dengpan (*appointed as Director: Note 1*)

Huang Zhiwei (*appointed as Director: Note 1*)

Chiu Fan Wa (*resigned as Director: Note 2*)

Choi Hon Keung (*resigned as Director: Note 2*)

Li Chi Chung (*resigned as Director: Note 2*)

### COMPANY SECRETARY

Ong King Keung (*appointed as company secretary: Note 1*)

Pang Kit Teng (*resigned as company secretary: Note 1*)

### AUDIT COMMITTEE

Han Dengpan (*appointed as chairman: Note 2*)

Fung Chi Kin (*appointed as member: Note 2*)

Huang Zhiwei (*appointed as member: Note 2*)

Chiu Fan Wa (*resigned as chairman: Note 2*)

Choi Hon Keung (*resigned as member: Note 2*)

Li Chi Chung (*resigned as member: Note 2*)

## NOMINATION COMMITTEE

Fung Chi Kin (*appointed as chairman: Note 2*)

Han Dengpan (*appointed as member: Note 2*)

Huang Zhiwei (*appointed as member: Note 2*)

Chiu Fan Wa (*resigned as chairman: Note 2*)

Choi Hon Keung (*resigned as member: Note 2*)

Li Chi Chung (*resigned as member: Note 2*)

## REMUNERATION COMMITTEE

Fung Chi Kin (*appointed as chairman: Note 2*)

Han Dengpan (*appointed as member: Note 2*)

Huang Zhiwei (*appointed as member: Note 2*)

Zhang Huijun (*appointed as member: Note 2*)

Choi Hon Keung (*resigned as chairman: Note 2*)

Chiu Fan Wa (*resigned as member: Note 2*)

Lam Wai Ming (*resigned as member: Note 2*)

Li Chi Chung (*resigned as member: Note 2*)

Tam Chi Sang (*resigned as member: Note 2*)

*Note 1: with effect from 22 August 2017*

*Note 2: with effect from 12 September 2017*

*Note 3: with effect from 30 September 2017*

*Note 4: with effect from 29 December 2017*

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

Office 810, Unit 1908, 19/F,

9 Queen's Road Central,

Central, Hong Kong

Telephone: (852) 3892 5999

Facsimile: (852) 3892 5998

Email: Info@kenford.com.hk

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

3rd Floor, Royal Bank House

24 Shedden Road, P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

### **BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong  
Investor Services Limited  
Shop 1712-1716,  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### **AUDITOR**

Deloitte Touche Tohmatsu

### **LEGAL ADVISER**

Li & Partners

### **PRINCIPAL BANKERS**

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Dah Sing Bank Limited

### **CORPORATE WEBSITE**

[www.kenford.com.hk](http://www.kenford.com.hk)

### **STOCK CODE**

00464

# Highlights

<b>For the year ended 31 March</b>	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>Operating result</b>		
Revenue	<b>429,684</b>	495,390
Gross profit	<b>45,221</b>	79,478
Net loss	<b>(38,941)</b>	(22,220)
<b>Per share data</b>		
	<b>HK cents</b>	HK cents
Basic loss per share	<b>(8.738)</b>	(4.986)
Diluted loss per share	<b>(8.738)</b>	(4.986)
Net assets per share	<b>47.166</b>	72.682
<b>Financial position</b>		
	<b>HK\$'000</b>	HK\$'000
Cash and bank deposits	<b>58,072</b>	106,707
Total assets	<b>370,718</b>	489,410
Net assets	<b>210,195</b>	323,904
<b>Financial ratio</b>		
Gross profit margin	<b>10.5%</b>	16.0%
Net loss to revenue	<b>(9.1%)</b>	(4.5%)
Return on equity	<b>(18.5%)</b>	(6.9%)
Net cash to equity	<b>0.2%</b>	17.6%

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I am pleased to present the audited consolidated financial results of Kenford Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2018.

### **BUSINESS OVERVIEW**

The business environment for the year ended 31 March 2018 remained challenging for many electrical appliance manufacturers. First, the decrease in sales order from European and Mainland China markets and the decrease in selling price for matured products which outweighed the recovery of demand from the Japanese market. Second, the surge in material cost, especially in packaging materials, plastic resins and copper. Last but not least, the increase in operating expenses as a result of appreciation of Renminbi. All of the above adversely affected the financial performance of the Group collectively.

For the year ended 31 March 2018, the Group's revenue amounted to HK\$429,684,000, representing a decrease of 13.3% compared to that of last year. Loss attributable to equity holders of the Company amounted to HK\$38,941,000, representing an increase of 75.3% compared to that of last year.

The Board does not recommend the declaration of payment of a final dividend in respect of the year ended 31 March 2018.

### **FUTURE 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 (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 business of the Group, that is, the design, manufacture and sales of electrical haircare products. The Offeror will conduct a review of the principal business 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.

The coming year will be another challenging year for our existing principal haircare appliances business. Our seasoned management team will focus on tightening cost control and upholding product quality and R&D capabilities. Under the current harsh operational environment in China, we will undertake an in-depth strategic review with our business partners on the haircare appliances business to assess the options available for the Group in order to enhance our profitability and return on investment.

### **APPRECIATION**

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

By Order of the Board

**Cai Dongyan**  
*Chairman*

Hong Kong, 22 June 2018

# Management Discussion and Analysis

## COMPANY PROFILE

The Group was founded in 1984 and has been listed on the Hong Kong Stock Exchange since 2005. It is principally engaged in the business of design, manufacture and sales of electrical haircare products. Its headquarters is in Hong Kong and it operates a manufacturing base in Dongguan, the PRC.

The Group's products are mainly sold on Original Design Manufacturing (ODM) and Original Equipment Manufacturing (OEM) bases. Its customers are mainly leading brand owners and importers who then resell the products to beauty supply retailers and wholesalers, chain stores, mass merchandisers, warehouse clubs, catalogues and grocery stores.

Consumers today are increasingly attentive to caring for and styling and grooming their hair. They are looking for hair dryers that promise softer, shinier and healthier hair and hair straighteners that not only leave the hair straight, but also shiny and smooth after treatment. The Group can meet their demands as most of its products boast the following features: ionisation, ceramic coating, self-heat regulation, convenient cool-shot button (to quickly cool hair and hold a hair style), a diffusing and removable air filter (to prevent overheating and breakdown). Our products are light in weight hence easy to control when in use.

For international marketing, the Group leverages the annual Hong Kong Electronics Fair Autumn Edition held every October to increase brand awareness of the Group and promote its products.

## 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 weakened 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 was lower than the carrying amount. Based on the value in use calculation, an impairment on plant and equipment of HK\$7,143,000 (2017: HK\$1,403,000 on goodwill and HK\$14,146,000 on plant and equipment) 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 as 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 the 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 for the financial year ended 31 March 2018 (2017: Nil).

## **BUSINESS REVIEW**

### **Market Review**

During the current 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 pressure, 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 current financial year, at different levels, all geographic markets saw a decline in demand volume. Revenue contribution to total revenue from the European, Asian, North & South American, Australian and African 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.



# Management Discussion and Analysis

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.

As at 31 March 2018, the Group's gearing ratio was approximately 27.4% (2017: approximately 15.4%). This was calculated by dividing total borrowings with total equity attributable to owners of the Company as at 31 March 2018.

## CHARGES ON ASSETS

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

## FOREIGN EXCHANGE EXPOSURE

The Group's 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 manage 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.

During the year, the Group did not commit to any financial instruments for hedging purposes.

## 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. Employee costs, including directors' emoluments, amounted to HK\$131,947,000 for the year ended 31 March 2018 (2017: HK\$136,738,000). 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.

## SIGNIFICANT INVESTMENTS HELD

Except for investments in its subsidiaries, during the year ended 31 March 2018, the Group did not hold any significant investment in equity interest in any other company.

## 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 (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, 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 in Mainland China, 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.

## Management Discussion and Analysis

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.

Save as disclosed in this report, as at the date of this report, the Group did not have other future plans for material investments and capital assets.

The board of the Company herein present the annual report and the audited consolidated financial statements (the “**Financial Statements**”) of the Group for the year ended 31 March 2018.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of the subsidiaries are set out in Note 34 to the Financial Statements. There were no significant changes in the nature of the Group’s principal activities during the year.

A discussion of the Group’s business and financial performance for the year ended 31 March 2018 is set out in the section “Management Discussion and Analysis” of this annual report.

An analysis of the Group’s performance for the year by products and geographical location is set out in Note 6 to the Financial Statements.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES 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.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 March 2018 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 46.

The Directors have resolved not to declare the payment of final dividend in respect of the year ended 31 March 2018.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the Financial Statements.

### **SHARE CAPITAL AND SHARE OPTIONS**

Details of the movements in the issued share capital and share options of the Company during the year are set out in Notes 25 and 26 to the Financial Statements.

### **RESERVES**

Details of the movements in the reserves of the Group during the year are set out on page 48.

# Report of the Directors

## DIRECTORS

The directors of the Company (the “**Directors**”) who held office during the year and up to the date of this report are:

Ms. Cai Dongyan (*appointed as Director: Note 1, chief executive officer: Note 2 and chairman: Note 4*)  
Ms. Pauline Lam (*appointed as Director: Note 1*)  
Mr. Zhang Huijun (*appointed as Director: Note 1; chairman: Note 2 and ceased to be chairman: Note 3*)  
Mr. Yang Yubin (*appointed as Director and chairman: Note 3 and resigned: Note 4*)  
Mr. Lam Wai Ming (*resigned as Director and chairman: Note 2*)  
Mr. Tam Chi Sang (*resigned as Director and managing director: Note 2*)

### *Non-Executive Directors*

Mr. Kwok Kai Hing Daniel (*appointed as Director: Note 1*)

### *Independent Non-Executive Directors*

Mr. Fung Chi Kin (*appointed as Director: Note 1*)  
Mr. Han Dengpan (*appointed as Director: Note 1*)  
Mr. Huang Zhiwei (*appointed as Director: Note 1*)  
Mr. Chiu Fan Wa (*resigned as Director: Note 2*)  
Mr. Choi Hon Keung (*resigned as Director: Note 2*)  
Mr. Li Chi Chung (*resigned as Director: Note 2*)

*Note 1:* with effect from 22 August 2017

*Note 2:* with effect from 12 September 2017

*Note 3:* with effect from 30 September 2017

*Note 4:* with effect from 29 December 2017

In accordance with Article 87 of the Company’s articles of association, Ms. Cai Dongyan, Mr. Kwok Kai Hing Daniel and Mr. Fung Chi Kin will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

## **DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES**

Biographical details of the existing Directors and the senior management of the Group are set out on pages 22 to 24 of this annual report.

## **DIRECTORS' SERVICE CONTRACTS**

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' INTEREST AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE**

Save as disclosed in Note 30 to the Financial Statements, none of the Directors or controlling shareholders of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding companies, or any of its subsidiaries was a party during the year.

## **DIRECTORS' AND OFFICERS' INDEMNITY**

The Company continues to subscribe for an insurance policy to indemnify the Directors and senior executives from any losses, claims, damages, liabilities and expenses, including without limitation, any proceedings brought against them, arising from the performance of their duties pursuant to their appointment under their respective service agreements or letter of appointment entered into with the Company. The current policy has been renewed and shall be under constant review and is in force for the benefit of the Directors as required by section 470 of the Hong Kong Companies Ordinance when the Report of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Hong Kong Companies Ordinance.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES OF THE COMPANY**

As at 31 March 2018, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 31 March 2018, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

### Long position in the shares of the Company

Name of substantial shareholders	Capacity and Nature of Interest	Number of Shares held	Approximate percentage of issued Shares
China Yuen Capital Limited ( <i>Note</i> )	Beneficial owner	334,232,500	75.00%
China Investment International Limited ( <i>Note</i> )	Interest of controlled corporation	334,232,500	75.00%
Asia Glory Management Group Limited ( <i>Note</i> )	Interest of controlled corporation	334,232,500	75.00%
Luckever Holdings Limited ( <i>Note</i> )	Interest of controlled corporation	334,232,500	75.00%
Li Yuelan ( <i>Note</i> )	Interest of controlled corporation	334,232,500	75.00%
Liu Xuezhong ( <i>Note</i> )	Interest of controlled corporation	334,232,500	75.00%
Donghai International Financial Holdings Company Limited	Security interest in Shares	227,279,460	51.00%

*Note:* China Yuen Capital Limited is owned as to 100% by China Investment International Limited, which is owned as to 100% by Asia Glory Management Group Limited, which in turn is owned as to 100% by Luckever Holdings Limited. Luckever Holdings Limited is owned as to 60.87% by Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan (the spouse of Mr. Liu Xuezhong). By virtue of the SFO, each of China Investment International Limited, Asia Glory Management Group Limited, Luckever Holdings Limited, Mr. Liu Xuezhong and Ms. Li Yuelan was taken to be interested in the 334,232,500 Shares held by China Yuen Capital Limited.

Save as disclosed above, as at 31 March 2018, no person (other than Directors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTION SCHEME

Pursuant to a resolution passed on 6 August 2015, the Company adopted a new Share Option Scheme (“**2015 Share Option Scheme**”) which will remain in force for a period of ten (10) years.

The following is the summary of the principal terms of the Share Option Scheme:

### (a) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant Options to Eligible Participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

### (b) Who may join

Any person belonging to any of the following classes who, in the sole discretion of the Board, have contributed or will contribute to the growth and development of the Company are defined as Eligible Persons:

- (i) any full-time or part-time employee of the Company and/or any subsidiary of the Company;
- (ii) any director (including executive, non-executive and independent non-executive director) of the Company and/or any subsidiary of the Company; and
- (iii) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any subsidiary of the Company who, at the sole determination of the Board, have contributed or will contribute to the Company and/or any subsidiary of the Company.

The Board may invite any eligible person (“**Eligible Person**”) as the Board may in its absolute discretion select, having regard to each person’s qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Company, to take up a right granted to subscribe for Shares pursuant to the Share Option Scheme at a price calculated in accordance with paragraph (c) below and “Options” shall be construed accordingly (the “**Options**”).



## Report of the Directors

### (c) Subscription price and acceptance period

The Subscription Price in respect of any Option shall, subject to any adjustments made pursuant to the terms of the Share Option Scheme, be a price determined by the Board and notified to each Grantee and shall be at least the highest of:

- (i) the closing price per Share as stated in the Stock Exchange's daily quotations sheet on the Offer Date (and if such Offer Date is not a business day, the business day immediately preceding such Offer Date);
- (ii) the average closing price per Share as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share.

The Eligible Person must accept any such Offer notified to him or her within fourteen (14) days from the Offer Date, failing which it shall be deemed to have been rejected. Upon acceptance of the Offer, any Eligible Person who accepts an Offer in accordance with the terms of the Share Option Scheme (the "Grantee") shall pay HK\$1.00 to the Company as consideration for the grant.

### (d) Maximum number of Shares available for subscription

- (1) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group which provide for the grant of options to acquire or subscribe for Shares must not exceed such number of Shares as shall represent 30% of the issued share capital of the Company from time to time. No Options may be granted under the Share Option Scheme if this will result in such limit being exceeded.
- (2) Subject to Paragraph d (1) above, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the Adoption Date (the "Scheme Mandate Limit") unless Shareholders' approval has been obtained pursuant to Paragraphs d (3) or d (4) below. Any options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.
- (3) Subject to Paragraph d (1) above, the Board may seek approval by Shareholders in general meeting to renew the Scheme Mandate Limit and the Company must send a circular to the Shareholders containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules. However, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of the renewed limit (the "renewed Scheme Mandate Limit"). Options previously granted under the Share Option Scheme and any other share option schemes of the Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes of the Group and exercised options) will not be counted for the purpose of calculating the renewed Scheme Mandate Limit.

- (4) Subject to Paragraph d (1) above, the Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit or the renewed Scheme Mandate Limit as referred to in Paragraphs d (2) or d (3) above (as the case may be) provided that the options in excess of the Scheme Mandate Limit or the renewed Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to such Eligible Participants with an explanation as to how the terms of the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (5) if the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit or renewed Scheme Mandate Limit has been approved in general meeting, the maximum number of Shares that may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Group under the Scheme Mandate Limit or renewed Scheme Mandate Limit as a percentage of the total number of Shares at the date immediately before and after such consolidation or subdivision shall be the same.

### **(e) Maximum entitlement of each eligible participant**

- (1) The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of Options to an Eligible Participant would result in the total number of Shares issued and to be issued upon exercised of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the issued share capital of the Company as at the date of such further grant, such further grant shall be subject to the approval of the Shareholders at a general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting.
- (2) Any grant of Options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee).
- (3) Where Options are proposed to be granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of Options will result in the total number of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of the Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000, such grant of Options must be subject to the approval of the Shareholders taken on a poll at general meeting. In addition, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price only under paragraph c. The Grantee, his associates and all core connected persons of the Company must abstain from voting in such general meeting (except that any Grantee, his associate or core connected person may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

# Report of the Directors

## (f) Term of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten (10) years commencing from 6 August 2015 (being the date of approval of the Share Option Scheme by the Shareholders), after which no further Options shall be granted but the Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the Share Option Scheme shall in all other respects remain in full force and effect in respect thereof.

## (g) Grant of Share Option

Particulars of the Share Option Scheme are set out in Note 26 to the Financial Statements.

There was no option granted under the new 2015 Share Option Scheme for the year ended 2018 and 2017.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year were there any rights to acquire benefits by means of the acquisition of securities of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## MAJOR CORPORATE EVENTS

On 17 July 2017 after trading hours, the Vendors (as defined below), China Yuen Capital Limited (the “Offeror”), and China Investment International Limited (the Offeror’s guarantor) entered into a share purchase agreement, pursuant to which the Offeror conditionally agreed to acquire and the Vendors conditionally agreed to sell 286,390,000 sale shares (the “Sale Shares”), representing approximately 64.26% of the entire issued share capital of the Company as at the date of the joint announcement of the Company dated 18 July 2017, for a total consideration of HK\$458,224,000 (the “Share Purchase”). The consideration is equivalent to HK\$1.6 per Sale Share, which was agreed between the Offeror and the Vendors after arm’s length negotiations. The Share Purchase was completed on 15 August 2017.

The Vendors were (i) Beaute Inc, a company incorporated in the British Virgin Islands, (ii) Achieve Best Limited, a company incorporated in the British Virgin Islands, (iii) Realchamp International Inc, a company incorporated in the British Virgin Islands, (iv) Mr. Lam Wai Ming, the former chairman of the Company who had resigned on 12 September 2017, and (v) Mr. Tam Chi Sang, the former managing director of the Company who had resigned on 12 September 2017, who respectively were the beneficial owners of (i) 204,000,000, (ii) 40,800,000, (iii) 40,800,000, (iv) 395,000 and (v) 395,000 Sale Shares, representing approximately (i) 45.78%, (ii) 9.15%, (iii) 9.15%, (iv) 0.09% and (v) 0.09% respectively of the entire issued share capital of the Company prior to completion of the Share Purchase.

Immediately following the completion of the Share Purchase, the Offeror became the Company’s immediate beneficial owner of an aggregate of 286,390,000 shares, representing approximately 64.26% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, the Offeror made a mandatory unconditional cash offer (the “Offer”) for all the issued shares of the Company not already owned or agreed to be acquired by the Offeror and parties acting in concert with it. The Offer, as made, was unconditional in all respects and the principal terms were set out in the joint announcement of the Company dated 15 August 2017.

The Offer was closed at 4:00 p.m. on 12 September 2017 (the “**Offer Date**”) and was not revised or extended by the Offeror. As at 4:00 p.m. on the Offer Date, being the latest time and date for acceptance of the Offer, the Offeror received valid acceptances in respect of the Offer for a total of 124,830,500 Offer Shares, representing approximately 28.02% of the entire issued share capital of the Company.

## **SUFFICIENCY OF PUBLIC FLOAT**

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.

Based on Information that is publicly available to the Company and within the knowledge of its Directors, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of its issued shares as required under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received from each of its Independent Non-Executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers that all of its independent non-executive Directors are independent.

## **FIVE YEARS FINANCIAL SUMMARY**

A summary of the assets and liabilities and the results of the Group for the last five financial years is set out on pages 89 and 90.

## **RELATED PARTY TRANSACTIONS**

Details of the information in relation to the related party transactions of the Group during the year is set out on Note 30 to the Financial Statements.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company’s articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

# Report of the Directors

## TAXATION OF HOLDERS OF SHARES

### (a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

### (b) Cayman Islands

Under present Cayman Islands law, transfer or other dispositions of Shares are exempted from Cayman Islands stamp duty.

### (c) Professional tax advice recommended

Intending holders of Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 78.3% of the total sales for the year and sales to the largest customer included therein amounted to approximately 38.7%.

Purchases from the Group's five largest suppliers accounted for approximately 26.6% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 6.9%.

None of the Directors or any of their associates or any shareholders, which to the knowledge of the Directors, own more than 5% of the issued share capital of the Company had any beneficial interest in the Group's five largest customers and suppliers.

## ENVIRONMENTAL POLICIES

The Group recognizes the importance of achieving environmental sustainability for both products and operations. The Group is fully committed to comply with the relevant environmental standards and policies related to its business operations in the PRC and Hong Kong. The manufacturing sites in Dongguan, the PRC are certified with the ISO 14001:2004 standard for environmental management system and has obtained relevant certification where appropriate. The Group incorporates the Reduce, Reuse and Recycle principle and implements environmental-friendly measures in operations and workplaces to achieve efficient use of resources, waste reduction and energy saving. The Group remains steadfast in its support of environmental protection, consistent with its commitment to be a good corporate citizen.

## COMPLIANCE WITH LAWS AND REGULATION

For the year ended 31 March 2018, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

## COMPLIANCE WITH THE CODE OF 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 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. The Company has published its corporate governance report, details of which are set out on pages 25 to 38 of this annual report.

## AUDITORS

The financial statements of the Company have been audited by Deloitte Touche Tohmatsu who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

**KENFORD GROUP HOLDINGS LIMITED**

**Zhang Huijun**

*Executive Director*

Hong Kong, 22 June 2018

# Directors' and Senior Management's Profile

## DIRECTORS

### Executive Directors

**Ms. Cai Dongyan**, aged 42, joined the Group in August 2017. Ms. Cai is currently the Executive Director, the Chief Executive Officer and the Chairman of the Company. Ms. Cai worked at Shanghai Shenmei Beverage and Food Co., Ltd.\* (上海申美飲料食品有限公司) from July 1998 to December 1999, Motorola Paging Products Company\* (摩托羅拉尋呼產品公司) from 2000 to 2001, 3M China Limited\* (3M中國有限公司) from 2001 to 2006 and Minnesota Mining Production (Shanghai) International Trade Co., Ltd\* (明尼蘇達礦業製造(上海)國際貿易有限公司) from 2009 to 2016. Ms. Cai obtained an undergraduate diploma majoring in hotel management at Shanghai Jiao Tong University in 1998. Ms. Cai is the spouse of Mr. Hao Yiming, one of the directors of China Yuen Capital Limited, the controlling Shareholder of the Company.

**Mr. Zhang Huijun**, aged 36, joined the Group in August 2017. Mr. Zhang is currently the Executive Director and a member of the Remuneration Committee of the Company. Mr. Zhang has around 6 years of management experience. From 2006 to 2009, Mr. Zhang served as the trade investment manager of Tsingshan Holding Group Shanghai International Trading Co., Ltd. \* (青山控股集團上海國際貿易有限公司). From 2010 to 2012, Mr. Zhang served as the project manager of Pt. Modern Group Indonesia. Mr. Zhang completed three years studies majoring in Taxation at Hunan Tax College\* (湖南稅務高等專科學校) in 2002.

**Ms. Pauline Lam**, aged 35, joined the Group in August 2017. Ms. Lam is currently the Executive Director of the Company. Ms. Lam worked at China Point Enterprises Limited from 2006 to 2011, and her last position was sales and merchandising manager. From 2013 to 2017, she worked at TAG Aviation Asia Limited and her last position was senior client responsible manager. Ms. Lam obtained a bachelor's degree in business administration from Pepperdine University in California of the United States in December 2004.

### Non-Executive Director

**Mr. Kwok Kai Hing Daniel**, aged 61, joined the Group in August 2017. Mr. Kwok is currently the Non-Executive Director of the Company. Mr. Kwok has over 14 years of experience in management and education. Mr. Kwok had been the principal of the associate campus of Hong Kong Institute of Vocational Education since 2003 and is currently the principal of Hong Kong Financial Services Institute. Mr. Kwok graduated from The Chinese University of Hong Kong with a bachelor's degree in social science in 1982 and obtained a postgraduate diploma in education at the same university in 1987. He further obtained a master's degree in business administration from the City University of Hong Kong in 1994. Mr. Kwok was a member of the Second, Third and Fourth Chongqing Committee of Chinese People's Political Consultative Conference (第二至第四屆重慶市政治協商會議委員會) and a director of Hong Kong Economic and Trade Association Limited (香港經貿商會有限公司) and Youth Elderly Care Movement Limited (耆菁頌有限公司), respectively.

### DIRECTORS (Continued)

#### Independent Non-Executive Directors

**Mr. Fung Chi Kin**, aged 69, has been the Independent Non-Executive Director of the Company since August 2017. Mr. Fung is also currently serving as the Chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee. Mr. Fung is the Permanent Honorary President of The Chinese Gold & Silver Exchange Society, and director of Fung Chi Kin Consulting Limited. Prior to his retirement, Mr. Fung served as a Council Member of the First Legislative Council of the HKSAR from 1998 to 2000. Mr. Fung has been an independent non-executive director for Chaoda Modern Agriculture (Holdings) Limited (stock code: 682) and Geotech Holdings Ltd (stock code: 1707) since September 2003 and since September 2017 respectively. He has also been an executive director of China Trustful Group Limited (formerly known as "Powerwell Pacific Holdings Limited") (a company listed on the Growth Enterprise Market of the Stock Exchange (stock code:8265)) from September 2014 to May 2017.

**Mr. Han Dengpan**, aged 50, has been the Independent Non-Executive Director of the Company since August 2017. Mr. Han is also currently serving as the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee. Mr. Han has been a partner of Jiangsu Branch of Zhong Rui Yue Hua Tax Agents (中瑞岳華稅務師事務所江蘇有限公司) since 2013. From 2000 to 2004, Mr. Han served as the officer, deputy director general and director of Nanjing Jingzhou Lianxin Tax Advisor Co., Ltd\* (京洲聯信南京稅務師事務所有限公司) (formerly known as Nanjing Shicheng Tax Agents Co., Ltd.\* (南京石城稅務師事務所有限公司)). From 2007 to 2012, Mr. Han worked as the general manager of Jiangsu Huamingrui Tax Consultancy Co., Ltd\* (江蘇華明瑞稅務諮詢有限公司) (formerly known as Jiangsu Branch of Huarui Tax Agents\* (江蘇華瑞稅務師事務所有限公司)).

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

**Mr. Huang Zhiwei**, aged 68, has been the Independent Non-Executive Director of the Company since August 2017. Mr. Huang is also serving as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Huang has over 14 years of management experience. He served as the chief executive of Shanghai branch of Bank of China (中國銀行上海市分行) from 2003 to 2007. From 2007 to 2013, he worked as the president and chief executive of Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司). Mr. Huang also serves as the chairman of The Jiangsu Chamber of Commerce in Shanghai (上海市江蘇商會) since 2009 and as an independent non-executive director of China Yu Tian Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, (stock code: 8230)) since 2013.

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

\* For Identification purpose only



## Directors' and Senior Management's Profile

### SENIOR MANAGEMENT

**Mr. Lam Wai Ming**, aged 59, joined the Group in January 1989. Mr. Lam is currently the Director of all the subsidiaries of the Company ("Subsidiaries"). Mr. Lam is responsible for the overall management, planning and development as well as supervising production, sales and marketing functions of the Subsidiaries. Mr. Lam has over 37 years of experience in the electrical appliances industry. He holds an Executive Master of Business Administration from City University of Hong Kong. Mr. Lam received the Asia Pacific Entrepreneurship Awards ("APEA") – Outstanding Entrepreneur Awards from Enterprise Asia on 4 July 2011. At present, Mr. Lam is the President of The Hong Kong Electrical Appliance Industries Association ("HKEAIA") from 2016-2018.

**Mr. Tam Chi Sang**, aged 58, joined the Group in July 1991. Mr. Tam is currently the Director of the Subsidiaries. Mr. Tam is responsible for supervision and management of the purchasing, quality control, engineering and design functions of the Subsidiaries. Mr. Tam has over 37 years of experience in the electrical appliances industry.

**Mr. Kwong Pak Chuen, Patrick**, aged 57, joined the Group in June 1999 and is the Senior Engineering Manager of the Subsidiaries. Mr. Kwong is the Head of Engineering, Design and Research and Development Departments. Mr. Kwong graduated from The University of Warwick with a Master Degree of Science in Engineering Business Management. Mr. Kwong has over 32 years of experience in project engineering, product development and research and development for small household electrical appliances, such as haircare appliances and kitchen ware products.

**Mr. Poon Kam Ming, Percy**, aged 62, joined the Group in 1997 and is the Senior Marketing Manager of the Subsidiaries. Mr. Poon is responsible for the sales and marketing functions. Mr. Poon was awarded Master Degree of Science and a Bachelor Degree of Science in Civil Engineering from University of Saskatchewan. Mr. Poon has over 21 years of experience in sales and marketing of electrical appliances. Prior to joining the Group, Mr. Poon served an international construction company and earned several years of managerial experience.

**Mr. Yeung Kin Wing, Ramo**, aged 48, joined the Group in June 1998 and is the Operation Manager of the Subsidiaries. Mr. Yeung is responsible for the overall production management of the factories in PRC. Mr. Yeung has obtained a Bachelor Degree of Business Administration from Lincoln University and a National Diploma in Engineering from Business and Technical Education Council. Mr. Yeung has over 27 years of experience in manufacturing industry.

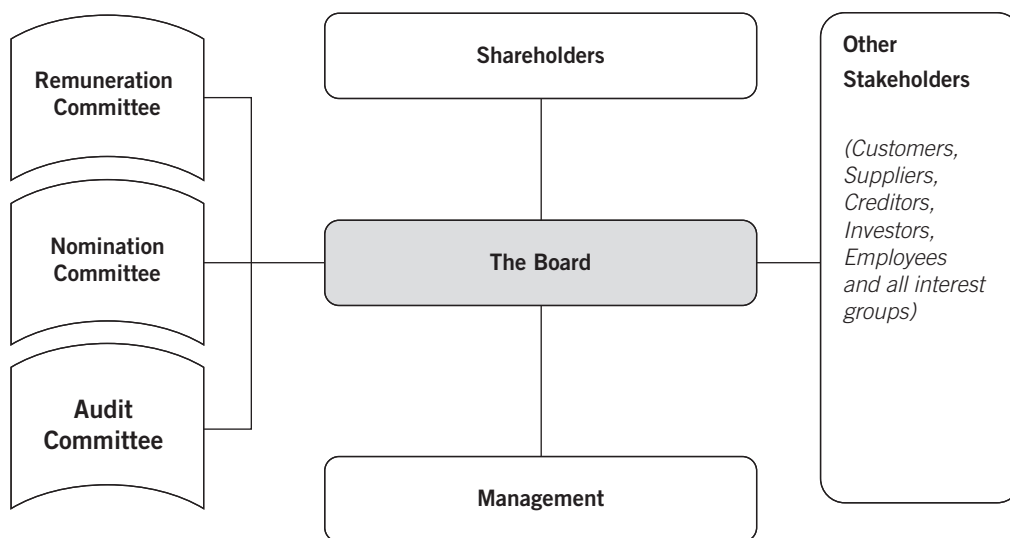
### COMPANY SECRETARY

**Mr. Ong King Keung**, aged 42, was appointed as the company secretary with effect from 22 August 2017. Mr. Ong is a fellow member of the Association of Chartered Certified Accountants since October 2007 and a fellow member of the Hong Kong Institute of Certified Public Accountants since June 2010. He has extensive experience in company secretarial practices in respect of listed companies.

## CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the CG Code as set out in Appendix 14 of 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. This corporate governance report contains the detailed explanations on the Company’s practices in compliance with the applicable CG Code provisions and the considered reasons for such deviations.

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 chart of which is shown below. 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.



## DIRECTORS’ SECURITIES TRANSACTIONS

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 specific enquiry by the Company, all the Directors have confirmed that they fully complied with the required standards as set out in the Model Code throughout the financial year ended 31 March 2018.

# Corporate Governance Report

## BOARD OF DIRECTORS

### Board functions

The Board oversees the strategic development and determines objectives, strategy, policy and business plan of the Company. It monitors and controls the risk management operation and financial performance, reviews the corporate governance standard of the Company and sets appropriate policies pursuant to the Company's objectives.

### Board composition

The Board of Directors of the Company comprised five Directors, of which three were executive Directors, namely, Ms. Cai Dongyan (Chairman), Mr. Zhang Huijun and Ms. Pauline Lam; one non-executive Director, namely Mr. Kwok Kai Hing Daniel and three were independent non-executive Directors, namely, Mr. Fung Chi Kin, Mr. Han Dengpan and Mr. Huang Zhiwei. The biographical details of the existing Directors of the Company and the relationships among them as at the date of this report are set out in the "Directors' and Senior Management's Profile" section on pages 22 to 23 of this annual report. Save as disclosed in this annual report, none of the Directors has any business, financial, family or material relationship with each other and the Company.

The Board believes it is a balanced composition as each of the Directors has his own skills, expertise, professional qualifications and appropriate experiences to effectively oversee the business of the Group and the Directors give sufficient time and attention to the Group's affairs. It can effectively exercise independent judgment for the business activities of the Group to safeguard the interests of the shareholders and to improve standard in corporate governance to fulfill the demands of the shareholders and stakeholders of the Group.

During the financial year ended 31 March 2018, the Board complied at all times with the requirements of the Listing Rules including: (i) the number of independent non-executive Directors representing at least one-third of the Board; and (ii) one of the independent non-executive Directors being a professional accountant. Each of the independent non-executive Directors has presented an annual confirmation of independence to the Company pursuant to rule 3.13 of the Listing Rules. The Company considered all of the independent non-executive Directors to be independent.

### Board delegation

The Board delegates the authorities to the board committees and the senior management of the Company to provide professional advice and monitor the daily operation of the Group on issues which require discussion, expertise knowledge and experience to make the decision. The three committees of the Board, namely, Remuneration Committee, Nomination Committee and Audit Committee are responsible for making recommendation on the specified matters in line with the terms of reference adopted by the Board set out separately. The senior management is responsible for supervision on the daily operation of the Group by functions.

## BOARD OF DIRECTORS (Continued)

### Board, Board committees and general meetings

The total number of the meetings and the individual attendance of each Director in person at each of the meetings during the financial year ended 31 March 2018 were as follows:

Name of Directors	Number of meeting attended				
	Board Meetings (Note)	Remuneration Committee meetings	Nomination Committee meetings	Audit Committee meetings	Shareholders' General Meeting
<b>Executive Directors</b>					
Ms. Cai Dongyan (Appointed with effect from 22 August 2017)	1/2	N/A	N/A	N/A	1/1
Ms. Pauline Lam (Appointed with effect from 22 August 2017)	2/2	N/A	N/A	N/A	1/1
Mr. Zhang Huijun (Appointed with effect from 22 August 2017)	2/2	1/1	N/A	N/A	1/1
Mr. Yang Yubin (Appointed with effect from 30 September 2017 and resigned with effect from 29 December 2017)	1/1	N/A	N/A	N/A	N/A
Mr. Lam Wai Ming (Resigned with effect from 12 September 2017)	6/6	2/2	N/A	N/A	N/A
Mr. Tam Chi Sang (Resigned with effect from 12 September 2017)	6/6	2/2	N/A	N/A	N/A
<b>Non-Executive Director</b>					
Mr. Kwok Kai Hing Daniel (Appointed with effect from 22 August 2017)	1/2	N/A	N/A	N/A	1/1
<b>Independent Non-Executive Directors</b>					
Mr. Fung Chi Kin (Appointed with effect from 22 August 2017)	1/2	1/1	N/A	1/1	1/1
Mr. Han Dengpan (Appointed with effect from 22 August 2017)	1/2	1/1	N/A	1/1	0/1
Mr. Huang Zhiwei (Appointed with effect from 22 August 2017)	1/2	1/1	N/A	1/1	0/1
Mr. Chiu Fan Wa (Resigned with effect from 12 September 2017)	6/6	2/2	1/1	1/1	N/A
Mr. Choi Hon Keung (Resigned with effect from 12 September 2017)	6/6	2/2	1/1	1/1	N/A
Mr. Li Chi Chung (Resigned with effect from 12 September 2017)	6/6	2/2	1/1	1/1	N/A

Note: There were 8 Board Meetings held during the financial year ended 31 March 2018, all with formal notice and agenda.

# Corporate Governance Report

## **BOARD OF DIRECTORS (Continued)**

### **Board, Board committees and general meetings (Continued)**

Code Provision A.1.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. There were in total 8 board meetings held during the financial year ended 31 March 2018. The Board believes that the fairness and effectiveness for the decision making on the business needs are adequately ensured. In view of good corporate governance practices, the Board will use its endeavors to meet regularly and hold at least four regular board meetings in the forthcoming years.

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.

Notices were given at least 14 days in advance for each of the regular Board meeting to all the Directors so that they could have an opportunity to attend the same in person during the year. On ad hoc basis, the executive Directors met together upon reasonable notices or by agreement of the Executive Directors to waive the notice of the meetings to discuss the matters as required by business needs. In respect of regular board meetings, and so far as practicable, an agenda and accompanying board papers were sent in full to all Directors in a timely manner at least 3 days before the intended dates of board meetings.

The company secretary of the Company attended all regular board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company has maintained a procedure for Directors to seek independent professional advice in appropriate circumstances. Minutes of board meetings and meetings of Board committees are kept by a duly appointed secretary of the meetings and such minutes would be inspected at any reasonable time on reasonable notice by any Director.

Minutes of board meetings and Board committees meetings had recorded in sufficient details the matters considered by the Board and decisions reached, including any concerns raised by Directors or the representatives of the relevant parties or dissenting views expressed. Draft and final versions of minutes of Board meetings had been sent to all Directors and the representatives of the relevant parties involved in the meetings through electronic means for their comments and records respectively, in both cases within a reasonable time after the meetings held.

### **Corporate Governance Functions**

The Board is responsible for performing the corporate governance duties including:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the code and disclosure in this corporate governance report.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

## NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the non-executive Director and the independent non-executive Directors was appointed for an initial term of three years commencing from the date of their respective appointment subject to retirement by rotation pursuant to the Articles.

## DIRECTORS' TRAINING

Every newly appointed Director of the Company will receive a comprehensive, formal and tailored induction package to ensure that the Director has a proper understanding of the Company's operation and business and the relevant statutes, common laws, the Listing Rules, legal and regulatory requirements and governance policies. The company secretary also provides updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements to the Directors from time to time.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of trainings received by Directors from 1 April 2017 to 31 March 2018 according to the records provided by the Directors is as follows:

Directors	Type of trainings		
	Seminars and/or conferences and/or forums	Corporate events or visits	Reading
<b>Executive Directors</b>			
Ms. Cai Dongyan (appointed as Director: Note 1, chief executive officer: Note 2 and chairman: Note 4)	✓	✓	✓
Ms. Pauline Lam (appointed as Director: Note 1)	✓	✓	✓
Mr. Zhang Huijun (appointed as Directors Note 1; chairman: Note 2 and ceased to be chairman: Note 3)	✓	✓	✓
Mr. Yang Yubin (appointed as Director and chairman: Note 3 and resigned: Note 4)	✓	✓	✓
Mr. Lam Wai Ming (resigned as Director and chairman: Note 2)	✓	✓	✓
Mr. Tam Chi Sang (resigned as Director and managing directors: Note 2)	✓	✓	✓

# Corporate Governance Report

## DIRECTORS' TRAINING (Continued)

Directors	Seminars and/or conferences and/or forums	Type of trainings		Reading
		Corporate events or visits		
<b>Non-Executive Director</b>				
Mr. Kwok Kai Hing Daniel (appointed as Director: <i>Note 1</i> )	✓	✓		✓
<b>Independent Non-Executive Directors</b>				
Mr. Fung Chi Kin (appointed as Director: <i>Note 1</i> )	✓	✓		✓
Mr. Han Dengpan (appointed as Director: <i>Note 1</i> )	✓	✓		✓
Mr. Huang Zhiwei (appointed as Director: <i>Note 1</i> )	✓	✓		✓
Mr. Chiu Fan Wa (resigned as Director: <i>Note 2</i> )	✓	✓		✓
Mr. Choi Hon Keung (resigned as Director: <i>Note 2</i> )	✓	✓		✓
Mr. Li Chi Chung (resigned as Director: <i>Note 2</i> )	✓	✓		✓

*Note 1:* With effect from 22 August 2017

*Note 2:* With effect from 12 September 2017

*Note 3:* With effect from 30 September 2017

*Note 4:* With effect from 29 December 2017

## REMUNERATION COMMITTEE

### Remuneration Committee functions

The remuneration committee of the Company (the “**Remuneration Committee**”) was established to formulate remuneration policy for the Board’s approval. It has adopted the terms of reference, which are in line with the Code Provisions set out in the CG Code under Appendix 14 of the Listing Rules.

The terms of reference of the Remuneration Committee were amended in June 2018 to the effect that the Remuneration Committee shall include at least three independent non-executive Directors and one executive Director appointed by the Board from time to time. The majority of the members of the Remuneration Committee must be independent non-executive Directors of the Company.

The principal duties of the Remuneration Committee are:

- to make recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management’s remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and
- to make recommendations to the Board on the remuneration of non-executive Directors.

## REMUNERATION COMMITTEE (Continued)

### Remuneration Committee composition

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 namely, Mr. Zhang Huijun. Mr. Fung Chi Kin was appointed as the chairman of the Remuneration Committee.

### Remuneration Committee Meetings

During the financial year ended 31 March 2018, the Remuneration Committee had met twice to discuss the following matters:

- to review and give comment to the overall remuneration policy and remuneration packages of the Group;
- to review and give comment to the basic salary of the executive Directors and senior management of the Group;
- to review and give comment to the performance and the performance bonus of the executive Directors of the Company;
- 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
- to recommend the remuneration packages and approving the terms of service contracts of the executive Directors and senior management of the Group for the financial year ended 31 March 2018 prior to recommending them to the Board for determination.

The details of the number of the Remuneration Committee meetings held during the financial year ended 31 March 2018 and the relevant record of individual attendance of the members of the Remuneration Committee, on a named basis, are shown in the table under the heading “Board, Board committees and general meetings” on page 27 of this corporate governance report.

The Directors are remunerated with reference to their respective duties and responsibilities with the Company, the Company’s performance and current market situation. Details of emoluments of the Directors from the Group for the year are as disclosed in Note 10 to the Financial Statements.

## NOMINATION COMMITTEE

### Nomination Committee functions

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.

As a result of the establishment and the adoption of the written terms of reference of the Nomination Committee, it has been developed a formal, consistent and transparent procedure for the appointment of new Directors to the Board. There would be plans in place for orderly succession for appointments to the Board. All Directors would be subject to re-election at regular intervals.



# Corporate Governance Report

## **NOMINATION COMMITTEE (Continued)**

### **Nomination Committee functions (Continued)**

The principal duties of the Nomination Committee are:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive Directors; and
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors, succession planning for Directors in particular the chairman and chief executive officer and the policy concerning the diversity of Board members.

A proposal for the appointment of a new Director will be considered and reviewed by the Nomination Committee. The Nomination Committee will consider the skills and expertise of the candidates as well as personal ethics, integrity and the willingness to commit time to the affairs of the Group. All candidates must be able to meet the standards set out in the Listing Rules. A candidate who is to be appointed as an independent non-executive Directors should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

### **Nomination Committee composition**

The terms of reference of the Nomination Committee were amended in June 2018 to the effect that the Nomination Committee shall include at least three Independent non-executive Directors from time to time, and the Nomination Committee currently comprises the 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.

### **Nomination Committee meetings**

During the financial year ended 31 March 2018, the Nomination Committee had met two times to discuss the following matters:

- determine the policy for nomination of directors;
- to consider the structure, size, and composition of the Board;
- to consider no new Board member be nominated and introduced to the Board; and
- to consider the re-election of the Directors of the Company at the annual general meeting of the Company.

The details of the number of the Nomination Committee meetings held during the financial year ended 31 March 2018 and the relevant record of individual attendance of the members of the Nomination Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on page 27 of this corporate governance report.

## **AUDITORS' REMUNERATION**

During the financial year ended 31 March 2018, the Company engaged Deloitte Touche Tohmatsu as the external auditors of the Company to perform audit and non-audit services. The audit fee was approximately HK\$800,000 and other non-audit service fee was approximately HK\$130,000 for the year ended 31 March 2018.

## AUDIT COMMITTEE

### Audit Committee functions

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.

### Audit Committee composition

The Audit Committee comprises three independent non-executive Directors namely Mr. Han Dengpan, Mr. Fung Chi Kin and Mr. Huang Zhiwei. Mr. Han Dengpan, who is a qualified accountant with appropriate professional qualification and experience in financial matters, 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.

### Audit Committee meetings

During the financial year ended 31 March 2018, the Audit Committee had met two times to discuss the following matters:

- to review the final results of the Group for the year ended 31 March 2017 prior to recommending them to the Board for approval;
- to review the interim results for the six months ended 30 September 2017 of the Group prior to recommending them to the Board for approval;
- to review the selection and appointment of the external auditors of the Company for the financial year ended 31 March 2018 prior to recommending them to the Board for approval and the Board had agreed with the Audit Committee’s view on this matter;
- to discuss with the Group’s external auditors any significant or unusual items reflected in interim and annual reports;
- to discuss with the management the systems of internal control and risk management and ensure that management has discharged its duty to have effective systems; and
- to review the internal audit and risk management functions and reports of the Group.

The details of the number of the Audit Committee meetings held during the financial year ended 31 March 2018 and the relevant record of individual attendance of the members of the Audit Committee, on a named basis, are shown in the table under the heading “Board, Board committees and general meetings” on page 27 of this corporate governance report.

As at the date of this corporate governance report, the Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and has discussed auditing, internal control, risk management and financial reporting matters including the review of audited consolidated financial statements of the Group for the financial year ended 31 March 2018 in conjunction with the Group’s external auditors.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

### Convening Extraordinary General Meeting

One or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Detailed procedures can be found in the Procedures for Shareholders to convene "General Meetings" which is available on the Company's website.

### Investor Relations

The Board recognises the importance of maintaining on-going communications with shareholders and investors for the performance of the Company and establishes different communicate channels. These include: (i) the publication of interim and annual reports and/or dispatching circular, notices and other announcements and notifications; (ii) conducting annual general meeting or extraordinary general meeting (if any) which provides a forum for Shareholders of the Company to raise comments and exchange views with the Board; and (iii) updating the websites with the corporate information, achievements and new development of the Group.

To strengthen the investors' relationship, the Company provides different ways for investors to access the soft and hard copies of the Company's information. The printed copies of this annual report in both English and Chinese languages will be dispatched to the Shareholders of the Company in early July 2018. Shareholders can obtain corporate communications free of charge by notice in writing to the Company Secretary of the Company. This annual report in both English and Chinese language is also available on the following websites:

- (a) [www.hkex.com.hk](http://www.hkex.com.hk)
- (b) [www.kenford.com.hk](http://www.kenford.com.hk)

## DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 March 2018, and confirm that the financial statements give a true view of the financial positions and results of the Group as at the date and for the year of the date ended, and are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The statement of the external auditors of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 40 to 45 of this annual report.

## 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.

The internal audit department's primary responsibilities include:

1. Strategic audit includes assessing the threats and opportunities that influence the Company's development. The Company's business environment is affected by economic and political conditions globally.
2. Financial audit includes ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use as well as for publication, ensuring compliance with relevant legislation and regulations, and implementing credit risk management. The Directors are responsible for overseeing the preparation of accounts for the financial year to ensure such accounts give a true and fair view of the state of affairs of the Group. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. As at the date of this corporate governance report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern required to be disclosed.
3. Operational audit includes: (i) maintaining and ensuring compliance with ISO9001 under the family of ISO9000, a series of international standards on quality management and quality assurance developed by the International Organization for Standardization, for the quality control of the Group's production; (ii) maintaining and implementing a sound network system to avoid computer viruses or other system malfunctions; and (iii) maintaining a team of staff for product development. The Group has been maintaining product liability insurance for most types of the Group's products against possible claims relating to personal injury or property damage arising from the use of the products manufactured by the Group.

The internal audit department's other responsibilities include:

1. reviewing the work-flow and the implementation status of the Group's policies and procedures of all functional departments;
2. reviewing the compliance status on rules and regulations that are applicable to the Group;
3. reviewing those areas of concern identified by the Audit Committee or the management of the Company;

# Corporate Governance Report

## INTERNAL AUDIT (Continued)

4. reporting significant issues related to the processes for controlling the activities of the Group, including potential improvements to those processes and providing information concerning such issues to the Audit Committee of the Company;
5. issuing periodic reports to the Audit Committee and the Board summarising the results of audit activities and substantive follow-up of audit recommendations; and
6. investigating suspected fraudulent activities within the Group.

The internal audit department carries out annual risk assessment on each identified audit area and devises an annual audit plan according to the nature of business and risk exposures of the Group, and the scope of work includes strategic, financial, operational and compliance reviews. The audit plan is reviewed and approved by the Audit Committee.

## 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.

The Group's business, financial position and results may be affected by certain risks and uncertainties. Foreign currency risk, interest rate risk, liquidity risk and credit risk are the main inherent risks which may cause the Group's financial condition or results differing materially from expected or historical results.

### Foreign currency risk

The Group's reporting currency is Hong Kong dollars but most of the business transactions are denominated in other currencies including United States dollars and Renminbi. The Group may enter into forward currency contracts to hedge against the currency risks arising from the Group's operations and its funding sources, with reference to cash flow forecasts, capital expenditure commitments and business budget. The Group does not speculate on foreign currencies.

### Interest rate risk

The Group's exposure to the risk of changes in interest rates is mainly attributable to the bank loan obligations with floating interest rates. The Group has adequate internal control procedures to monitor the financial position exposures arising from fluctuation in the market interest rate for funding sources denominated in Hong Kong dollars and United States dollars.

## **RISK MANAGEMENT (Continued)**

### **Liquidity risk**

The objective of liquidity risk management is to ensure the adequacy of the Group's funds to meet the daily business operations, capital commitments and bank loans repayment. The Group monitors its liquidity position on a daily basis as the Group's treasurer reviews the cashflow positions in different geographical areas and adjusts financing requirement.

### **Credit risk**

Credit risk arises from the possibility that the customers are unwilling or unable to fulfill their obligations which then incurs financial losses to the Group. The Group's credit control function manages the credit risks by assessing the credit limits and credit terms to be granted to customers and setting up the internal control system of credit approvals and other monitoring procedures to recover overdue debts, if any.

## **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.

The Group's internal control and risk management frameworks include the following major components:

1. an organisation structure with defined responsibility, proper segregation of duties and appropriately delegated authority;
2. policies and procedures relating to financial control, internal control and risk management that can identify, assess, measure and control risks effectively and efficiently;
3. operational and financial budgeting and forecasting systems which facilitate performance measurement, including regular budgeting analysis;
4. clear rules and guidelines which empower the review and approval of major capital and current expenditures;
5. strict internal procedures and controls enabling the handling and dissemination of inside information; and
6. developing a whistleblowing policy that encourages employees to report any incidents of fraud, corruption, theft or misconduct in confidence and a fearless working environment.

# Corporate Governance Report

## **INTERNAL CONTROL (Continued)**

The internal audit department evaluates the overall adequacy and effectiveness of the Group's internal control and risk management systems. Identified deficiencies are from time to time reported to the Audit Committee and recommendations are made to the Board and the management of the Company.

The Group has also engaged external independent professionals to review its risk management and internal control systems and further enhance its risk management and internal control systems as appropriate.

## **MANAGEMENT FUNCTIONS**

The Board has delegated aspects of its management and administration functions to the management. The management should report back and obtain prior approval from the Board before making decisions or entering into any agreements or arrangements to discharge its functions. The Directors clearly understand the Group's delegation arrangements in place. The key terms and conditions relative to the Directors' appointments have been set out in their service agreements and/or letters of appointments.

## **COMPANY SECRETARY**

Mr. Ong King Keung (Mr. Ong) was appointed as company secretary of the Company on 22 August 2017. The biographical details of Mr. Ong are set out under the section headed "Directors' and Senior Management's Profile".

Mr. Ong took not less than 15 hours of relevant professional training during the year ended 31 March 2018.

## **CONSTITUTIONAL DOCUMENTS**

During the financial year ended 31 March 2018, there is no significant change in the Company's constitutional documents.

## **ENVIRONMENTAL PROTECTION**

The Group is fully committed to environmental sustainability both for its products and its operations. The implementation of the European Union's Directives on Restriction of the use of the certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS") in August 2005 in European Union members' states has impacted on the electrical and electronic Industry. Accordingly, the Group installed new equipment and established a comprehensive set of policies and procedures to ensure the Group's products completely satisfy RoHS requirements for the European Community and equivalent requirement for the rest of the world. The Group had also made it mandatory for all vendors and business partners to comply with the RoHS requirements.

In addition, the Group's production process has conformed to local environmental regulations. The Group is actively pursuing opportunities to directly contribute to environmental protection, and remains steadfast in its support of environmental protection, consistent with its commitment to be a good corporate citizen.

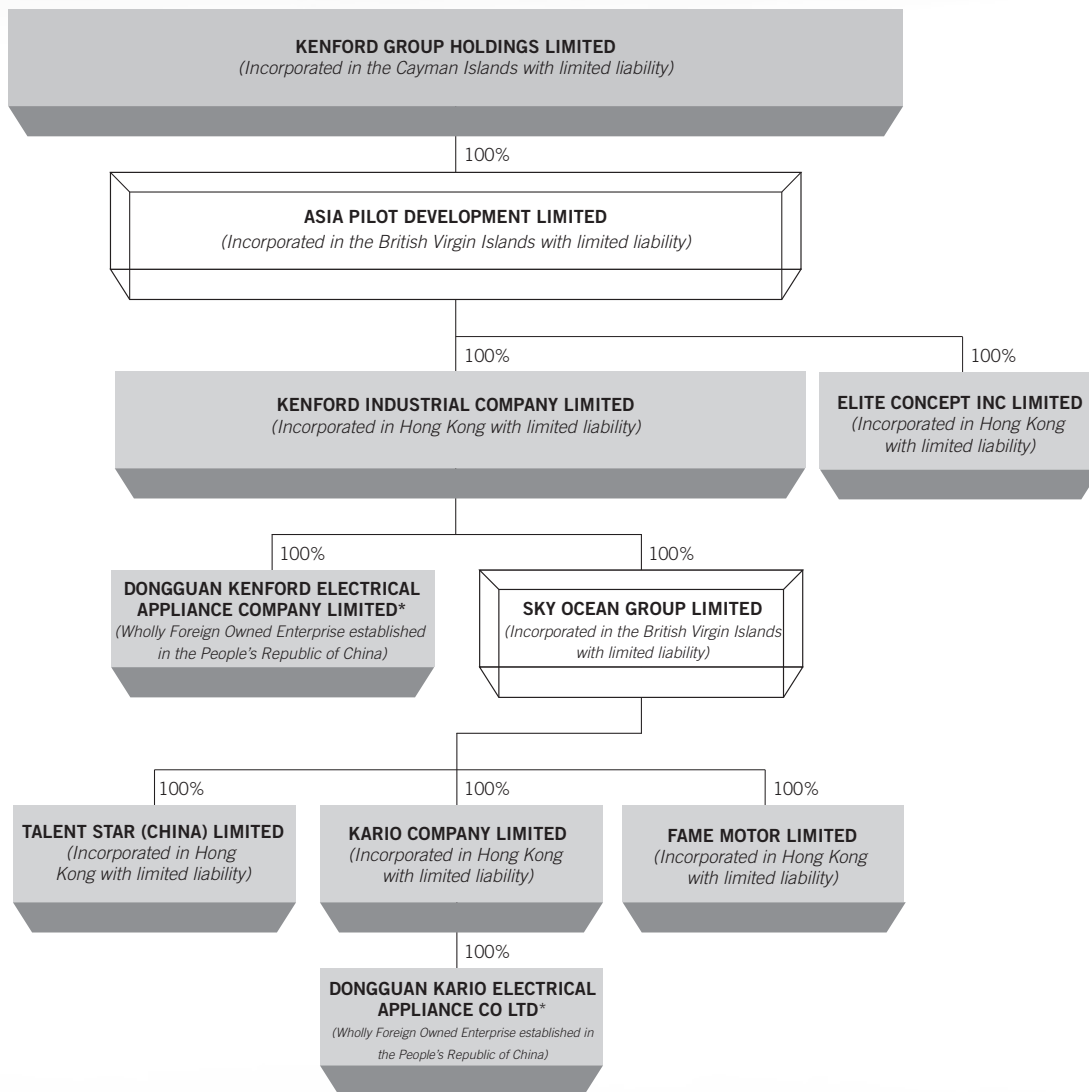
The environmental, social and governance report in compliance with appendix 27 of the Listing Rules will be issued in due course.

## **LOOKING FORWARD**

The Group will keep on reviewing and improving its corporate governance standards from time to time and the Board will take necessary actions to ensure the compliance with the provisions of the CG Code introduced by the Stock Exchange.

## CORPORATE STRUCTURE OF THE GROUP

The following chart provides the overview of the corporate structure of Kenford Group Holdings Limited and its principal subsidiaries (the “Group”) as at 31 March 2018.



\* The English names are translated from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.





## **TO THE SHAREHOLDERS OF KENFORD GROUP HOLDINGS LIMITED**

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

### **OPINION**

We have audited the consolidated financial statements of Kenford Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 88, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS (Continued)

### Key audit matter

### How our audit addressed the key audit matter

#### *Impairment of property, plant and equipment*

We identified the impairment of property, plant and equipment as a key audit matter due to its significance to the consolidated financial statements as a whole and significant judgments exercised by management of the Group in determining the recoverable amount.

As disclosed in note 14 to the consolidated financial statements, 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. The recoverable amount was determined based on the value in use calculation which requires the Group to estimate the future cash flows and a suitable discount rate in order to calculate the present value of the expected future cash flows.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the plant and equipment was less than the carrying amount and as a result, an impairment of HK\$7,143,000 was recognised.

Our procedures in relation to impairment of property, plant and equipment included:

- Obtaining an understanding of the key controls over the assessment of impairment of property, plant and equipment;
- Evaluating the management's assessment for indicators of impairment of property, plant and equipment based on the financial information of the Group;
- Working with our internal valuation experts to evaluate the appropriateness of the valuation model and discount rate used by the management of the Group to determine the recoverable amount by benchmarking against comparable data of companies within the same industry and the Group's weighted average cost of capital; and
- Assessing the reasonableness of the estimation of future profit and cash flows of the Group, and evaluating the appropriateness of management's underlying assumptions, including budgeted revenue, gross profit margin and growth rates, with reference to the historical performance of the Group, sales orders on hand and market trend.

# Independent Auditor's Report

## KEY AUDIT MATTERS (Continued)

### Key audit matter

#### *Allowance for inventories*

We identified allowance for inventories as a key audit matter due to the use of judgment and estimates by management of the Group in identifying obsolete and slow-moving inventories and determining the allowance for inventories.

As disclosed in note 16 to the consolidated financial statements, the Group had a significant inventories balance of HK\$65,057,000 as at 31 March 2018. During the year ended 31 March 2018, the Group recognised a reversal of allowance for inventories of HK\$5,251,000.

Inventories were carried at the lower of cost and net realisable value ("NRV"). As disclosed in note 4 to the consolidated financial statements, the Group performed monthly inventory count to identify defective or obsolete inventories. Management of the Group determined the provision for slow-moving inventories based on inventory ageing which is by applying a certain percentage to the inventories aged over a specific period of time and applied judgment to make specific provision for long-aged inventories. Management of the Group also applied judgment in determining the estimated selling price less cost to sell based on historical experience of selling products and expectation of future sales based on current market conditions and available information.

### How our audit addressed the key audit matter

Our procedures in relation to allowance for inventories included:

- Testing the key controls over the identification of obsolete and slow-moving inventories and the management's estimation of allowance for inventories;
- Understanding and evaluating the basis used by management of the Group in determining the amount of allowance made in respect of obsolete and slow-moving inventories;
- Attending inventory count to observe physical conditions and identify defective or obsolete inventories;
- Evaluating the accuracy of inventory ageing profile of individual inventory items, on a sample basis, by checking to the underlying procurement correspondence and purchase invoices;
- Checking, on a sample basis, the subsequent utilisation of raw materials, subsequent consumption of work in progress and subsequent sales of finished goods to identify slow-moving inventories;
- Assessing the reasonableness of NRV of inventory items, on a sample basis, by comparing the amount of inventories to the actual price subsequent to the year end; and
- Evaluating the appropriateness of the management's assessment on estimated future utilisation of those inventory items without subsequent sales with reference to their ageing, sales orders and marketability of the relevant finished goods by using our industry knowledge.

## **OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# Independent Auditor's Report

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Yiu Chung.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong  
22 June 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>	5	<b>429,684</b>	495,390
Cost of sales		<b>(384,463)</b>	(415,912)
Gross profit		<b>45,221</b>	79,478
Other income, gains and losses	7	<b>2,507</b>	6,289
Impairment loss recognised in respect of property, plant and equipment	14	<b>(7,143)</b>	(14,146)
Impairment loss recognised in respect of goodwill	14	–	(1,403)
Distribution costs		<b>(6,544)</b>	(6,752)
Administrative expenses		<b>(70,931)</b>	(83,372)
Finance income		<b>176</b>	364
Finance costs		<b>(1,443)</b>	(1,392)
Loss before taxation		<b>(38,157)</b>	(20,934)
Income tax expense	8	<b>(784)</b>	(1,286)
<b>Loss for the year attributable to owners of the Company</b>	9	<b>(38,941)</b>	(22,220)
<b>Other comprehensive income (expense)</b>			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		<b>4,332</b>	6,256
Income tax relating to item that will not be reclassified		<b>(1,082)</b>	2,638
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>16,949</b>	(10,091)
Other comprehensive income (expense) for the year		<b>20,199</b>	(1,197)
<b>Total comprehensive expense for the year attributable to owners of the Company</b>		<b>(18,742)</b>	(23,417)
<b>Basic loss per share (HK cents)</b>	13	<b>(8.738)</b>	(4.986)

# Consolidated Statement of Financial Position

At 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	111,393	100,651
Prepaid lease payments	15	3,398	3,163
Deposits paid for acquisition of property, plant and equipment		2,533	1,873
		<b>117,324</b>	105,687
<b>Current assets</b>			
Inventories	16	65,057	60,792
Trade and bills receivables	17	112,569	142,547
Deposits, prepayments and other receivables		17,112	12,872
Tax recoverable		584	1,816
Investments held for trading	18	–	5,909
Bank balances and cash	19	58,072	106,707
		<b>253,394</b>	330,643
Assets classified as held for sale	20	–	53,080
		<b>253,394</b>	383,723
<b>Current liabilities</b>			
Trade payables	21	53,904	65,159
Accruals and other payables		24,516	32,784
Loan from a shareholder	22	4,045	–
Bank borrowings	23	57,662	49,811
Tax liabilities		4,541	5,287
		<b>144,668</b>	153,041
<b>Net current assets</b>		<b>108,726</b>	230,682
<b>Total assets less current liabilities</b>		<b>226,050</b>	336,369
<b>Non-current liabilities</b>			
Deferred tax liabilities	24	15,855	12,465
<b>Net assets</b>		<b>210,195</b>	323,904
<b>Capital and reserves</b>			
Share capital	25	446	446
Share premium and reserves		209,749	323,458
<b>Total equity</b>		<b>210,195</b>	323,904

The consolidated financial statements on pages 46 to 88 were approved and authorised for issue by the Board of Directors on 22 June 2018 and are signed on its behalf by:

**Cai Dongyan**  
DIRECTOR

**Zhang Huijun**  
DIRECTOR



# Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2016	446	63,099	942	83,125	10,450	189,259	347,321
Loss for the year	-	-	-	-	-	(22,220)	(22,220)
Other comprehensive income (expense) for the year	-	-	-	8,894	(10,091)	-	(1,197)
Total comprehensive income (expense) for the year	-	-	-	8,894	(10,091)	(22,220)	(23,417)
At 31 March 2017	446	63,099	942	92,019	359	167,039	323,904
Loss for the year	-	-	-	-	-	(38,941)	(38,941)
Other comprehensive income for the year	-	-	-	3,250	16,949	-	20,199
Total comprehensive income (expense) for the year	-	-	-	3,250	16,949	(38,941)	(18,742)
Dividends recognised as distribution (note 12)	-	-	-	-	-	(94,967)	(94,967)
Transferred upon disposal of leasehold land and building in Hong Kong	-	-	-	(49,096)	-	49,096	-
	-	-	-	(49,096)	-	(45,871)	(94,967)
At 31 March 2018	446	63,099	942	46,173	17,308	82,227	210,195

# Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(38,157)	(20,934)
Adjustments for:		
Depreciation of property, plant and equipment	5,083	11,697
Amortisation of prepaid lease payments	93	90
Impairment loss recognised in respect of property, plant and equipment	7,143	14,146
Impairment loss recognised in respect of goodwill	–	1,403
Change in fair value of investments held for trading	493	166
Finance income	(176)	(364)
(Reversal of allowance for) allowance for inventories	(5,251)	6,673
Finance costs	1,443	1,392
<b>Operating cash flows before movements in working capital</b>	<b>(29,329)</b>	14,269
Decrease in inventories	2,259	5,168
Decrease (increase) in trade and bills receivables	36,351	(27,665)
(Increase) decrease in deposits, prepayments and other receivables	(3,597)	359
Decrease (increase) in investments held for trading	5,416	(721)
(Decrease) increase in trade payables	(13,015)	5,372
Decrease in provision for onerous contract	–	(442)
(Decrease) increase in accruals and other payables	(9,554)	13,108
<b>Net cash (used in) generated from operations</b>	<b>(11,469)</b>	9,448
Income tax refunded (paid)	600	(1,641)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(10,869)</b>	7,807
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(7,250)	(3,183)
Proceeds from disposal of property, plant and equipment	53,080	–
Deposits paid for acquisition of property, plant and equipment	(1,747)	(1,658)
Interests received	176	364
Dividends received	–	104
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>44,259</b>	(4,373)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(94,967)	–
New bank borrowings raised	132,346	160,415
Repayment of bank borrowings	(124,495)	(157,602)
Advance from a shareholder	4,045	–
Interests paid	(1,443)	(1,392)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(84,514)</b>	1,421
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(51,124)</b>	4,855
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>	<b>106,707</b>	104,003
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>2,489</b>	(2,151)
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>58,072</b>	106,707
represented by bank balances and cash		

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 1. GENERAL

Kenford Group Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong is at Office 810, Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong.

The Company's immediate holding company which was also the Company's ultimate holding company was Beaute Inc., a company incorporated in the British Virgin Islands. With effect from 12 September 2017, China Yuen Capital Limited and China Investment International Limited became the Company's immediate holding company and ultimate holding company, respectively.

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

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 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 note 31. 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 note 31, the application of these amendments has had no impact on the Group's consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

### ***HKFRS 9 “Financial Instruments”***

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

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### *HKFRS 9 “Financial Instruments” (Continued)*

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

#### *Classification and measurement:*

Based on the Group’s financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate that the financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

#### *Impairment:*

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Company.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings at 1 January 2018.

#### *HKFRS 15 “Revenue from Contracts with Customers”*

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

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

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### *HKFRS 15 “Revenue from Contracts with Customers” (Continued)*

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

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

Currently under HKAS 18, the Group recognises revenue from design, manufacture, and sale of electrical products when the goods are delivered and titles have passed, and the significant risks and rewards of ownership of the goods have been transferred to the customers. Upon application of HKFRS 15, revenue for those manufactured products with no alternative use to the Group will be recognised over time if the Group has an enforceable right to payment for performance completed to date or otherwise at a point in time upon customers obtaining control of the relevant products. These impacts may potentially affect the timing and amounts of revenue recognition, while the directors of the Company are in the process of assessing the full impact upon application of HKFRS 15.

In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

#### *HKFRS 16 “Leases”*

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### *HKFRS 16 “Leases” (Continued)*

At 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$1,845,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$672,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the initial measurement of right-of-use assets.

Except as disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs in issue but not yet effective will have no material impact on the results and financial position of the Group in the future.

## 3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

For leasehold land and buildings which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

### Basis of consolidation

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

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Non-current assets held for sale

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

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

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

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns.

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

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

Mould income is recognised when the mould is completed and ready for the customers' intended use.

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

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

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

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

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

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

### Leasing

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

#### *The Group as lessee*

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing (Continued)

#### *Leasehold land and buildings*

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease in which case the entire property is accounted for as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

#### **Foreign currencies**

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation

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

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventories

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

### Government grants

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

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

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

### Retirement benefits costs

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

### Short-term employee benefits

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

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

### Financial instruments

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets*

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

#### *Effective interest method*

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

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

#### *Financial assets at FVTPL*

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other income, gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 33.

#### *Loans and receivables*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Impairment of financial assets*

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

Objective evidence of impairment could include:

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

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity instruments*

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

#### *Equity instruments*

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

#### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

#### *Financial liabilities at amortised cost*

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

#### **Derecognition**

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment on assets

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

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

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

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

### **Estimated impairment of property, plant and equipment**

Determining whether an item of property, plant and equipment is impaired requires an estimate of the recoverable amount of the relevant cash-generating unit to which the asset belongs, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of the expected future cash flows. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. Details of the recoverable amount calculation in respect of property, plant and equipment are set out in note 14.

### **Allowance for inventories**

The Group performed monthly inventory count to identify defective or obsolete inventories. Management of the Group determined the provision for slow-moving inventories based on inventory ageing which is by applying a certain percentage to the inventories aged over a specific period of time and applied judgment to make specific provision for long-aged inventories. Management of the Group also applied judgment in determining the estimated selling price less cost to sell based on historical experience of selling products and expectation of future sales based on current market conditions and available information. At 31 March 2018, the carrying amount of inventories was HK\$65,057,000 (2017: HK\$60,792,000).

### **Allowance for bad and doubtful debts**

When there is objective evidence of impairment loss, management of the Group takes into consideration the estimation of future cash flows (details please refer to accounting policies in note 3) to determine allowance for trade receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of allowance for bad and doubtful debts on trade receivables are set out in note 17.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 5. REVENUE

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

## 6. SEGMENT INFORMATION

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

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

### Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 6. SEGMENT INFORMATION (Continued)

### 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 HK\$'000	2017 HK\$'000
Customer A	166,110	213,653
Customer B	67,861	75,087

## 7. OTHER INCOME, GAINS AND LOSSES

	2018 HK\$'000	2017 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 (note)	–	617
Penalty from vendors for bad quality or late delivery	327	331
Sundry income	495	313
	<b>3,936</b>	6,411
Other gains and losses:		
Net foreign exchange loss	(936)	(398)
Net fair value change in investments held for trading	(493)	(166)
Reversal of provision for onerous contract	–	442
	<b>(1,429)</b>	(122)
Total other income, gains and losses	<b>2,507</b>	6,289

Note: Amount represents subsidies received from government authority for the support of the development of the Group's subsidiary in new and high technology during the year ended 31 March 2017. There is no conditions attached to the subsidies granted to the Group and the grants are not related to capital expenditures.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 8. INCOME TAX EXPENSE

	2018 HK\$'000	2017 HK\$'000
PRC Enterprise Income Tax:		
Current tax	6	2,204
Overprovision in prior years	(120)	(1,980)
	<b>(114)</b>	224
Deferred tax:		
Current year (note 24)	898	1,062
	<b>784</b>	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.

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

	2018 HK\$'000	2017 HK\$'000
Loss before taxation	<b>(38,157)</b>	(20,934)
Taxation at the tax rate of 25% (2017: 25%)	<b>(9,539)</b>	(5,234)
Tax effect of expenses not deductible for tax purposes	815	3,235
Tax effect of income not taxable for tax purposes	<b>(604)</b>	(432)
Tax effect of tax exemptions granted (note)	<b>1,966</b>	687
Overprovision in prior years	<b>(120)</b>	(1,980)
Tax effect of temporary differences not recognised	<b>1,786</b>	5,351
Tax effect of tax losses not recognised	<b>8,760</b>	1,257
Tax effect of utilisation of tax losses previously not recognised	<b>(23)</b>	(1,907)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(1,890)</b>	490
Others	<b>(367)</b>	(181)
Income tax expense	<b>784</b>	1,286

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 9. LOSS FOR THE YEAR

	2018 HK\$'000	2017 HK\$'000
Loss for the year has been arrived at after charging (crediting):		
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 (note 10)	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

## 10. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2017: five) directors are as follows:

### Year ended 31 March 2018

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments HK\$'000 (note i)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Lam Wai Ming (note ii)	–	5,703	3,500	9	9,212
Tam Chi Sang (note iii)	–	2,957	1,700	9	4,666
Yang Yubin (note iv)	147	–	–	–	147
Cai Dongyan (note v)	366	–	–	–	366
Zhang Huijun (note vi)	366	–	–	5	371
Pauline Lam (note vi)	366	–	–	12	378
<b>Non-executive director</b>					
Kwok Kai Hing Daniel (note vii)	59	–	–	–	59
<b>Independent non-executive directors</b>					
Chiu Fan Wa (note viii)	43	–	–	–	43
Choi Hon Keung (note viii)	43	–	–	–	43
Li Chi Chung (note viii)	43	–	–	–	43
Han Dengpan (note ix)	59	–	–	–	59
Fung Chi Kin (note ix)	106	–	–	–	106
Huang Zhiwei (note ix)	59	–	–	–	59
Total	1,657	8,660	5,200	35	15,552

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 10. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (Continued)

Year ended 31 March 2017

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

Notes:

- (i) The performance and discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (ii) Mr. Lam Wai Ming resigned as the executive director of the Company on 12 September 2017. Mr. Lam acted as the chief executive of the Company before his resignation and his emoluments disclosed above include those for services rendered by him as the chief executive during the period/year.
- (iii) Mr. Tam Chi Sang resigned as the executive director of the Company on 12 September 2017.
- (iv) Mr. Yang Yubin was appointed as the executive director of the Company on 30 September 2017 and resigned on 29 December 2017.
- (v) Mr. Cai Dongyan was appointed as the executive director of the Company on 22 August 2017. Mr. Cai acted as the chief executive of the Company on 12 September 2017 and his emoluments disclosed above include those for services rendered by him as the chief executive during this period.
- (vi) Mr. Zhang Huijun and Ms. Pauline Lam were appointed as the executive directors of the Company on 22 August 2017.
- (vii) Mr. Kwok Kai Hing Daniel was appointed as the non-executive director of the Company on 22 August 2017.
- (viii) Mr. Chiu Fan Wa, Mr. Choi Hon Keung and Mr. Li Chi Chung resigned as the independent non-executive directors of the Company on 12 September 2017.
- (ix) Mr. Han Dengpan, Mr. Fung Chi Kin and Mr. Huang Zhiwei were appointed as the independent non-executive directors of the Company on 22 August 2017.

The executive directors' emoluments, except for their fees, are for their services in connection with the management of the affairs of the Company and the Group, while the emoluments for non-executive director and independent non-executive directors and the fees for the executive directors are for their services as directors of the Company.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 11. EMPLOYEE'S EMOLUMENTS

During the year ended 31 March 2018, of the five individuals with the highest emoluments in the Group, two (2017: two) are directors of the Company whose emoluments are presented in the disclosures in note 10 above.

The emoluments of the remaining three (2017: three) individuals are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and other benefits	4,157	4,110
Retirement benefits schemes contributions	54	54
	<b>4,211</b>	4,164

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

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

## 12. 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 an aggregate amount of HK\$94,967,000, has been recognised as distribution and paid (2017: nil).

No dividend has been proposed by the directors of the Company since the end of the reporting period (2017: nil).

## 13. LOSS PER SHARE

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

	2018 HK\$'000	2017 HK\$'000
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	<b>(38,941)</b>	(22,220)

### Number of shares

	'000	'000
Number of ordinary shares for the purpose of basic loss per share	<b>445,646</b>	445,646

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong HK\$'000	Buildings in the PRC HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>								
At 1 April 2016	51,100	94,534	32,677	49,330	35,728	6,186	77,784	347,339
Additions	-	-	433	808	1,034	-	1,662	3,937
Disposals/written off	-	-	-	(142)	(11)	-	-	(153)
Revaluation increase	1,980	882	-	-	-	-	-	2,862
Reclassified as held for sale	(53,080)	-	-	-	-	-	-	(53,080)
Exchange realignment	-	(5,240)	(1,273)	(1,183)	(858)	(118)	(303)	(8,975)
At 31 March 2017	-	90,176	31,837	48,813	35,893	6,068	79,143	291,930
Additions	-	-	343	5,222	348	757	1,715	8,385
Disposals/written off	-	-	-	(1,455)	(166)	-	-	(1,621)
Revaluation increase	-	1,901	-	-	-	-	-	1,901
Exchange realignment	-	9,501	2,324	2,238	1,597	206	544	16,410
At 31 March 2018	-	101,578	34,504	54,818	37,672	7,031	81,402	317,005
Comprising:								
At cost	-	-	34,504	54,818	37,672	7,031	81,402	215,427
At valuation – 2018	-	101,578	-	-	-	-	-	101,578
	-	101,578	34,504	54,818	37,672	7,031	81,402	317,005
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>								
At 1 April 2016	-	-	19,893	37,166	31,395	5,996	76,720	171,170
Charge for the year	1,216	2,216	3,959	2,013	1,797	92	404	11,697
Eliminated on disposals/written off	-	-	-	(142)	(11)	-	-	(153)
Eliminated on revaluation	(1,216)	(2,178)	-	-	-	-	-	(3,394)
Impairment loss recognised in profit or loss	-	-	5,397	6,460	1,759	57	473	14,146
Exchange realignment	-	(38)	(621)	(524)	(645)	(111)	(248)	(2,187)
At 31 March 2017	-	-	28,628	44,973	34,295	6,034	77,349	191,279
Charge for the year	-	2,309	1,047	617	483	13	614	5,083
Eliminated on disposals/written off	-	-	-	(1,455)	(166)	-	-	(1,621)
Eliminated on revaluation	-	(2,431)	-	-	-	-	-	(2,431)
Impairment loss recognised in profit or loss	-	-	1,180	3,737	668	329	1,229	7,143
Exchange realignment	-	122	2,027	1,811	1,474	203	522	6,159
At 31 March 2018	-	-	32,882	49,683	36,754	6,579	79,714	205,612
<b>CARRYING VALUE</b>								
At 31 March 2018	-	101,578	1,622	5,135	918	452	1,688	111,393
At 31 March 2017	-	90,176	3,209	3,840	1,598	34	1,794	100,651

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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 (2017: goodwill and property, plant and equipment) and determined the recoverable amount of these assets based on a value in use calculation. The calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period with an average growth rate of 6% (2017: 5%), and a discount rate of 13% (2017: 14%). Cash flows beyond the 5-year period are extrapolated using a steady 3% (2017: 3%) growth rate. Other key assumption for the value in use calculation relates to the estimation of cash inflows/outflows which include budgeted revenue, gross profit margin and growth rate during the forecast period, such estimation is based on the Group's historical performance, sales orders on hand and market trend. 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) 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. The buildings located in the PRC were measured at fair value with details set out below. Management of the Group believes that the costs of disposal of such buildings are insignificant and accordingly, no impairment has been recognised.

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

The buildings in the PRC were valued on 31 March 2018 and 2017 by qualified valuers from an independent firm not connected to the Group, LCH (Asia-Pacific) Surveyors Limited, using depreciated replacement cost method.

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

### Fair value measurement of the Group's leasehold land and buildings (Continued)

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

Description	Fair value		Valuation techniques	Unobservable inputs	Significant inputs	Relationship of unobservable inputs to fair value
	2018 HK\$'000	2017 HK\$'000				
Industrial buildings in the PRC	<b>101,578</b>	90,176	Depreciated replacement cost method	Replacement cost per square meter	RMB1,100 to RMB3,200 (2017: RMB1,300 to RMB2,600) per square meter	The higher the replacement cost, the higher the fair value
				Discount factor	64% (2017: 66%) for buildings acquired in 1999 83% (2017: 85%) for buildings acquired in 2009	The higher the discount factor, the higher the fair value

There was no transfer into or out of Level 3 during the year.

Had the buildings in the PRC been carried at cost less accumulated depreciation and accumulated impairment losses, their carrying values would have been HK\$44,699,000 (2017: HK\$41,485,000).

## 15. PREPAID LEASE PAYMENTS

	2018 HK\$'000	2017 HK\$'000
Leasehold land outside Hong Kong	<b>3,398</b>	3,163

## 16. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Raw materials	<b>40,940</b>	35,101
Work in progress	<b>9,752</b>	7,872
Finished goods	<b>14,365</b>	17,819
	<b>65,057</b>	60,792

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 17. TRADE AND BILLS RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	108,481	140,059
Less: Allowance for bad and doubtful debts	(51)	(51)
	<b>108,430</b>	140,008
Bills receivables	4,139	2,539
Total trade and bills receivables	<b>112,569</b>	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 HK\$'000	2017 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
	<b>112,569</b>	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.

Before accepting any new customer, the Group assesses the potential customer's credit quality by reference to their historical settlement record and defines credit limits by customers on geographical basis. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. Included in the Group's trade and bills receivables balance are receivables with aggregate carrying amount of HK\$81,325,000 and (2017: HK\$98,459,000) which are neither past due nor impaired as the directors of the Company consider these amounts are of good credit quality and there are continuous subsequent settlements from customers.

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK\$31,244,000 (2017: HK\$44,088,000) which are past due at the end of the reporting period but for which the Group has not provided for impairment loss. The directors of the Company consider that these receivables are of good credit quality and there are continuous subsequent settlements from these customers. The Group does not hold any collateral over these balances.

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

	2018 HK\$'000	2017 HK\$'000
Overdue by:		
0 – 60 days	29,946	36,858
61 – 120 days	862	7,065
121 – 365 days	417	–
Over 365 days	19	165
Total	<b>31,244</b>	44,088

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 18. INVESTMENTS HELD FOR TRADING

	2018 HK\$'000	2017 HK\$'000
Equity securities listed in Hong Kong at fair value	–	5,909

At the end of the reporting period, investments held for trading comprise equity listed in Hong Kong and their fair values are based on quoted market bid prices. Details are set out in note 33.

## 19. BANK BALANCES AND CASH

The bank balances carry interests at market rates ranging from 0.01% – 0.30% (2017: 0.01% – 4.34%) per annum.

## 20. ASSETS CLASSIFIED AS HELD FOR SALE

In March 2017, Kenford Industrial, a wholly-owned subsidiary of the Company, entered into and “Agreement for Sale and Purchase” with an independent third party to sell the leasehold land and building in Hong Kong at a consideration of HK\$53,080,000. Accordingly, the asset was revalued to its selling price at HK\$53,080,000, which represented the lower of carrying amount and fair value less costs to sell of the asset, and was reclassified to “assets classified as held for sale” as at 31 March 2017. The transaction was completed in July 2017.

## 21. 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 HK\$'000	2017 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
	<b>53,904</b>	<b>65,159</b>

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

## 22. LOAN FROM A SHAREHOLDER

The amount is unsecured, interest-free and repayable within one year from the drawn down date.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 23. BANK BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Carrying amount of unsecured bank borrowings repayable within one year which contain a repayment on demand clause and shown under current liabilities	<b>57,662</b>	49,811

The Group's bank borrowings carry interest at variable rate of Hong Kong Interbank Offered Rate ("HIBOR") + 1.8% to 2.25% or 1% below Prime Rate (2017: HIBOR + 2% to 2.25% or 1% below Prime Rate). The range of effective interest rates is from 2.47% to 3.33% (2017: from 2.44% to 3.35%).

## 24. DEFERRED TAXATION

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

	Accelerated depreciation allowance for property, plant and equipment other than leasehold land and buildings HK\$'000	Provisions HK\$'000	Tax losses HK\$'000	Revaluation of leasehold land and buildings HK\$'000	Total HK\$'000
At 1 April 2016	627	(876)	(898)	15,928	14,781
(Credit) charge to profit or loss (note 8)	(627)	876	-	813	1,062
Credit to other comprehensive income	-	-	-	(2,638)	(2,638)
Exchange realignment	-	-	-	(740)	(740)
At 31 March 2017	-	-	<b>(898)</b>	<b>13,363</b>	<b>12,465</b>
Charge to profit or loss (note 8)	-	-	<b>898</b>	-	<b>898</b>
Charge to other comprehensive income	-	-	-	<b>1,082</b>	<b>1,082</b>
Exchange realignment	-	-	-	<b>1,410</b>	<b>1,410</b>
At 31 March 2018	-	-	-	<b>15,855</b>	<b>15,855</b>

Under the PRC law, withholding tax is imposed on dividends declared to non-residents in respect of profits earned by subsidiaries in the PRC from 1 January 2008 onwards. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by subsidiaries in the PRC amounting to HK\$80,316,000 (2017: HK\$82,936,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of HK\$81,955,000 (2017: HK\$47,258,000) and impairment loss on property, plant and equipment of HK\$31,290,000 (2017: HK\$24,147,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Included in unused tax losses are losses of HK\$26,648,000 (2017: HK\$16,587,000) that will expire in 2022 (2017: 2021). All other tax losses may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 25. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.001 each:		
Authorised:		
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	1,000,000	1,000
Issued and fully paid:		
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	445,646	446

## 26. SHARE OPTION SCHEME

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

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

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

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

No share options were granted, exercised, cancelled or lapsed under the Scheme during the current and prior years nor outstanding at the end of both reporting periods.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 27. RETIREMENT BENEFITS SCHEMES

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

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

The Group's contributions to the retirement benefits schemes charged to profit or loss in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK\$6,083,000 (2017: HK\$5,883,000).

## 28. CAPITAL COMMITMENTS

	2018 HK\$'000	2017 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	2,082	1,263

## 29. OPERATING LEASE COMMITMENTS

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

	2018 HK\$'000	2017 HK\$'000
Within one year	1,766	–
In the second to fifth year	79	–
	1,845	–

Operating lease payments represent rental payable by the Group for certain of its office premises. Leases are negotiated for terms ranging from one to two years and rental is fixed over the lease terms.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 30. RELATED PARTY TRANSACTIONS

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

### Compensation of key management personnel

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

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Salaries and allowances	<b>14,321</b>	18,813
Discretionary bonuses	<b>5,200</b>	9,600
Retirement benefits schemes contributions	<b>108</b>	126
	<b>19,629</b>	28,539

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other senior management, totalling 7 individuals (2017: 7 individuals).

## 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	<b>Dividend payable</b>	<b>Interest payable</b>	<b>Bank borrowings</b>	<b>Loan from a shareholder</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017	–	–	49,811	–	49,811
Financing cash flows	(94,967)	(1,443)	7,851	4,045	(84,514)
Finance costs recognised	–	1,443	–	–	1,443
Dividends declared	94,967	–	–	–	94,967
At 31 March 2018	–	–	<b>57,662</b>	<b>4,045</b>	<b>61,707</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of the bank borrowings disclosed in note 23 and equity attributable to owners of the Company, comprising share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as addition to new borrowings and repayment of existing borrowings.

## 33. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	172,594	243,583
Financial assets at FVTPL	–	5,909
Financial liabilities		
Amortised cost	127,521	133,357

### Financial risk management objectives and policies

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

#### **Market risk**

##### *Currency risk*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### Currency risk (Continued)

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

	Assets		Liabilities	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Renminbi ("RMB") against US\$	378	8,165	4,897	4,050

##### Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in the functional currency of each group entity against RMB and all other variables are held constant. 5% (2017: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% (2017: 5%) change in RMB. A positive number below indicates decrease in post-tax loss for the year where RMB strengthens 5% (2017: 5%) against the functional currency of each group entity. For a 5% (2017: 5%) weakening of RMB against the functional currency of each group entity, there would be an equal and opposite impact on the post-tax loss for the year and the balances below would be negative.

	2018 HK\$'000	2017 HK\$'000
(Increase) decrease in post-tax loss for the year	(189)	172

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

##### Interest rate risk

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

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

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### *Interest rate risk (Continued)*

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

##### Sensitivity analysis

The sensitivity analysis below is determined based on the exposure to interest rates for the variable-rate bank borrowings at the end of the reporting period. It is prepared assuming the amount of liability outstanding at the end of the reporting period is outstanding for the whole year. A 25 basis points (2017: 25 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2017: 25 basis points) higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK\$120,000 (2017: HK\$104,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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

##### *Equity price risk*

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

##### Sensitivity analysis

For sensitivity analysis purpose, the sensitivity rate used is 15% as a result of the volatile financial market. At 31 March 2017, if the prices of the respective equity instruments had been 15% higher/lower and all other variables were held constant, the Group's loss would decrease/increase by approximately HK\$740,000 as a result of the changes in fair value of investments held for trading.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### *Credit risk*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position at 31 March 2018 and 2017. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounts for 51% (2017: 51%) of the total trade receivables as at 31 March 2018.

The Group has concentration of credit risk as 77% (2017: 83%) and 92% (2017: 95%) of the total trade receivables are due from the Group's largest customer and the five largest customers respectively.

The Group's bank balances and bank deposits are deposited with banks with good reputation and the Group has limited exposure to any single financial institution.

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

#### *Liquidity risk*

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

The Group relies on bank borrowings as a significant source of liquidity. At 31 March 2018, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK\$20,738,000 (2017: HK\$95,589,000). At 31 March 2018 and 2017, all the undrawn banking facilities are in floating rate without specific expiry terms. Details of the Group's bank borrowings at 31 March 2018 and 2017 are set out in note 23.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

##### Liquidity tables

	Weighted average effective interest rate % per annum	On demand HK\$'000	Less than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 31.3.2018 HK\$'000
<b>2018</b>					
<b>Non-derivative financial liabilities</b>					
Trade payables	-	-	53,904	53,904	53,904
Accruals and other payables	-	-	11,910	11,910	11,910
Loan from a shareholder	-	-	4,045	4,045	4,045
Bank borrowings	2.99	57,662	-	57,662	57,662
		57,662	69,859	127,521	127,521

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

Bank borrowings with a repayable on demand clause are included in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the counterparties will exercise their discretionary rights to demand immediate repayment and believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At 31 March 2018, the directors of the Company consider that the aggregate undiscounted principal and interest cash outflows of these bank borrowings is HK\$58,093,000 (2017: HK\$50,172,000) under the time band of "less than 1 year".

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

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

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

Financial assets	Fair value as at 31 March		Fair value hierarchy	Valuation technique(s) and key input(s)
	2018 HK\$'000	2017 HK\$'000		
Investments held for trading	–	5,909	Level 1	Quoted bid prices in an active market

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

#### *Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2018 and 2017 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration/ operation	Issued and paid up shares/ registered capital	Percentage of ownership interest attributable to the Company		Principal activities
				2018	2017	
<b>Direct subsidiary</b>						
Asia Pilot Development Limited	Corporation	British Virgin Islands ("BVI")	US\$1	<b>100%</b>	100%	Investment holding
<b>Indirect subsidiaries</b>						
Kenford Industrial	Corporation	Hong Kong	HK\$1,000,000	<b>100%</b>	100%	Design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances
Kario Company Limited	Corporation	Hong Kong	HK\$10,000	<b>100%</b>	100%	Investment holding and trading
東莞家利來電器有限公司 Dongguan Kario Electrical Appliance Company Limited (note)	Corporation	PRC	US\$4,050,000	<b>100%</b>	100%	Design, manufacture and sale of electrical haircare products
Talent Star (China) Limited	Corporation	Hong Kong	HK\$1	<b>100%</b>	100%	Managerial services for group companies
Fame Motor Limited	Corporation	Hong Kong	HK\$1	<b>100%</b>	100%	Investment holding and trading
東莞建福電器有限公司 Dongguan Kenford Electrical Appliance Company Limited (note)	Corporation	PRC	HK\$21,600,000	<b>100%</b>	100%	Provision of contract processing services

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2018 HK\$'000	2017 HK\$'000
Non-current assets		
Interests in subsidiaries	58	58
Current assets		
Deposit	392	–
Amount due from a subsidiary	64,044	59,899
Cash and bank balances	462	97
	<b>64,898</b>	59,996
Current liabilities		
Other payables and accruals	1,762	120
Loan from a shareholder	4,045	–
	<b>5,807</b>	120
Net current assets	<b>59,091</b>	59,876
Net assets	<b>59,149</b>	59,934
Capital and reserves		
Share capital	446	446
Share premium and reserves	58,703	59,488
Total equity	<b>59,149</b>	59,934

Movement in the Company's reserves:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016	63,099	(2,662)	60,437
Loss and total comprehensive expense for the year	–	(949)	(949)
At 31 March 2017	63,099	(3,611)	59,488
Profit and total comprehensive income for the year	–	94,182	94,182
Dividends recognised as distribution	–	(94,967)	(94,967)
At 31 March 2018	63,099	(4,396)	58,703

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	111,393	100,651	176,169	194,197	188,753
Prepaid lease payments	3,398	3,163	3,442	3,726	3,821
Deposits paid for acquisition of property, plant and equipment	2,533	1,873	969	5,842	4,321
Goodwill	–	–	1,403	1,403	1,403
	<b>117,324</b>	105,687	181,983	205,168	198,298
<b>Current assets</b>					
Inventories	65,057	60,792	72,633	89,605	108,470
Trade and bills receivables	112,569	142,547	117,765	117,177	117,691
Deposits, prepayments and other receivables	17,112	12,872	13,673	17,640	15,184
Tax recoverable	584	1,816	794	2,325	–
Investments held for trading	–	5,909	5,458	–	–
Structured deposits	–	–	–	–	10,090
Short-term bank deposit	–	–	–	2,524	–
Bank balances and cash	58,072	106,707	104,003	96,920	93,667
	<b>253,394</b>	330,643	314,326	326,191	345,102
Assets classified as held for sale	–	53,080	–	–	–
	<b>253,394</b>	383,723	314,326	326,191	345,102
<b>Current liabilities</b>					
Trade payables	53,904	65,159	60,759	71,607	81,653
Accruals and other payables	24,516	32,784	20,326	19,921	19,480
Loan from a shareholder	4,045	–	–	–	–
Provision for onerous contract	–	–	442	710	–
Bank borrowings	57,662	49,811	46,998	44,476	62,071
Tax liabilities	4,541	5,287	5,682	5,381	4,850
	<b>144,668</b>	153,041	134,207	142,095	168,054
<b>Net current assets</b>	<b>108,726</b>	230,682	180,119	184,096	177,048
<b>Total assets less current liabilities</b>	<b>226,050</b>	336,369	362,102	389,264	375,346
<b>Non-current liabilities</b>					
Provision for onerous contract	–	–	–	363	–
Deferred tax liabilities	15,855	12,465	14,781	15,820	11,666
	<b>15,855</b>	12,465	14,781	16,183	11,666
<b>Net assets</b>	<b>210,195</b>	323,904	347,321	373,081	363,680
<b>Capital and reserves</b>					
Share capital	446	446	446	439	439
Share premium and reserves	209,749	323,458	346,875	372,642	363,241
<b>Total equity</b>	<b>210,195</b>	323,904	347,321	373,081	363,680

## Five Years Financial Summary

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

	Year ended 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	<b>429,684</b>	495,390	522,851	585,027	617,218
Cost of sales	<b>(384,463)</b>	(415,912)	(455,665)	(504,144)	(569,468)
<b>Gross profit</b>	<b>45,221</b>	79,478	67,186	80,883	47,750
Other income, gains and losses	<b>2,507</b>	6,289	882	7,473	10,226
Impairment loss recognised in respect of property, plant and equipment	<b>(7,143)</b>	(14,146)	(10,001)	–	–
Impairment loss recognised in respect of goodwill	–	(1,403)	–	–	–
Distribution costs	<b>(6,544)</b>	(6,752)	(7,327)	(9,272)	(10,718)
Administrative expenses	<b>(70,931)</b>	(83,372)	(71,613)	(75,291)	(82,382)
Finance income	<b>176</b>	364	661	444	441
Finance costs	<b>(1,443)</b>	(1,392)	(1,313)	(1,553)	(1,827)
<b>(Loss) profit before taxation</b>	<b>(38,157)</b>	(20,934)	(21,525)	2,684	(36,510)
Income tax (expense) credit	<b>(784)</b>	(1,286)	(1,012)	(1,891)	4,896
<b>(Loss) profit for the year attributable to owners of the Company</b>	<b>(38,941)</b>	(22,220)	(22,537)	793	(31,614)
<b>Other comprehensive income (expense)</b>					
Items that will not be reclassified to profit or loss:					
Gain on revaluation of leasehold land and buildings	<b>4,332</b>	6,256	1,598	10,990	18,505
Income tax relating to item that will not be reclassified	<b>(1,082)</b>	2,638	(79)	(2,283)	(2,713)
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	<b>16,949</b>	(10,091)	(8,439)	(99)	3,921
<b>Other comprehensive income (expense) for the year</b>	<b>20,199</b>	(1,197)	(6,920)	8,608	19,713
<b>Total comprehensive (expense) income for the year attributable to owners of the Company</b>	<b>(18,742)</b>	(23,417)	(29,457)	9,401	(11,901)
Basic (loss) earnings per share (HK cents)	<b>(8.738)</b>	(4.986)	(5.069)	0.181	(7.203)
Diluted (loss) earnings per share (HK cents)	<b>(8.738)</b>	(4.986)	(5.062)	0.181	(7.203)