The following discussion and analysis should be read in conjunction with our combined financial information together with the accompanying notes set out in the Accountant's Report in Appendix I to this prospectus. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such risks and uncertainties include, without limitations, those discussed in the sections entitled "Forward-Looking Statements", "Risk Factors" and "Business" in this prospectus.

OVERVIEW

We are an advanced precision metal engineering solution provider in Hong Kong and the PRC deploying advanced production equipment and techniques, and a record holder in receiving 3 prestigious grand awards in the Hong Kong Awards for Industries. We are well received by our customers. We have maintained business relationships with some of our key customers for over 6 years. We take a key role at the early stage of their product design and development cycles by providing value-adding design engineering solutions to them, as part and parcel of our services under our business model. A long term close working relationship was thus developed between us and some of our key customers. We have earned the ISO9002-1994 certification in quality management standard since 1995. Our broad range of precision engineering skills, coupled with our fast-moving adaptive capabilities, allow us to evolve and differentiate ourselves from traditional original equipment manufacturers.

Our business model principally involves the provision of innovative design engineering solutions and manufacturing services to our customers, of which are mostly internationally renowned companies in the five specialised industry sectors, namely medical and test equipment industry, finance equipment industry, consumer electronics industry, network/data storage industry and the office automation industry. The products of our key customers are generally regarded as highly complex, precise, technologically advanced and innovative products, the manufacture of which requires strong design and production capabilities as well as stringent quality control procedures.

For each of the three years ended 31 March 2010, 2011 and 2012, our revenue were HK$536.6 million, HK$821.1 million and HK$951.4 million respectively, representing a CAGR of 33.2% from 2010 to 2012. Our net profits for the Track Record Period were HK$33.5 million, HK$125.5 million and HK$94.4 million respectively.

BASIS OF PREPARATION

We are a Cayman Islands investment holding company and our subsidiaries are principally engaged in the provision of precision metal stamping services, and manufacturing and sales of fine metal products. The results of our operations during the Track Record Period are set forth in Appendix I to this prospectus.

The financial information has been prepared in accordance with HKFRS issued by the HKICPA and under the historical cost convention, as modified by derivative financial instruments which are carried at fair value. The preparation of financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The major factors affecting our results of operations and financial conditions include the following:

We derive a significant portion of our revenues from a small number of customers

During the three years ended 31 March 2012, sales to our top five customers in the aggregate accounted for approximately 46.8%, 51.3% and 53.7% of our total revenue, respectively. Our largest customer accounted for approximately 11.0%, 22.1% and 19.1% of our total revenue for the three years ended 31 March 2012, respectively. Although we have entered into contracts with and will continue to seek business from other customers, we expect revenues from our largest five customers to continue to account for a significant portion of our revenues.

Developments adverse to our major customers or their products, or the failure of a major customer to pay for components or services on a timely basis or at all, could have an adverse effect on us. Further, our business with our customers has been, and we expect it will continue to be, conducted on the basis of actual purchase orders received from time to time. Although we have maintained and will strive to maintain good relationships with our customers and will use our best efforts to cause our customers to renew existing contracts or secure new contracts with us, we cannot assure you that our major customers will continue to do business with us at the same or increased levels or at all. If one or more major customers were to cease to conduct business with us and we were unable to expand our business with existing customers or attract new customers, we may experience slowed growth or no growth at all and our business, financial condition and results of operations would be materially and adversely affected.

Fluctuations in prices of raw materials could negatively impact our operations and may adversely affect our profitability and we may not be able to pass on our increased costs to our customers

We rely mainly on copper, aluminium, stainless steel, electrolytic plate and iron for the production of our metal parts. In particular, electrolytic plate costs accounted for approximately 20.7%, 20.4% and 22.9%, respectively of our Group's purchases for each of the three years ended 31 March 2012.

If the price of our raw material supplies substantially increases, we may incur additional costs to acquire sufficient quantity of these materials to meet our production needs. In addition, if we cannot identify alternative sources of quality raw materials when needed, at acceptable prices or with the required quantity and quality, or at all, the resulting loss of production volume may materially and adversely affect our ability to deliver products to our customers in a timely manner, or at all, and therefore our business, financial condition, results of operations and prospects could be materially adversely affected.

The impact of any volatility in the prices of raw materials we rely on or the reduction in the demand for certain products caused by such price volatility of raw materials could result in a loss of revenue and profitability and adversely affect our results of operations.

Decline in our business performance due to global financial crisis

We have experienced significant fluctuations in our gross profit and net profit in recent years. During the three years ended 31 March 2012, our gross profit amounted to approximately HK$125.5 million, HK$248.6 million and HK$234.5 million respectively, and our net profit amounted to approximately HK$33.5 million, HK$125.5 million and HK$94.4 million, respectively.

The recent sovereign-debt crisis in Europe and the downgrade of the United States' credit rating in 2011 indicated that the global economic downturn may continue in the foreseeable future. In turn, this may prolong disruptions to the credit markets. As at 31 March 2012, our Group has HK$52.5 million of bank borrowings (representing approximately 46.5% of our Group's total debt) which are charged with fixed interest rate that is not subject to fluctuation. However, if the global financial crisis continues, this could limit our ability to borrow funds from our current or other funding sources or cause the continued access to funds to become more expensive. Furthermore, our business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Product mix

Our product mix with different specifications, affect our gross profit margins since different products have different levels of demand and corresponding selling prices. From time to time, we vary our product mix in order to meet market demand and customers' requirements, which could have an impact on our overall gross profit margins. We intend to continue to manage and optimise our product mix in response to market conditions in order to maintain and increase our gross profit margins.

Taxation

Our PRC incorporated subsidiaries are subject to enterprise income tax rate of 25% under the Corporate Income Tax Law of the People's Republic of China. Our subsidiaries established in Shenzhen, Guangdong Province, PRC and Suzhou, Jiangsu Province, PRC are subject to

PRC corporate income tax at a rate of 22% and 25%, respectively. KRP-Shenzhen, KRP-Shanghai and KPP-Suzhou, in accordance with the relevant income tax regulations of PRC, are exempted from corporate income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in corporate income tax for the next three years.

KRP-Shenzhen enjoyed the first tax exemption year in the fiscal year ended 31 December 2008 and a 50% reduction in corporate income tax for the three years started from the fiscal year ended 31 December 2010.

KRP-Shanghai enjoyed the first tax exemption year in the fiscal year ended 31 December 2008, and a 50% reduction in corporate income tax for the three years started from the fiscal year ended 31 December 2010.

KPP-Suzhou enjoyed the first tax exemption year in the fiscal year ended 31 December 2005 and a 50% reduction in corporate income tax for the three years started from the fiscal year ended 31 December 2007.

On 22 September 2009, KPP-Suzhou was recognised by the PRC Government as a "National High and New Technology Enterprise" and was therefore subject to a preferential tax rate of 15%.

Any changes in the enterprise income tax rate applicable to us may have a significant impact on our net profit.

CRITICAL ACCOUNTING POLICIES

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our Group's activities. Revenue is shown, net of returns, rebates, value added tax and discounts and after eliminating sales within our Group.

Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our Group's activities as described below. Our Group bases our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, our Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instruments, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land held under finance lease and buildings	Remaining period of the lease or the useful life, whichever is shorter
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Plant and machinery	10 years
Motor vehicles	5 to 10 years
Furniture and office equipment	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction-in-progress, representing buildings, plant and machinery on which construction work has not been completed and machinery pending installation is stated at historical cost, which includes construction expenditures incurred, cost of machinery, and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed. On completion, the construction in-progress is transferred to appropriate categories of property, plant and equipment. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that our Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the combined income statement within administrative expenses. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to the combined income statement.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when our Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

RESULTS OF OPERATION

The selected combined income statements data for the Track Record Period set forth below are derived from the Accountant's Report of our Group included in Appendix I to this Prospectus.

Selected Combined Income Statements

	For the year ended 31 March					
	2010		**2011**		**2012**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Revenue	536,613	100.0	821,062	100.0	951,418	100.0
Cost of sales	(411,079)	(76.6)	(572,418)	(69.7)	(716,918)	(75.4)
Gross profit	125,534	23.4	248,644	30.3	234,500	24.6
Other (losses)/gains, net	(1,822)	(0.3)	2,143	0.3	29,052	3.1
Distribution and selling expenses	(9,814)	(1.8)	(12,236)	(1.5)	(19,391)	(2.0)
General and administrative expenses	(72,902)	(13.6)	(83,836)	(10.2)	(124,291)	(13.1)
Operating profit	40,996	7.7	154,715	18.9	119,870	12.6
Finance income	240	0.0	222	0.0	470	0.0
Finance costs	(552)	(0.1)	(671)	(0.1)	(2,883)	(0.3)
Profit before taxation	40,684	7.6	154,266	18.8	117,457	12.3
Taxation	(7,200)	(1.3)	(28,785)	(3.5)	(23,064)	(2.4)
Profit for the year	33,484	6.2	125,481	15.3	94,393	9.9

Revenue

Set out below the table illustrates the breakdown of our Group's turnover by industry segments during the Track Record Period:

	For the year ended 31 March					
	2010		**2011**		**2012**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Office automation	183,805	34.3	233,844	28.5	348,702	36.7
Consumer electronics	78,746	14.7	217,571	26.5	226,553	23.8
Medical and test equipment	119,283	22.2	161,519	19.7	199,682	21.0
Finance equipment	44,861	8.4	60,760	7.4	55,475	5.8
Network and data storage	43,397	8.1	49,480	6.0	52,311	5.5
Others	66,521	12.3	97,888	11.9	68,695	7.2
Total	536,613	100.0	821,062	100.0	951,418	100.0

Note: Others include customers from the automotive parts, back-up power supply and other industries.

We generate our revenue from the sales of our products to our customers in various industry segments including consumer electronics, office automation, medical and test equipment, finance equipment, and network and data storage. Our revenue has increased substantially by HK$414.8 million or 77.3% from HK$536.6 million the year ended 31 March 2010 to HK$951.4 million for the year ended 31 March 2012. The reason for the increase was due mainly to the increase in the sales of our products to our customers in the consumer electronics, office automation and medical and test equipment segments by HK$393.1 million or 103.0% from HK$381.8 million for the year ended 31 March 2010 to HK$774.9 million for the year ended 31 March 2012.

Set out in the table below is the breakdown of our Group's revenue by geographical segment during the Track Record Period with reference to the destination of our product delivery:

	For the year ended 31 March					
	2010		**2011**		**2012**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	289,283	53.9	381,018	46.4	514,185	54.0
Singapore	59,852	11.2	192,148	23.4	192,330	20.2
North America	71,307	13.3	86,994	10.6	100,720	10.6
Japan	49,119	9.2	62,209	7.6	70,389	7.4
Europe	41,336	7.7	71,988	8.8	55,750	5.9
Oceania	2,292	0.4	3,619	0.4	2,607	0.3
South America	712	0.1	688	0.1	494	0.1
Other Asian countries excluding PRC, Singapore and Japan	22,712	4.2	22,398	2.7	14,943	1.5
	536,613	100.0	821,062	100.0	951,418	100.0

Our key market in terms of geographical segment is PRC. Revenue generated from PRC represents 53.9%, 46.4% and 54.0% during the Track Record Period respectively of the total revenue.

Cost of sales

Our cost of sales comprises of the direct cost associated with the manufacture of our products, which consists mainly of raw materials and consumable tools, direct labour, processing fee, depreciation, utilities, rental expenses and other direct overheads. Set out below is the breakdown of our Group's cost of sales during the Track Record Period:

	For the year ended 31 March					
	2010		2011		2012	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Raw materials and consumable tools	253,129	61.6	366,042	63.9	419,190	58.5
Direct labour	71,141	17.3	97,434	17.0	141,161	19.7
Processing fee	54,013	13.1	77,614	13.6	77,522	10.8
Depreciation	10,779	2.6	14,657	2.6	18,257	2.5
Utilities	9,322	2.3	12,511	2.2	14,753	2.1
Rental expenses	7,549	1.8	9,237	1.6	20,716	2.9
Changes in inventory of finished goods and work in progress	(11,340)	(2.8)	(29,518)	(5.2)	1,158	0.2
Others	16,486	4.1	24,441	4.3	24,161	3.3
	411,079	100.0	572,418	100.0	716,918	100.0

The major component of our cost of sales during the Track Record Period was raw materials and consumable tools, representing 61.6%, 63.9% and 58.5% respectively of the total cost of sales. Raw materials and consumable tools comprises mainly of electrolytic plate, stainless steel, copper, aluminum and iron which are the key materials for all our high precision engineering products and also consumable tools used in the production process. Processing fee comprises mainly of sub-contracting fee charged by independent third parties. As a percentage to our revenue, our cost of sales throughout the Track Record Period, represented 76.6%, 69.7% and 75.4% respectively.

Set out below is a breakdown of our Group's raw materials and consumable tools:

	For the year ended 31 March					
	2010		2011		2012	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Electrolytic plate	64,104	25.3	91,537	25.0	114,931	27.4
Stainless steel	30,876	12.2	45,102	12.3	45,096	10.8
Copper	19,639	7.8	34,101	9.3	33,566	8.0
Aluminum	15,988	6.3	22,877	6.2	22,288	5.3
Iron	18,572	7.3	22,700	6.2	21,481	5.1
Tools	74,707	29.5	110,558	30.2	121,647	29.0
Consumables and others	21,812	8.6	32,755	9.0	44,048	10.5
Packing	10,322	4.1	11,610	3.2	20,034	4.8
Changes in inventories of raw materials	(2,891)	(1.1)	(5,198)	(1.4)	(3,901)	(0.9)
	253,129	100.0	366,042	100.0	419,190	100.0

Electrolytic plate represents 25.3%, 25.0% and 27.4% respectively of the total raw materials and consumable tools.

Gross profit and gross profit margin

Our gross profit margin during the Track Record Period were at 23.4%, 30.3% and 24.6% respectively. Set out below is the breakdown of our Group's gross profit and gross profit margins by various industry segments during the Track Record Period.

	For the year ended 31 March								
	2010			2011			2012		
	Gross profit	% to total gross profit	Gross profit margin	Gross profit	% to total gross profit	Gross profit margin	Gross profit	% to total gross profit	Gross profit margin
	HK$'000	%	%	*HK$'000*	%	%	*HK$'000*	%	%
Office automation	10,550	8.4%	5.7%	18,708	7.5%	8.0%	26,973	11.5%	7.7%
Consumer electronics	36,287	28.9%	46.1%	107,045	43.1%	49.2%	105,335	44.9%	46.5%
Medical and test equipment	34,878	27.8%	29.2%	68,161	27.4%	42.2%	61,771	26.3%	30.9%
Finance equipment	13,790	11.0%	30.7%	27,646	11.1%	45.5%	18,168	7.7%	32.8%
Network and data storage	11,084	8.8%	25.6%	10,886	4.4%	22.0%	11,096	4.7%	21.2%
Others	18,945	15.1%	28.5%	16,198	6.5%	16.6%	11,157	4.9%	16.2%
	125,534	100.0%	23.4%	248,644	100.0%	30.3%	234,500	100.0%	24.6%

Set out below is an analysis of sales contribution from each product segment and their respective gross profit margin during the Track Record Period.

	For the year ended 31 March					
	2010		2011		2012	
	Contribution to Sales	Gross profit margin	Contribution to Sales	Gross profit margin	Contribution to Sales	Gross profit margin
	%	%	%	%	%	%
Office automation	34.3%	5.7%	28.5%	8.0%	36.7%	7.7%
Consumer electronics	14.7%	46.1%	26.5%	49.2%	23.8%	46.5%
Medical and test equipment	22.2%	29.2%	19.7%	42.2%	21.0%	30.9%
Finance equipment	8.4%	30.7%	7.4%	45.5%	5.8%	32.8%
Network and data storage	8.1%	25.6%	6.0%	22.0%	5.5%	21.2%
Others	12.3%	28.5%	11.9%	16.6%	7.2%	16.2%
	100.0%	23.4%	100.0%	30.3%	100.0%	24.6%

Factors that affect our gross profit margin include:

(i) our product mix

Our gross profit margin is affected by the product mix with different gross profit margins. During the Track Record Period, our major product segment in terms of revenue is office automation of which its gross profit margins ranged from 5.7% to 8.0% whereas our highest gross margin product segment was consumer electronics where the profit margins ranged from 46.1% to 49.2%. Our product mix varied during the Track Record Period, this was the major factor contributing to the fluctuation in our Group's gross profit margins.

(ii) the fluctuation of prices of major raw materials

Major raw materials of our Group, which consist of electrolytic plate, stainless steel, copper, aluminium and iron, represented 33.1% to 37.8% of the Company's cost of sales during the Track Record Period. Nevertheless, the fluctuation of the cost of the raw materials can mostly be passed on to our customers as mentioned earlier under the Business section. Thus, the fluctuations of the prices of major raw materials do not have a material effect on our gross profit margins.

(iii) labour costs

During the Track Record Period, our labour costs represents 17.3%, 17.0% and 19.7% of the total cost of sales, which demonstrated an overall increasing trend. The major reason for the increase is due to the rising statutory minimum wage in the PRC during the Track Record Period. Our Directors expect that labour costs will continue to show an upward trend, and as such, fluctuations of the labour costs will affect our gross profit margins.

(iv) the processing fee

During the Track Record Period, our processing fee represents 13.1%, 13.6% and 10.8% of our total cost of sales. Fluctuations of the processing fee will affect our gross profit margins. Our Directors expect that the transformation of business form of KFM-Shenzhen shall not cause any material impact to our processing fee, and therefore shall not have a material effect on our Group's gross profit margins.

Other (losses)/gains, net

Our other (losses)/gains, net comprises mainly of gain on disposal of non operating property, gain or loss on derivative financial instruments and net exchange losses. Derivative financial instruments represent certain RMB/US$ and HK$/US$ forward foreign exchange contracts held by the Group.

Contracts during the Track Record Period

During the Track Record Period, the contracts held by us can be classified in two categories:

(a) Variable Contracts: our gain or loss is determined with reference to the spot exchange rate and exercise price, when the spot rate moves in an unfavourable direction against the exercise price, we suffer a variable loss; whereas when the spot rate at the specific settlement dates moves in a favourable direction against the exercise price, we receive a variable gain; and

(b) Fixed-Variable Contracts: similar to the Variable Type, when the spot rate moves in an unfavourable direction against the exercise price, we suffer a variable loss; however, when the spot rate moves in a favourable direction against the exercise price, we are entitled to fixed income.

In terms of currency, the contracts we held during the Track Record Period are:

1. RMB/US$ contracts:

a. Contract Categories

Comprises both Variable Contracts and Fixed-Variable Contracts.

b. Term

Contract periods are 2 years and monthly settlement.

We buy RMB and sell US$ at variable forward rates ranges of (i) 6.4 to 6.9, (ii) 6.4 to 6.84, (iii) 6.03 to 6.7 and (iv) 6.7 to 6.88 (the "Ranges"). We will gain if the exchange rate of RMB/US$ was within the Ranges and will lose if the exchange rate of RMB/US$ was above the Ranges. There will be no gain or loss if the exchange rate of RMB/US$ was below the Ranges.

c. Maximum Exposure

Our Group had not recorded any losses in relation to the RMB/US$ contracts during the Track Record Period. The maximum loss exposure of the contracts is unlimited (in the event that RMB becomes worthless). The maximum gain of the contracts is HK$1,469,000.

2. *HK$/US$ contracts:*

a. Contract Categories

Comprises only Variable Contracts.

b. Term

Contract periods range from 1 month to 2 years. We buy US$ and sell HK$ at variable forward rates of 7.72 and 7.749. We will gain if the exchange rate of HK$/US$ was above the respective rates and will lose if the exchange rate of HK$/US$ was below the respective rates.

c. Maximum Exposure

Under the HK$/US$ forward exchange rate contracts, our Group did not suffer any losses during the Track Record Period since the HK$/US$ exchange rate was always above 7.749 in the contract periods. The maximum loss exposure of the contracts is HK$363,191,000 (in the event that US$ becomes worthless) and the maximum gain is unlimited.

All Contracts during the Track Record Period mentioned above have been fully settled prior to 31 March 2012, except for the unsettled contract mentioned below.

Unsettled Contract as at 31 March 2012

The only unsettled contract as at 31 March 2012 (the "Outstanding Contract") is designed to hedge against RMB exchange rate fluctuation arising from the Group's RMB61 million bank loan obtained in August 2011.

a. Term

The effective period of the contract is two years and will be settled by August 2013. We buy RMB and sell US$ at a predetermined fixed rate of 6.3735. The total contract amount is RMB61 million (equivalent to approximately US$9,571,000). We will gain if the exchange rate of RMB/US$ is below 6.3735 and will lose if the exchange rate is above 6.3735.

b. Maximum Exposure

The Outstanding Contract represents a hedge against the potential fluctuations in foreign exchange arising from the long-term bank loan denominated in RMB. There will be no gain or loss exposure as taking into account of this contract and the RMB bank loan, the net impact will change the exposure from the original monthly repayment of loan from denominated in RMB to US$.

The gain or loss from settlement of these contracts are presented in "gain/(loss) on derivative financial instruments – realised" in "other (losses)/gains, net" in Note 19 of the Accountant's Report set out in Appendix I to this prospectus.

The sensitivity analysis on the potential loss resulting from the fluctuation of the underlying currencies is set out in Note 3 (a) (i) of the Accountant's Report set out in Appendix I to this prospectus.

In the foreseeable future, after taking into account of the existing financial position, our Group does not intend to invest in any new financial instruments after the Listing.

Distribution and selling expenses

Distribution and selling expenses comprises mainly of costs for transporting our products to customers and staff salaries for the distribution. As a percentage of our revenue, our distribution and selling expenses represents 1.8%, 1.5% and 2.0% respectively throughout the Track Record Period.

General and administrative expenses

Set out below is the breakdown of our Group's general and administrative expenses during the Track Record Period.

	For the year ended 31 March					
	2010		2011		2012	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Employment expenses	27,166	37.3	30,891	36.8	44,222	35.6
Research and development ("**R&D**")	9,007	12.4	13,353	15.9	20,108	16.2
Rental expenses	8,177	11.2	9,334	11.1	4,416	3.6
Travelling expenses	4,013	5.5	4,625	5.5	6,389	5.1
Depreciation	6,090	8.4	6,243	7.5	7,123	5.7
Telecommunication	1,228	1.7	1,449	1.7	1,662	1.3
Transportation	3,032	4.1	3,562	4.3	3,131	2.5
Listing expenses	–	–	–	–	14,986	12.1
Others	14,189	19.4	14,379	17.2	22,254	17.9
	72,902	100.0	83,836	100.0	124,291	100.0

As a percentage of our revenue, our general and administrative expenses represents 13.6%, 10.2% and 13.1% respectively throughout the Track Record Period.

Finance costs

Our finance costs represents interest expenses on bank borrowings and finance lease charges.

Taxation

We are subject to PRC enterprise income taxes as our operating subsidiaries are located in PRC. The effective tax rates of our Group for the years ended 31 March 2010, 2011 and 2012 were 17.7%, 18.7% and 19.6% respectively.

During the Track Record Period, the Group have made all the required tax filings under the relevant tax laws and regulations in the relevant jurisdictions, have paid all outstanding tax liabilities when they fall due and are not aware of any dispute with tax authorities.

Year ended 31 March 2012 compared with year ended 31 March 2011

Revenue

Our revenue increased by HK$130.3 million or 15.9% from HK$821.1 million for the year ended 31 March 2011 to HK$951.4 million for the year ended 31 March 2012. The increase was mainly due to:

(i) increase in sales in the office automation segment by HK$114.9 million or 49.1% from HK$233.8 million for the year ended 31 March 2011 to HK$348.7 million for the year ended 31 March 2012. The reason for the increase was mainly due to the increase in sales from our key customers during the year as a result of the introduction of new products by our customers and due to improvement of the global economy;

(ii) increase in sales in the medical and test equipment segment by HK$38.2 million or 23.6% from HK$161.5 million for the year ended 31 March 2011 to HK$199.7 million for the year ended 31 March 2012. The increase was due to increase in sales to two of our key customers during the year.

Cost of sales

Our cost of sales increased by HK$144.5 million or 25.2% from HK$572.4 million for the year ended 31 March 2011 to HK$716.9 million for the year ended 31 March 2012. The increase was mainly due to the increase in sales.

The processing fee decreased by HK$92,000 or 0.1% from HK$77.6 million for the year ended 31 March 2011 to HK$77.5 million for the year ended 31 March 2012. The reason for the processing fee to decrease by a small amount and not increasing in line with the increase in sales as the Group has invested in secondary processing machineries and thus reduced the level of outsourcing in secondary process.

Gross profit and gross profit margin

Our gross profit decreased by HK$14.1 million or a decrease of 5.7% from HK$248.6 million for the year ended 31 March 2011 to HK$234.5 million for the year ended 31 March 2012. Gross profit margin decreased from 30.3% to 24.6% during the same period. The drop in our gross profit was mainly due to:

(i) The increase in the gross profit contribution of office automation segment from 7.5% to 11.5% which has a low gross profit margin of 7.7% for the year ended 31 March 2012;

(ii) The decrease in the gross profit margin of the consumer electronics segment, the main contributor of gross profit, from 49.2% for the year ended 31 March 2011 to 46.5% for the year ended 31 March 2012;

(iii) The decrease of the gross profit margin of the medical and test equipment segment and finance equipment segment. The gross profit margin dropped from 42.2% for the year ended 31 March 2011 to 30.9% for the year ended 31 March 2012 for the medical and test equipment, and 45.5% for the year ended 31 March 2011 to 32.8% for the year ended 31 March 2012 for the finance equipment; and

(iv) The increase in average wages as a result of the increase in the statutory minimum wage in PRC.

The gross profit margin for our office automation, network and data storage and others have remained stable between the years ended 31 March 2011 and 2012.

The drop in our gross profit margin of our consumer electronics from 49.2% for the year ended 31 March 2011 to 46.5% for the year ended 31 March 2012 was mainly due to the increase in labour costs during the year ended 31 March 2012 as compared with previous year. The increase in the labour cost was due mainly to the increase in the average salary as a result of the increase in the statutory minimum wage in KRP-Shenzhen.

The drop in our gross profit margin of our medical and test equipment from 42.2% for the year ended 31 March 2011 to 30.9% for the year ended 31 March 2012 was due to the increase in labour costs and the cost cutting strategy adopted by one of our key customers in this business segment where a number of price cuts occurred during the year by this customer. This customer adopted cost cutting strategy to maintain its competitiveness in pricing in face of a tough macro-economic environment. The Company expects this customer will maintain similar cost cutting strategy and will affect our future gross profit margin. The increase in the labour cost is due mainly to the increase in the average wage in KPP-Suzhou due to the increase in statutory minimum wage.

The drop in our gross profit margin for finance equipment from 45.5% to 32.8% was due to the increase in labour costs and the drop in sales to one of our key customers where our products were sold to them at a higher margin. This increase in labour cost was explained above as incurred in KPP-Suzhou. The reason for the drop was due to the end product demand of the key customer dropped due to poor sales in Europe.

Other (losses)/gains, net

The increase of HK$27.0 million from HK$2.1 million for the year ended 31 March 2011 to HK$29.1 million for the year ended 31 March 2012 was due mainly to a non-recurring profit arising from the disposal of a non operating property of HK$26.1 million.

Distribution and selling expenses

Our distribution and selling expenses increased by HK$7.2 million or 59.0% from HK$12.2 million for the year ended 31 March 2011 to HK$19.4 million for the year ended 31 March 2012. The increase was mainly due to increase in the transportation expenses as a result of the increase in our sales in office automation which incurred higher transportation costs. The increase was also due to the increase in staff salary as the basic salary has increased in the year ended 31 March 2012.

General and administrative expenses

Our general and administrative expenses increased by HK$40.5 million or 48.3% from HK$83.8 million for the year ended 31 March 2011 to HK$124.3 million for the year ended 31 March 2012. The increase was mainly due to the increase in employment expenses by HK$13.3

million or 43.2% from HK$30.9 million for the year ended 31 March 2011 to HK$44.2 million for the year ended 31 March 2012, the increase in R&D by HK$6.7 million or 50.0% from HK$13.4 million for the year ended 31 March 2011 to HK$20.1 million for the year ended 31 March 2012 and the listing expenses of HK$15.0 million. The increase in employment expenses was due mainly to the increase in basic salary of staff, the increase in headcount due to the expansion of our Group and the increase in the number of management staff to strengthen the corporate governance of our Group. The increase in our R&D costs was due to a number of new products being developed during the year ended 31 March 2012.

Finance costs

Our finance costs increased by HK$2.2 million or 314.3% from HK$0.7 million for the year ended 31 March 2011 to HK$2.9 million for the year ended 31 March 2012. The reason was due mainly to the increase in bank borrowings by HK$76.4 million or 208.2% from HK$36.7 million as at 31 March 2011 to HK$113.1 million as at 31 March 2012.

Taxation

Taxation decreased by HK$5.7 million or 19.8% from HK$28.8 million for the year ended 31 March 2011 to HK$23.1 million for the year ended 31 March 2012. The decrease was mainly due to the decrease of profit before taxation by HK$36.8 million or a decrease of 23.8% from HK$154.3 million for the year ended 31 March 2011 to HK$117.5 million for the year ended 31 March 2012.

There were certain income not subject to and expenses not deductible for tax during the year ended 31 March 2012. The income not subject to tax amounted to HK$4.7 million for the year ended 31 March 2011 and HK$5.6 million for the year ended 31 March 2012, an increase of HK$0.9 million. The amount represents mainly the profit arising from the disposal of our Group's property, plant and equipment which was not subject to tax because it is capital in nature under the Hong Kong tax jurisdiction. Expenses not deductible for tax purpose amounted to HK$6.6 million for the year ended 31 March 2011 and HK$5.9 million for the year ended 31 March 2012, a decrease of HK$0.7 million. The amount represents mainly certain interest expense, loss on disposal of fixed assets and stamp duty which were not deductible for Hong Kong tax purpose, and certain operating expenses which were not deductible for PRC tax purpose. The non-deductible PRC operating expense represents expenses such as business development costs and accrual of housing provident fund.

Our Group's effective tax rates calculated based on the tax charged to the combined income statement over the profit before tax has remained stable from 18.7% for the year ended 31 March 2011 to 19.6% for the year ended 31 March 2012. The slight increase for the effective tax rate was due mainly to the drop in tax concession benefits for the year ended 31 March 2012 as compare with the year ended 31 March 2011.

Profit for the year

Our profit for the year decreased by HK$31.1 million or 24.8% from HK$125.5 million for the year ended 31 March 2011 to HK$94.4 million for the year ended 31 March 2012. Our net profit margin decreased from 15.3% for the year ended 31 March 2011 to 9.9% for the year ended 31 March 2012. The reason was due to the decrease in our gross profit by HK$14.1 million or a decrease of 5.7% from HK$248.6 million for the year ended 31 March 2011 to HK$234.5 million for the year ended 31 March 2012, the increase in our general and administrative expenses by HK$40.5 million or 48.3% from HK$83.8 million for the year ended 31 March 2011 to HK$124.3 million for the year ended 31 March 2012.

Year ended 31 March 2011 compared with year ended 31 March 2010

Revenue

Our revenue increased by HK$284.5 million or 53.0% from HK$536.6 million for the year ended 31 March 2010 to HK$821.1 million for the year ended 31 March 2011. The increase was mainly due to:

(i) increase in sales in the consumer electronics segment by HK$138.9 million or 176.5% from HK$78.7 million for the year ended 31 March 2010 to HK$217.6 million for the year ended 31 March 2011. The reason for the increase was mainly due to the increase in sales to customers during the year as a result of the introduction of new products by our customers and due to improvement of the global economy;

(ii) increase in sales in the medical and test equipment segment by HK$42.2 million or 35.4% from HK$119.3 million for the year ended 31 March 2010 to HK$161.5 million for the year ended 31 March 2011. The increase was due to increase in sales to two of our key customers during the year; and

(iii) increase in sales in the office automation segment by HK$50.0 million or 27.2% from HK$183.8 million for the year ended 31 March 2010 to HK$233.8 million for the year ended 31 March 2011. The sales in such segment recovered to similar level when compared with the year ended 31 March 2009 due to improvement of the global economy.

The increase in number of units of products produced for the year ended 31 March 2011 was less than the level of increase of our revenue, the reason was due to a change in product mix where higher value products with lower volume were produced.

Cost of sales

Our cost of sales increased by HK$161.3 million or 39.2% from HK$411.1 million for the year ended 31 March 2010 to HK$572.4 million for the year ended 31 March 2011. The increase was mainly due to the increase in sales.

Gross profit and gross profit margin

Our gross profit increased by HK$123.1 million or 98.1% from HK$125.5 million for the year ended 31 March 2010 to HK$248.6 million for the year ended 31 March 2011, gross profit margin increased from 23.4% to 30.3% during the same period.

The increase in our gross profit and gross profit margin was mainly due to:

(i) The substantial increase in the gross profit contribution from consumer electronics segment which has a higher gross profit margin of 49.2% for the year ended 31 March 2011; and

(ii) The increase in the gross profit margin of the medical and test equipment, and finance equipment segments from 29.2% for the year ended 31 March 2010 to 42.2% for the year ended 31 March 2011 for the medical and test equipment segment, and from 30.7% for the year ended 31 March 2010 to 45.5% for the year ended 31 March 2011 for the finance equipment segment.

The increase in our gross profit margin of office automation from 5.7% for the year ended 31 March 2010 to 8.0% for the year ended 31 March 2011 was due mainly to the change in production method which resulted in lower fixed costs, price reduction for the year ended 31 March 2010 for existing customers due to economic downturn and to maintain customers due to relocation of our factory, and thereby increasing the gross profit margin.

The increase in our gross profit margin of consumer electronics from 46.1% for the year ended 31 March 2010 to 49.2% for the year ended 31 March 2011 was due to relatively lower efficiency in the production of new product models introduced by our customers for the year ended 31 March 2010 and the increase in the volume of the our products sold which lowered our overhead costs resulted in the increase in the gross profit margins. The increase was also due to the percentage of sales of the above mentioned new products were increased within the consumer electronics segment. The increase of the gross profit margin of medical and test equipment from 29.2% for the year ended 31 March 2010 to 42.2% for the year ended 31 March 2011 was mainly due to the increase in sales in more complex products such as gas chromatography and testing and measurement equipment which have higher gross profit margins.

The increase of the gross profit margin of finance equipment from 30.7% for the year ended 31 March 2010 to 45.5% for the year ended 31 March 2011 was mainly due to more sales in the higher margin banknote slider parts.

The decrease of the gross profit margin of network and data storage from 25.6% for the year ended 31 March 2010 to 22.0% for the year ended 31 March 2011 was mainly due to decrease in sales of two major high margin customers.

The gross profit margin for others decrease from 28.5% for the year ended 31 March 2010 to 16.6% for the year ended 31 March 2011 was due mainly to a change in the product mix within the segment where products with higher volume sales with lower gross profit margins were sold.

Other (losses)/gains, net

The increase of HK$3.9 million from a net loss of HK$1.8 million for the year ended 31 March 2010 to a net gain of HK$2.1 million for the year ended 31 March 2011 was due mainly to a gain of HK$1.8 million in the foreign exchange derivative contracts and a gain of HK$0.6 million in the disposal of fixed assets.

Distribution and selling expenses

Our distribution and selling expenses increased by HK$2.4 million or 24.5% from HK$9.8 million for the year ended 31 March 2010 to HK$12.2 million for the year ended 31 March 2011. The increase was mainly due to the increase in transportation expenses for transporting our products to our customers due to increase in sales. As a percentage of revenue, our distribution and selling expenses remained fairly stable from 1.8% for the year ended 31 March 2010 to 1.5% for the year ended 31 March 2011.

General and administrative expenses

Our general and administrative expenses increased by HK$10.9 million or 15.0% from HK$72.9 million for the year ended 31 March 2010 to HK$83.8 million for the year ended 31 March 2011. The increase was mainly due to increase in employment expenses by HK$3.7 million or 13.6% from HK$27.2 million to HK$30.9 million and research and development costs by HK$4.4 million or 48.9% from HK$9.0 million to HK$13.4 million. The increase in employment expenses was a result of additional human resources requirement from the expansion of our Group. The increase in research and development costs was due to further enhancement to our R&D capability.

Finance costs

Our finance costs has remained fairly stable between the years ended 31 March 2010 and 2011.

Taxation

Taxation increased by HK$21.6 million or 300.0% from HK$7.2 million for the year ended 31 March 2010 to HK$28.8 million for the year ended 31 March 2011. The substantial increase was mainly due to the increase of profit before taxation by HK$113.6 million or 279.2% from HK$40.7 million for the year ended 31 March 2010 to HK$154.3 million for the year ended 31 March 2011. Our Group's effective tax rates calculated based on the tax charged to the combined income statement over the profit before tax has remained stable from 17.7% for the year ended 31 March 2010 to 18.7% for the year ended 31 March 2011. The slight increase for the effective tax rate was due mainly to certain income and expenses not subject to tax for the year ended 31 March 2011.

Income not subject to tax amounted to HK$1.2 million for the year ended 31 March 2010 and HK$4.7 million for the year ended 31 March 2011, an increase of HK$3.5 million. The increase was due mainly to compensation from the government for the relocation of one of our Group's factory which was not subject to tax. Expenses not deductible for tax purpose amounted to HK$1.7 million for the year ended 31 March 2010 and HK$6.6 million for the year ended 31 March 2011. The increase was due mainly to expenses incurred for the relocation of one of our Group's factory which were not deductible for tax purpose.

Profit for the year

Our profit for the year increased by HK$92.0 million or 274.6% from HK$33.5 million for the year ended 31 March 2010 to HK$125.5 million for the year ended 31 March 2011. Our net profit margin increased from 6.2% for the year ended 31 March 2010 to 15.3% for the year ended 31 March 2011. The increase was due mainly to the increase in sales of the consumer electronics product segment which carried a higher gross profit margin.

STATEMENT OF FINANCIAL POSITION

Set out below is the breakdown of our Group's current assets and current liabilities as of the dates indicated:

	As at 31 March			As at 31 July
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets				
Inventories	65,499	100,215	102,958	106,060
Trade and other receivables	218,393	216,564	227,720	196,285
Derivative financial assets	–	262	258	258
Tax recoverable	6,108	40	210	210
Restricted bank deposits	–	–	46,800	46,800
Cash and cash equivalents	65,874	121,549	133,423	74,755
	355,874	438,630	511,369	424,368
Current liabilities				
Trade and other payables	140,075	119,535	152,753	127,126
Bank borrowings	5,915	36,733	113,107	122,073
Obligations under finance leases	1,643	–	–	–
Derivative financial liabilities	2	333	–	–
Current income tax liabilities	5,626	18,091	6,074	8,350
	153,261	174,692	271,934	257,549
Net current assets	202,613	263,938	239,435	166,819

Inventories

Our inventories comprise raw materials, work in progress and finished goods. Set out below are the inventories balances as of the indicated dates:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	23,392	28,590	32,491
Work in progress	17,687	33,010	21,490
Finished goods	24,420	38,615	48,977
	65,499	100,215	102,958
Average inventory turnover days	52	53	52

Average inventory equals the average of the inventory at the beginning and the end of the year. Average inventory turnover days for each of the three years ended 31 March 2012 equals average inventory divided by cost of sales for the relevant year and multiplied by 365 days.

The increase in the inventories as at 31 March 2011 of HK$34.7 million from HK$65.5 million as at 31 March 2010 to HK$100.2 million as at 31 March 2011 was due to a higher inventory level was maintained as compare with the year ended 31 March 2010 due to increase business activities for the year ended 31 March 2011. The average inventory turnover days remained stable during the Track Record Period.

The ageing analysis of inventories is as follows:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	56,735	93,712	93,480
Within 1 to 2 years	5,329	3,732	6,609
Within 2 to 3 years	2,582	703	1,267
Over 3 years	853	2,068	1,602
	65,499	100,215	102,958

As at 31 July 2012, 76.3% of the inventory balance as at 31 March 2012 had been utilised.

Trade and other receivables

Set out below are the trade and other receivables balances as of the indicated dates:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables			
– third parties	113,147	134,301	171,472
– related companies	67	–	29
	113,214	134,301	171,501
Prepayment, deposits and other receivables	46,391	18,812	36,111
Amounts due from			
– shareholders	20,335	20,774	20,028
– ultimate holding company	41	41	58
– related companies	38,412	42,636	22
	218,393	216,564	227,720
Average trade receivables turnover days	61	55	59

Average trade receivables equals the average of the net trade and bills receivables at the beginning and the end of the year. Average trade receivables turnover days for each of the three years ended 31 March 2012 equals average trade receivables divided by the revenue for the relevant year and multiplied by 365 days.

The average trade receivables turnover days for the Track Record Period were within our credit period granted to customers, which was generally within 30 days to 90 days.

The average trade receivable turnover remained fairly stable during the Track Record Period.

All outstanding balances due from shareholders were settled by 31 July 2012, and all outstanding balances due from the ultimate holding company and related companies were settled by 7 September 2012.

The following table shows the aging analysis of trade receivables and bills receivable (net of allowance for doubtful debts) of the Group for the Track Record Period:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Up to 3 months	108,643	132,250	161,310
3 to 6 months	2,810	1,892	9,713
6 months to 1 year	997	127	394
1 to 2 years	764	32	84
	113,214	134,301	171,501

As at 31 July 2012, the net trade receivables balances aged between 1 to 2 years, between 6 months to 1 year, between 3 to 6 months and up to 3 months respectively as at 31 March 2012 were 22.6%, 90.2%, 88.7% and 98.1% settled.

The total amount of trade receivables aged over 3 months which have not been settled as at 31 July 2012 amounted to HK$1.2 million. The Directors consider the outstanding amount will be received and bad debt provision on the amount is considered not required at the present stage. No provision for doubtful debts have been made as at 31 March 2010, 2011 and 2012.

Trade and other payables

Set out below are the trade and other payable balances as of the indicated dates:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables			
– third parties	79,716	85,514	87,276
– related companies	2,007	2,361	1,127
	81,723	87,875	88,403
Accruals, deposits and other payables	9,197	11,159	25,600
Considerations payable for the acquisition of a business	–	–	38,750
Advance from a customer for equipment purchase	25,724	1,440	–
Dividend payable	150	18,840	–
Amounts due to directors	275	221	–
Accrued remuneration to directors and senior management	23,006	–	–
	140,075	119,535	152,753
Turnover days	58	54	45

Average trade payables equals the average of the trade payables and bills payable at the beginning and the end of the year. Average trade payables turnover days for each of the three years ended 31 March 2012 equals average trade payables divided by cost of sales for the relevant year and multiplied by 365 days.

The average trade payables turnover days for the year ended 31 March 2010 and 2011 of our Group remained stable. The average trade payables turnover days decreased from 54 days for the year ended 31 March 2011 to 45 days for the year ended 31 March 2012 was due to our Group purchased more raw materials in January and February 2012 from suppliers which have credit period of 30 days, and thus, the payables for those suppliers were settled before the year ended 31 March 2012 thereby decrease the accounts payable balance as at 31 March 2012.

The average trade payables turnover days during the Track Record Period were within the credit terms granted by our suppliers, which was 30 to 90 days.

As at 31 July 2012, 97.8% of the trade payable balance had been settled by our Group.

As at 31 March 2012, the consideration payable for the acquisition of a business represents payable for the acquisition of BDT Business.

The consideration will be payable in the following stages:

1. US$2.3 million (equivalent to approximately HK$17.8 million) had been paid in May 2012;

2. US$1.15 million (equivalent to approximately HK$8.9 million) shall be payable on or before 31 December 2012; and

3. US$1.15 million (equivalent to approximately HK$8.9 million) shall be payable within two months after the completion of the relocation of the BDT Business from the BDT-Zhuhai's factory in Zhuhai to KFM-Shenzhen.

There is also a discretionary bonus payment of US$0.4 million (equivalent to approximately HK$3.1 million) in cash or money convertibles at the absolute discretion of our Company and in any event by no later than 30 June 2013.

Advance from a customer for equipment purchase represents a payable for purchase of equipment on its behalf. The amount is unsecured, non-interest bearing and is repayable on demand. Certain equipment purchased by us on behalf of the customer, Customer A, was retained by us ("**Retained Equipment**") for production of metal parts and components. Such products were mainly sold to some original equipment manufacturers for manufacturing the consumer electronics products of the ultimate customer of Customer A (the "**Ultimate Customer**"). From September 2009 to March 2010, an aggregated sum of HK$48.6 million was advanced by Customer A for purchasing of equipment exclusively for the production of products for the Ultimate Customer and as related working capital. In late 2009 and mid 2010, the Group purchased two batches of Retained Equipment using the advance. The excess cash provided by Customer A over the actual amount used for purchasing the Retained Equipment, and the advance payment was fully settled by April 2011.

When the Group received the above mentioned advance from Customer A, it recorded cash with a corresponding liability due to the Customer. This is because the Group was in active control of the cash received, it was legally entitled to utilise the cash for its own purposes without any restrictions or conditions, and the Group undertook the risk and rewards of ownership of the cash. Under the above arrangement, the ownership of the Retained Equipment so acquired belongs to the Ultimate Customer, and is not recognised as assets of the Group. When the Retained Equipment was purchased, the advance from Customer A was deducted by a corresponding amount. The above accounting treatment is consistent with HKFRS.

Since the beginning of 2012, our Directors are aware that the Ultimate Customer will gradually cease to engage Customer A for sourcing and procurement of the relevant metal parts. Nevertheless, our Directors are aware that starting from June 2012, the Ultimate Customer has directly engaged two of its sub-contracting manufacturers to place purchase orders with us in its supply chain for the manufacturing of similar nature and type of metal parts and components that we have previously produced for Customer A. Prior to the beginning of 2012, all orders from the Ultimate Customer were placed through Customer A, and back then our main contact point for such orders was Customer A. Starting from June 2012, the Ultimate Customer has become our main contact point whereby we directly negotiate order prices and details with the Ultimate Customer, and in turn the Ultimate Customer would place its orders through the two sub-contracting manufacturers. We are not in a position to explore the reasons for the Ultimate Customer's decision to cease its engagement with Customer A, as it is confidential matter between these two entities. Based on our direct communication with the Ultimate Customer, it was not related to the quality of our products and services. Furthermore, the fact that the Ultimate Customer has chosen to continue placing orders with us for similar products indicates that they are satisfied with the products and services that we provide. Based on committed purchase orders and forecasts provided by the Ultimate Customer and the two sub-contracting manufacturers and the reduced amount of orders during transitional period from Customer A to the two sub-contracting manufacturers, our Directors expect the level of sales of similar products to the Ultimate Customer for the year ending 31 March 2013 will reduce by approximately 60% when compared with the previous financial year.

The Retained Equipment is still held by our Group for the production of products which are similar to those we have previously produced for Customer A. As acknowledged by the Ultimate Customer, we may continue to hold and use the Retained Equipment for the production of products for sale to the Ultimate Customer in its supply chain until we cease to receive any purchase order to produce such products.

Derivative financial instruments held by our Group as at 31 March 2010, 2011 and 2012 represents certain leverage foreign exchange contracts which are held for managing foreign currency fluctuation risk. The financial instrument is monitored by our Group and from time to time monitors the trend of the underlying currency and the fair value of the derivatives.

In the foreseeable future, after taking into account of the existing financial position, our Group does not intend to invest in any new financial instruments after the Listing.

Accrued remuneration to directors and senior management represents unpaid bonuses brought forward for retention of directors and senior management. The amount was settled by a payment of cash during the year ended 31 March 2011.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations primarily through cash flows from operations and short-term bank loans. We recorded net cash inflow from 2010 to 2012. We were able to repay our obligations under bank loans when they became due during the Track Record Period.

As at 31 July 2012, we had HK$119.9 million bank loans and HK$2.2 million bank overdrafts. During the Track Record Period, the Group had not experienced any delay in renewing our existing banking facilities.

Cash flows

Set out below are our net cash flows for the periods indicated:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	32,646	104,315	82,227
Net cash (used in)/generated from investing activities	(22,171)	(51,734)	4,720
Net cash (used in)/generated from financing activities	(9,774)	747	(77,090)
Increase in cash and cash equivalents	701	53,328	9,857

Net cash from operating activities

Our cashflow from operating activities comprises our profit before taxation and adjusted for non cash items such as depreciation and amortisation, finance costs, the effect of changes in trade and other receivables and payables, the changes in inventories and working capital.

Net cash generated from operating activities for the year ended 31 March 2012 was HK$82.2 million. The amount was mainly attributable to profit before income tax of HK$117.5 million from our operations, increase in trade and other payables of HK$12.3 million. The amount was partially offset by the increase in inventories of HK$1.3 million, an increase in trade and other receivables of HK$9.1 million and the increase in income tax paid of HK$28.9 million. The increase for the tax paid in the cash flow statement from HK$10.5 million for the year ended 31 March 2011 to HK$39.4 million for the year ended 31 March 2012 was due mainly to income tax for the year ended 31 March 2011 was HK$28.8 million, which was an increase of HK$21.6 million or 300.0% from HK$7.2 million for the year ended 31 March 2010. Since the income tax for the year ended 31 March 2011 was paid in 2012 together with the provisional tax, thus the tax paid in the cash flow statement for the year ended 31 March 2012 increased.

Net cash generated from operating activities for the year ended 31 March 2011 was HK$104.3 million. The amount was mainly attributable to profit before income tax of HK$154.3 million from our operations, a decrease of trade and other receivables of HK$5.8 million. The amount was partially offset by the increase in inventories of HK$33.0 million mainly due to an increase in sales activities where a higher inventory level was required and the decrease in trade and other payables of HK$38.2 million.

Net cash generated from operating activities for the year ended 31 March 2010 was HK$32.6 million. The amount was mainly attributable to profit before taxation of HK$40.7 million from our operations, an increase in trade and other payables of HK$50.6 million mainly due to an increase in trade payables of HK$32.3 million as a result of larger purchases of inventories near the year end due to increase sales activities near the year end and also the increase of HK$25.7 million in an advance from a customer for purchase of equipment on the customer's behalf. The amount was partially offset by the increase in inventories of HK$13.9 million and increase in trade and other receivables of HK$59.9 million mainly due to the increase in sales activities near the year end.

Net cash used in investing activities

Our cashflow in investing activities mainly consists of the payment of and proceeds from the sale and purchase of property, plant and equipment.

Net cash generated from investing activities for the year ended 31 March 2012 was HK$4.7 million. The amount was mainly attributable to the proceeds from the sale of property, plant and equipment of HK$48.9 million which was partially offset by the purchase of property, plant and equipment of HK$44.2 million.

Net cash used in investing activities for the year ended 31 March 2011 was HK$51.7 million. The amount was mainly attributable to the proceeds from the sale of property, plant equipment of HK$1.3 million and the purchase of plant and equipment of HK$53.1 million.

Net cash used in investing activities for the year ended 31 March 2010 was HK$22.2 million. The amount was mainly attributable to the purchase of plant and equipment of HK$22.8 million.

Net cash from financing activities

Our cashflow in financing activities mainly consists of the proceeds from bank loans and repayment of bank loans.

Net cash used in financing activities for the year ended 31 March 2012 was HK$77.1 million. The amount was mainly attributable to the proceeds from bank loans of HK$114.2 million which was partially offset by the repayment of bank loans of HK$37.2 million, the increase in restricted bank deposit of HK$46.8 million, the dividend paid of HK$104.4 million and the interest paid of HK$2.9 million. The proceeds from bank loans of HK$114.2 million was mainly used for the acquisition of plant and machinery of which amounted to HK$25.5 million and the remaining HK$88.5 million was used for working capital purposes.

Net cash generated from financing activities for the year ended 31 March 2011 was HK$0.7 million. The amount was mainly attributable to the proceeds from bank loans of HK$37.9 million which was partially offset by the repayment of bank loans of HK$8.1 million and the dividend paid of HK$26.8 million.

Net cash used in financing activities for the year ended 31 March 2010 was HK$9.8 million. The amount was mainly attributable to the repayment of bank loans of HK$5.0 million, the repayment of the capital element of finance leases of HK$4.5 million.

Indebtedness

We have financed our operations via bank overdraft, bank loans and finance lease. Set out below are our bank overdraft, bank loans and finance lease as at the date shown:

		31 March		**31 July**
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Bank overdrafts and bank loans				
Current				
Bank overdrafts	1,221	2,200	1,411	2,151
Short term bank loans	–	5,950	40,000	40,000
Portion of long term bank loans due for repayment within one year	4,333	9,428	46,154	54,487
Portion of long term bank loans due for repayment after one year which contain a repayment on demand clause	361	19,155	25,542	25,435
Total bank overdrafts and bank loans	5,915	36,733	113,107	122,073
Finance leases				
Repayable within one year	1,664	–	–	–
Repayable in the second year	–	–	–	–
	1,664	–	–	–
Less: future charge on obligations under finance leases	(21)	–	–	–
Total finance leases	1,643	–	–	–
Total indebtedness	7,558	36,733	113,107	122,073

Total bank overdrafts and bank loans increased by HK$76.4 million or 208.2% from HK$36.7 million as at 31 March 2011 to HK$113.1 million as at 31 March 2012 was due mainly to the purchase of equipment for the investment in KPP-Suzhou.

Total bank overdrafts and bank loans increased by HK$30.8 million or 522.0% from HK$5.9 million as at 31 March 2010 to HK$36.7 million as at 31 March 2011 was due mainly to the increase business activities where higher cash flow for operation was required.

As at 31 March 2010, all bank borrowings were unsecured. As at 31 March 2011, bank borrowings of HK$28.2 million were secured by certain land and buildings of our Group, with an aggregate carrying value of HK$20.7 million. As at 31 March 2012, bank borrowings of HK$113.1 million were secured by bank deposits amounted to HK$46.8 million.

As at the Latest Practicable Date, the Group has undrawn non committed banking facilities amounting to HK$104.6 million, there are no restrictions to the draw down of the banking facilities. These banking facilities will mainly be used for the acquisition of a piece of land in Suzhou and the respective construction costs for building the new production facilities for KPP. The Group currently does not have any plan for additional material external financing.

As at the Latest Practicable Date, the Group does not have any material restrictive bank covenants except for maintaining an operational cash balance of not less than HK$50.0 million in the bank, and pledging a secured bank deposit which amounted to HK$46.8 million.

Except as described above, as of 31 July 2012, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Contingent liabilities

Set out below is the contingent liabilities of our Group during the Track Record Period:

	Year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Guarantee in respect of bank borrowings for Innotech Advanced Products Limited, a related company	6,000	19,700	12,500

The guarantees were released by 12 June 2012.

Commitments

(a) Capital commitment

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Authorised but not contracted for			
– Plant and machinery	–	–	37,710
Contracted but not provided for			
– Leasehold land and buildings	–	24,990	48,850

(b) Operating leases

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	18,435	22,463	27,341
Later than one year and not later than 5 years	71,330	82,367	88,039
Later than 5 years	54,316	43,116	28,066
	144,081	147,946	143,446

CAPITAL EXPENDITURES

We have financed our historical capital expenditure through cash flows generated from operating activities and bank borrowings. The following table set forth a summary of our capital expenditures during the Track Record Period:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Leasehold improvements	1,687	4,515	2,216
Plant and machinery	16,792	45,479	37,508
Motor vehicles	3,681	718	1,367
Furniture and office equipment	638	1,107	3,949
Construction in progress	–	1,257	767
	22,798	53,076	45,807

Summary of financial ratios

	As at 31 March		
	2010	**2011**	**2012**
Gearing ratio (%)	2.3%	8.6%	25.2%
Net debt to equity ratio (%)	net cash	net cash	net cash
Return on equity (%)	10.5%	32.8%	21.5%
Return on total assets (%)	7.3%	22.5%	14.0%
Current ratio	2.3	2.5	1.9
Quick ratio	1.9	1.9	1.5

Gearing ratio

Gearing ratio is calculated based on total borrowings divided by the total equity at the end of the respective year.

The gearing ratio increased from 8.6% as at 31 March 2011 to 25.2% as at 31 March 2012 due to an increase in total borrowings from HK$36.7 million as at 31 March 2011 to HK$113.1 million as at 31 March 2012, an increase of HK$76.4 million or 208.2%, whereas the total equity increased from HK$428.6 million as at 31 March 2011 to HK$448.1 million as at 31 March 2012, an increase of HK$19.5 million or 4.5%. The increase in the total borrowings was due mainly to the purchasing of machinery and equipment.

The gearing ratio increased from 2.3% as at 31 March 2010 to 8.6% as at 31 March 2011 due to an increase in total borrowings from HK$7.6 million as at 31 March 2010 to HK$36.7 million as at 31 March 2011, an increase of 382.9%, whereas the total equity increased from HK$335.8 million as at 31 March 2010 to HK$428.6 million as at 31 March 2011, an increase of HK$92.8 million or 27.6%. The increase in the total borrowings was due to the funding requirement during the year ended 31 March 2011 due to higher operating cashflow requirement.

Net debt to equity ratio

Net debt to equity ratio is calculated based on net debt divided by total equity at the end of the respective year.

Our Group has maintained a net cash positive position for each of the three years ended 31 March 2010, 31 March 2011 and 31 March 2012.

Return on equity

Return on equity is calculated by dividing the profit for the year by the arithmetic mean of the opening and closing balances of total equity of the relevant year expressed as a percentage.

Our return on equity decreased from 32.8% for the year ended 31 March 2011 to 21.5% for the year ended 31 March 2012 mainly due to the decrease of our profit for the year by 24.8% between the years ended 31 March 2011 and 2012, while our average equity increased by 14.7% from 2011 to 2012. The decrease in our profit for the year was a result from the decrease in the sales of a number of higher margin products coupled with the increase in sales of a number of lower margin products.

Our return on equity increased from 10.5% for the year ended 31 March 2010 to 32.8% for the year ended 31 March 2011 mainly due to the increase of our profit for the year by 274.7% between the years ended 31 March 2010 and 2011, while our average equity increased by 20.0% from 2010 to 2011. The increase in our profit for the year was a result from the increase in the sales of a number of high margin products.

Return on total assets

Our return on total assets decreased from 22.5% for the year ended 31 March 2011 to 14.0% for the year ended 31 March 2012 mainly due to the decrease of our profit for the year by 24.8% between the years ended 31 March 2011 and 2012 due to the decrease in the sales of a number of higher margin products, while our average total assets increased by 21.1% from 2011 to 2012.

Our return on total assets increased from 7.3% for the year ended 31 March 2010 to 22.5% for the year ended 31 March 2011 mainly due to the increase of our profit for the year by 274.7% between the years ended 31 March 2010 and 2011 due to the increase in the sales of a number of higher margin products, while our average total assets increased by 21.4% from 2010 to 2011, as the additional of our assets were capable to handle the increase our operation.

Current ratio

Current ratio is calculated by dividing current assets by current liabilities. Our current ratio decreased from 2.5 as at 31 March 2011 to 1.9 as at 31 March 2012. The decrease was mainly due to the increase in the bank borrowings by HK$76.4 million or 208.2% from HK$36.7 million as at 31 March 2011 to HK$113.1 million as at 31 March 2012 whereas our current assets increased by HK$72.7 million or 16.6%.

Our current ratio for as at 31 March 2010 and 2011 remained fairly stable.

Quick ratio

Quick ratio is calculated by dividing current assets less inventories by current liabilities. Our quick ratio decreased from 1.9 as at 31 March 2011 to 1.5 as at 31 March 2012. The decrease was mainly due to the increase in the bank borrowings by HK$76.4 million or 208.2% from HK$36.7 million as at 31 March 2011 to HK$113.1 million as at 31 March 2012 whereas our current assets less inventories increased by HK$70.0 million or 20.7%.

Our quick ratio for as at 31 March 2010 and 2011 remained fairly stable.

WORKING CAPITAL CONFIRMATION

The Directors are of the opinion that, after taking into account the financial resources available to us including the estimated net proceeds of the Global Offering, the available credit facilities and our internally generated funds, our Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENCIES

Other than the disclosure as set out in the Accountant's Report in Appendix I to this prospectus, as at 31 March 2010, 2011 and 2012, and the Latest Practicable Date, the Group had not provided any guarantees to third parties and related companies. We have not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign exchange risk

Each individual group entity has its own functional currency. Foreign exchange risk to each individual group entity arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Our Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with RMB and US$.

Our Group currently does not have a foreign currency hedging policy. Our Group manages its foreign currencies risk by closely monitoring the movement of the foreign currency rates.

The financial assets and financial liabilities that are denominated in foreign currencies were insignificant as at 31 March 2010, 2011 and 2012.

Cash flow and fair value interest rate risk

Our Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose our Group to fair value interest-rate risk.

Other than short term bank deposits, bank balances and bank borrowings, our Group does not have significant interest-bearing assets or liabilities. Our Group's exposure to interest rate risk associated with the effects of fluctuations in the prevailing levels of the market interest rates on its cash flows are not deemed to be substantial in the view of the directors based on the nature of the assets and liabilities.

As at 31 March 2010, 2011 and 2012, if the interest rates had been 50 basis-points higher/lower with all other variables held constant, profit before income tax for the years/period would have been HK$300,000, HK$424,000 and HK$598,000 higher/lower, respectively, mainly as a result of higher/lower interest income on bank deposits, and higher/lower interest expense on bank borrowings.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, trade receivables and deposits and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. The credit risk is monitored on an ongoing basis with reference to the financial position of the debtors, past experience and other factors.

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit histories and the Group performs regular credit evaluations of its major customers. The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from business customers. Management does not expect any losses from non-performance by these counterparties.

The Group has concentration of credit risk as over 47%, 45% and 40% of total trade receivables as at 31 March 2010, 2011 and 2012, respectively were due from the Group's largest five customers. Concentration of credit risk with respect to deposits and other receivables are considered to be limited since no collectability issues have been identified in the past.

As at 31 March 2010, 2011 and 2012, major bank balances are deposited in Standard Chartered Bank, HSBC and the PRC state owned banks, in the opinion of management, without significant credit risk. Management does not expect any losses from non-performance by these banks.

DIVIDEND POLICY

We may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as we may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. Our Shareholders in general meeting may approve and make any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as appear to them to be justified by our profits. No dividend shall be declared or payable except out of our profits or reserves set aside from profits in our Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for such purpose in accordance with the Companies Law and our Articles of Association. Any declaration of dividends may or may not reflect our prior declarations of dividends and any dividend recommendation will be at the absolute discretion of our Board. During the three years ended 31 March 2012 and the period subsequent to 31 March 2012 up to the Latest Practicable Date, we declared dividends in the amount of HK$0.2 million, HK$45.5 million, HK$85.6 million and HK$85.2 million, respectively. As at the Latest Practicable Date, all such dividends declared had been fully settled.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including IFRSs. Some of our subsidiaries in China, which are foreign invested enterprises, set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant PRC laws and the provisions of their respective articles of association. These portions of our subsidiaries' net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries and associated companies may enter into in the future.

Our Board has absolute discretion in determining whether to declare any dividend for any period and, if it decides to declare a dividend, the amount of dividend to be declared. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future.

PROPERTY INTERESTS

As at 31 March 2012, our property interests carried no commercial value other than certain properties contracted to be acquired by our Group in Hong Kong valued at HK$25,345,000. Our Group has not yet completed the transaction for the acquisition of such properties as at the Latest Practicable Date. For further details of the properties contracted to be acquired, please refer to the section headed "Business – Recent business development – Relocation of head office" in this prospectus.

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued interests of our properties as at 31 July 2012 at no commercial value, other than the properties contracted to be acquired as mentioned above. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 13 July 2011 as an exempted company with limited liability, which became the ultimate holding company of our Group as a result of the Reorganisation. Our Company's distribution reserves consist of share premium and retained earnings, if any. Under the Cayman Islands Companies Law, the share premium account is distributable to shareholders if immediately following the date on which we propose to distribute the dividend, the Company shall be able to pay our debts as they fall due in the ordinary course of business. As at 31 March 2012, our Company had no distributable reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering on the net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2012 as if it had been taken place on that date.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group as at 31 March 2012 or any future date after the completion of the Global Offering.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2012	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company**	**Unaudited pro forma adjusted net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Notes 3 and 4)*
Based on an Offer Price of HK$0.55 per Share	408,557	62,319	470,876	0.78
Based on an Offer Price of HK$0.68 per Share	408,557	81,819	490,376	0.82

Notes:

(1) The audited combined net tangible assets of our Group attributable to equity holders of our Company as at 31 March 2012 has been extracted from the Accountant's Report of our Company as set out in Appendix I to this Prospectus which is based on the audited combined net assets of our Group attributable to equity holders of the Company as at 31 March 2012 of HK$448,171,000 with an adjustment for the intangible assets and goodwill as at 31 March 2012 of HK$39,614,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$0.55 per Share and HK$0.68 per Share, respectively, after deduction of underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the General Mandate and Repurchase Mandate.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note (2) above and on the basis that 600,000,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 31 March 2012 but takes no account of the Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the General Mandate and Repurchase Mandate.

(4) The unaudited pro forma net tangible assets of our Group attributable to equity holders of our Company does not take into account dividends totaling HK$85,228,000 declared by our Group to our then shareholders on 2 May 2012 and 26 June 2012. Had the dividends been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK$0.64 (assuming an Offer Price of HK$0.55 per Share) and HK$0.68 (assuming an Offer Price of HK$0.68 per Share), respectively.

(5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 31 March 2012.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DETERIORATING FINANCIAL PERFORMANCE AND PROFIT WARNING

The following is a summary of selected financial information from our unaudited management accounts for the three months ended 30 June 2012 and 30 June 2011 that have been prepared on the same basis as our audited combined financial information included in Appendix I to this prospectus. Our financial results for three months ended 30 June 2012 referred to herein are unaudited and in any case may not be indicative of our financial results for the full year ending 31 March 2013.

Our Directors consider our financial performance for the six months ending 30 September 2012 and for the year ending 31 March 2013 will be significantly affected by the following factors:

Decline in sales revenue

Sales revenue decreased by 4.9% from approximately HK$215.4 million for the three months ended 30 June 2011 to approximately HK$204.8 million for the three months ended 30 June 2012. Our revenue is expected to follow this declining trend, especially for the business segments stated below:

(i) For the three years ended 31 March 2012, our sales to Customer A in relation to products attributable to the Ultimate Customer amounted to approximately HK$48,508,100, HK$168,912,600 and HK$170,886,800, representing 9.0%, 20.6% and 18.0% of our total revenue, respectively. Sales from consumer electronics segment is expected to decrease by approximately 30% when compared with the year ended 31 March 2012. At the beginning of 2012, our Directors became aware that the Ultimate Customer had gradually ceased to engage Customer A for sourcing of the relevant metal parts we produced for Customer A. Such decreasing trend continued and we have not received any purchase orders from Customer A for the relevant metal parts since the end of June 2012. Although from June 2012, we started to serve another two sub-contracting manufacturers of the Ultimate Customer for the manufacturing of similar type of metal parts that we previously produced for Customer A, we have already suffered significant drop in revenue. We expect our sales of similar products to the Ultimate Customer for the year ending 31 March 2013 will reduce by approximately 60%.

(ii) Sales from network and data storage segment is expected to decrease by approximately 15% when compared with the year ended 31 March 2012 due to one of our clients has phased out the production of its old models.

Decreasing gross profit margin

We suffered from decreasing gross profit margin, where it dropped from 24.6% for the year ended 31 March 2012 to 21.2% for the three months ended 30 June 2012 due to the following factors:

(i) gross profit margin from consumer electronics segment is affected by the significant drop in sales to Customer A as mentioned above. The gross profit margin for relevant products to the Ultimate Customer is relatively higher than the gross profit margin of other products within this business segment;

(ii) gross profit margin from medical and test equipment segment dropped from 30.9% for the year ended 31 March 2012 to 25.6% for the three months ended 30 June 2012 due to the lowering of selling price for products sold to Agilent and the increase in labour costs as a result of adjustment of statutory minimum wages in the PRC in early 2012;

(iii) gross profit margin from finance equipment segment dropped from 32.8% for the year ended 31 March 2012 to 25.1% for the three months ended 30 June 2012 due to the increase in labour costs as a result of adjustment of statutory minimum wages in the PRC in early 2012; and

(iv) while the sales from consumer electronics segment will drop significantly, the level of sales from office automation segment is expected to maintain at similar level. This will change our Group's sales mix and reduce the overall gross profit margin as office automation segment has the lowest gross profit margin of 7.7% for the year ended 31 March 2012.

Our Directors expect such trends will continue to affect our profitability and our gross profit margin for the six months ending 30 September 2012 and for the year ending 31 March 2013 is expected to maintain at similar low level.

Other factors

For the year ended 31 March 2012, we had a one-off extraordinary gain on disposal of a non-operating property of HK$26.1 million. Such gain had substantially increased our net profit for that year.

Operating expenses

Despite the overall drop in our Group's revenue and gross profit, our operating expenses including the distribution and selling expenses, and general and administrative expenses (excluding the listing expenses) will not be reduced but increase slightly. While the total operating expenses will not be increased significantly, the proportion in terms of percentage of total revenue is expected to increase from approximately 13.5% for the year ended 31 March 2012 to approximately 15.4% for the year ending 31 March 2013. This is due to the fact that we recruited more senior and professional personnel to implement our plan for the Global Offering and to enhance our management capability in anticipation of our Global Offering. Further, the acquisition of BDT Business involved the recognition of an intangible asset of HK$15 million, which will be amortized for four years starting from the year ending 31 March 2013.

Effective tax rate

The effective tax rate is expected to increase from 19.6% to 27.3% due to the above mentioned one-off non-taxable gain in respect of the disposal of non-operating property.

Given our sales is expected to reduce and coupled with a decreasing gross profit margin, the gross profit level of our Group is expected to decrease significantly by approximately 16.5%. While there will not be any extraordinary profit to cover our operating expenses, we had budgeted an extra HK$15.8 million to cover our listing expenses for our Global Offering. The total operating expenses is expected to increase due to the above mentioned reasons and coupled with the slight increase in effective tax rate, our Group's net profit for the six months ending 30 September 2012 and for the year ending 31 March 2013 is expected to significantly decline as compared with the prior financial year.

MATERIAL ADVERSE CHANGE

Our Directors confirm that there was material adverse change in the financial or trading position or prospects of our Group since 31 March 2012, being the last date of our latest audited financial results as set out in "Accountant's Report" in Appendix I to this prospectus and up to the date of this prospectus. For details, please refer to the paragraph headed "Recent deteriorating financial performance" in the sub-section above and the section headed "Summary" of this prospectus.