KFM KINGDOM

KFM KINGDOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(HKEx Stock Code: 3816)

Our goals are far and high
We cultivate for tomorrow

Annual Report **2013**

www.kingdom.com.hk

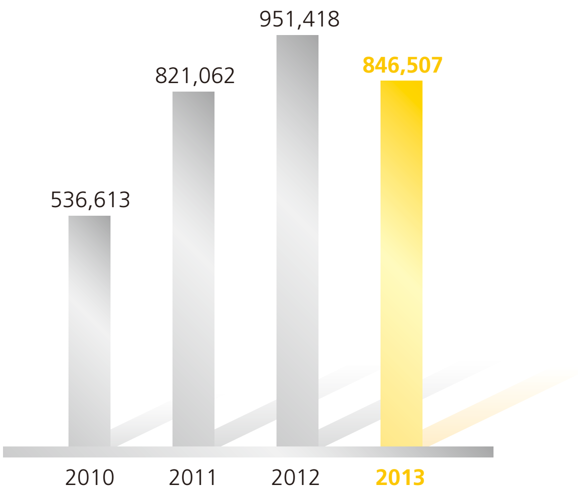

Hong Kong Exchanges and Clearing Limited
香港交易及結算所有限公司
Welcomes the Listing of
KFM金德控股有限公司
(3816)
香港標準時間
Hong Kong Standard Time
09:29:25

Contents

Financial Highlights

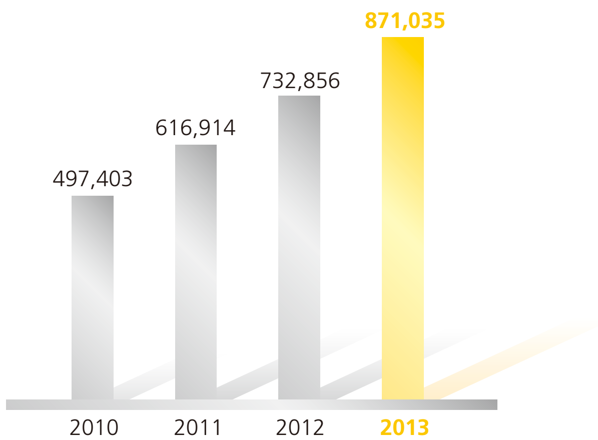
Revenue

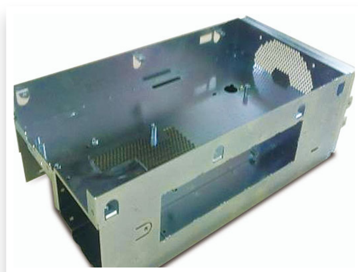
Year ended 31 March
(HK$'000)

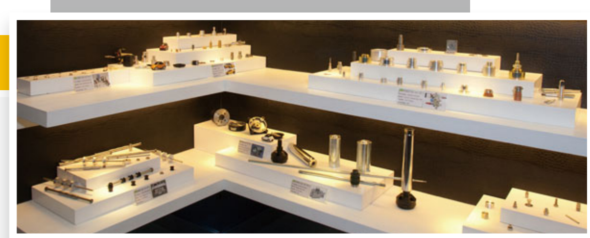


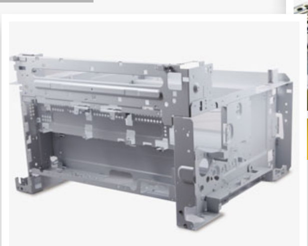
Total Assets

As at 31 March
(HK$'000)









Corporate Information

Executive Directors
Mr. Sun Kwok Wah Peter (Chairman)
Mr. Wong Chi Kwok
Mr. Lam Kin Shun
Mrs. Chow Suen Christina

Independent Non-Executive Directors and Audit Committee
Mr. Wan Kam To (Chairman)
Mr. Lam Hon Keung Keith
Prof. Chung Chi Ping Roy

Remuneration Committee
Mr. Lam Hon Keung Keith (Chairman)
Mr. Sun Kwok Wah Peter
Mr. Wan Kam To

Nomination Committee
Mr. Sun Kwok Wah Peter (Chairman)
Mr. Lam Hon Keung Keith
Prof. Chung Chi Ping Roy

Headquarter and Principal Place of Business in Hong Kong
Block A3, 10/F., Yee Lim Industrial Centre,
2-28 Kwai Lok Street, Kwai Chung,
New Territories, Hong Kong.

Principal Place of Business in the PRC
Block A, No. 1301 Guanguang Road, Dabu Lane,
Guanlan Street, Baoan District, Shenzhen, the PRC.

Registered Office
Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111, Cayman Islands

Company Secretary
Mr. Kwok For Chi

Authorised Representatives
Mr. Sun Kwok Wah Peter
Mr. Kwok For Chi

Compliance Adviser
DBS Asia Capital Limited

Legal Adviser as to Hong Kong Law
Chiu & Partners

Auditor
PricewaterhouseCoopers

Principal Banker
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

Cayman Islands Share Registrar and Transfer Office
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong.

Website
www.kingdom.com.hk

Stock Code
3816

Chairman's Statement

Sun Kwok Wah, Peter MH
Chairman

On behalf of the Board of Directors of KFM Kingdom Holdings Limited (the "Company" and together with its subsidiaries collectively referred to as the "Group"), I am pleased to present to you our Group's first annual report for the financial year ended 31 March 2013.

The year of 2012/13 was a challenging but rewarding one. On 15 October 2012, our Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. The successful listing of our Group marked an important milestone of the group since our establishment in the 1990s. Capitalising from developed expertise in the precision metal engineering industry, and business and client knowledge accumulated from the past 26 years of operation, the listing of the Group turns our history into a whole new page, and presents before us promising opportunities for development.

Financial Performance

The year of 2012/13 was a year full of challenge. During the year, we faced continued headwind in conducting our business, which mainly arose from uncertainties and downside risk emanating from several factors: the unresolved sovereign debt crisis in Europe; the faltering economic growth in the US; and the slowing economy in China. These factors tend to produce pressure on our revenue as our customers generally become more cautious in terms of order placement.

During the year ended 31 March 2013, the revenue was HK$846.5 million, the gross profit margin stood at 24.3%. In the medical and test equipment segment, we saw continuous growth and increased orders from manufacturers of gas chromatography and other test equipment. Benefited from this, sales revenue ramped up from approximately HK$199.7 million to approximately HK$213.3 million, representing an increase of approximately 6.8% compared to the year 2011/12. Revenue from the office automation market experienced reduction of approximately 13.5%, mainly because our customers were affected by the economic uncertainty surrounding the US and Europe markets and tended to reduce inventory level. On the other hand, we have introduced robotic automation to reduce labour cost and carried out certain restructuring exercise on our product portfolio to enhance efficient use of our production capacity. These factors combined led to an adjustment in revenue generated from this segment from approximately HK$348.7 million in the year 2011/12 to approximately HK$301.6 million in the year 2012/13.

In the past year, we have successfully overcome the impact of order reduction from a major customer in the consumer electronics segment due to the shifting of order of our Ultimate Customer from this major customer to certain new subcontractors. As we began to notice such trend in early 2012, our Group promptly reacted by getting into direct negotiation with the Ultimate Customer. From June 2012 onwards, we had already started to serve the Ultimate Customer's new subcontractors to provide similar products which we used to provide to our major customer. Notwithstanding the inevitable loss of revenue during the transitional period, we had successfully developed direct negotiation channel and closer bond of cooperation with the Ultimate Customer. After the incident, we believe our actions have already better positioned us as a secured service provider to the Ultimate Customer, and allow us to significantly reduce our overall business risk.

Business Development

During the year, we had undergone several steps in terms of our Group's strategic development. In December 2012, our Group's first product assembly's facilities had come to full operation. The commencement of our own assembly operation formed part of our strategic downward expansion from the provision of precision metal engineering and processing service to a one-stop full scale service to our customer. By providing additional value-adding service to our customer, we are now able to open new windows of business with our customers and enhance our Group's competitiveness and profitability.

As mentioned in our prospectus dated 28 September 2012, our Group intended to expand our Suzhou production base and develop it into a comprehensive production hub which would mainly serve customers who are engaged in the medical and test equipment industry. As at the date of this report, the exercise to acquire land use right required for the project's phase one development (approximately 52,000 sq.m.) has been completed. After finalisation of the design of the plant, the foundation and construction work will soon commence. When our new Suzhou base is completed, it will provide us sufficient production capacity to expand into this high growth market segment.

Prospect and Forward Looking

As the world's most important production base, the PRC precision metal and precision engineering market is a gigantic one, of which according to professional survey and study, will continue to experience double digit size growth. It provides us with promising opportunities both in terms of generic growth and expansion in market share. On the other hand, the gradual improvement in the global and PRC economy is expected to drive up the demand of high end consumer and commercial products. Therefore, our future development strategy would be of two folds. First, our Group shall continue to maintain close relationship with our customers in our traditional market segments, and sort out effective measures to reduce increasing production cost. On this perspective, we will continue our effort in enhancing cost management and production efficiency. For instance, our Group has commenced a robotic automation project to replace human staff by robotic arms in order to counter the increasing staff cost in the PRC and enhance production efficiency.

On the other hand, our Group will continue to explore new business and products in high value and high growth industries, like the medical and testing; and the consumer electronics segments. We are actively engaging with customers who operate in these industries for new product development projects. At the same time, our Group is also expanding our existing business model to develop our own-branded kiosk products.

With our core values of commitment to top product quality, our in-depth understanding of our clients and our emphasis to environmental protection, we are optimistic that these new development projects will become the new profit drivers of our Group in the future.

On behalf of the Board, I would like to take this opportunity to express my gratitude to our shareholders, business partners and our committed employees for their support and dedication which is a vital element to our successful listing, as well as our continuous success in the years to come.

Sun Kwok Wah, Peter
Chairman
Hong Kong

19 June 2013

Management Discussion and Analysis

Management Discussion and Analysis

Business Review

The global economy has experienced continuous uncertainties and downside risks emanating from the unresolved sovereign debt crisis in Europe, the faltering economic growth in the US and China's economic slowdown. For the year ended 31 March 2013, revenue of the Group decreased by approximately 11.0% from approximately HK$951.4 million for the year ended 31 March 2012 to approximately HK$846.5 million.

The decline in revenue is mainly due to decrease in revenue of consumer electronics segment by approximately 28.6% for the year ended 31 March 2013 as compared with that of 2012 since our Ultimate Customer had gradually ceased to engage one of our major customers for sourcing and procurement of the relevant metal parts at the beginning of 2012. Such decreasing trend continued and we have not received any purchase orders from that major customer for the relevant metal parts since the end of June 2012. Although from June 2012, we started to serve two other sub-contracting manufacturers of the Ultimate Customer for the manufacturing of similar type of the metal parts that we previously produced for the said major customer, the Group already suffered significant drop in revenue and net profit for the year ended 31 March 2013 as compared to that of last year.

Even under such circumstances, the Group has continued to mitigate its risks by focusing on business fundamentals. Building on to our diversified portfolio in the five business segments that we principally engage in, and our solid long term relationship with our major customers, we have managed the prevailing unfavourable macroeconomic uncertainties within particular business segment.

Outlook and Strategy

In the middle of the unresolved sovereign debt crisis in Europe, hindering economic growth in Europe and the US, and China's slowing economy, our clients are expected to be more cautious in order placement. However, the Group is cautiously optimistic about the business opportunities in the coming financial year.

In the near term, the Group will increase the use of robotic arms and adopt other automatic features in our equipment to perform feeding works and therefore reduce reliance on our workers. We believe the optimisation of our overall production process would further increase our capabilities to produce high quality products and reduce labour cost, thereby enhancing our profit margins.

In the long run, the Group believes that our business strategies include the following: (a) we intend to further expand our sales effort to growing business segments for precision engineered metal parts; (b) we plan to develop a new production base in Suzhou, which among other purposes, can minimise the impact of rental increase in the long run on our current production base in Suzhou which is located on several leased factory premises; (c) we will continue to optimise our production process by utilising our engineering skills, strengthen our research and development capabilities and increase our production automation; and (d) we intend to seek opportunities for acquisitions of production facilities or further strengthen our relationship with our customers by strategic cooperation, which will better prepare the Group to materialise the future business opportunities in the long run.

With our professional management expertise, an insightful business strategy, careful execution, compelling products quality and our stable and conservative financial position, the Group is well-positioned for sustainable and healthy growth in the chosen market segments in which we operate and strive to reward our shareholders with fruitful returns.

Financial Review

Revenue

For the year ended 31 March 2013, revenue of the Group reached approximately HK$846.5 million, representing a decrease of approximately HK$104.9 million or 11.0% from approximately HK$951.4 million for the corresponding period last year. Set out below is a breakdown of our revenue by the five business segments:

	2013 HK$'000	**%**	2012 HK$'000	%
Office automation	**301,639**	**35.6**	348,702	36.7
Medical and test equipment	**213,328**	**25.2**	199,682	21.0
Consumer electronics	**161,786**	**19.1**	226,553	23.8
Finance equipment	**59,927**	**7.1**	55,475	5.8
Network and data storage	**48,402**	**5.7**	52,311	5.5
Others	**61,425**	**7.3**	68,695	7.2
	846,507	**100.0**	951,418	100.0

The decline in revenue is mainly due to: (i) HK$64.8 million or 28.6% decrease in revenue from the consumer electronics segment as compared to the year ended 31 March 2012. It was mainly due to, as stated in our prospectus for Global Offering dated 28 September 2012 (the "Prospectus"), our Ultimate Customer (as defined in the Prospectus) had gradually ceased to engage one of our major customers for sourcing and procurement of the relevant metal parts at the beginning of 2012. Instead, from June 2012 onward, the Group started to serve other two sub-contracting manufacturers of the Ultimate Customer for the manufacturing of similar type of metal parts that we previously produced for the major customer. As a result, the Group experienced significant drop in revenue from this segment for the year ended 31 March 2013 as compared to the same period last year; and (ii) HK$47.1 million or 13.5% decrease in revenue from the office automation segment when compared to the year ended 31 March 2012 due to the phasing out of certain low margin products of the Group under current market condition.

The major markets of the Group are the PRC, North America, Europe and Japan. They accounted for approximately 68.1%, 12.6%, 8.1%, 6.7% of the revenue of the Group for the year ended 31 March 2013 respectively. Details of revenue generated by geographic location for the year ended 31 March 2013 are set out in note 31(c) to the consolidated financial statements.

Cost of sales

The cost of sales primarily comprises of the direct cost associated with the manufacturing of our products, which consists mainly of direct materials, direct labour, processing fee and other direct overheads. Set out below is the breakdown of the Group's cost of sales:

	Year ended 31 March			
	2013		2012	
	HK$'000	**%**	HK$'000	%
Direct materials	**365,347**	**57.0**	419,190	58.5
Direct labour	**145,544**	**22.7**	141,161	19.7
Processing fee	**60,544**	**9.4**	77,522	10.8
Other direct overheads	**69,773**	**10.9**	79,045	11.0
	641,208	**100.0**	716,918	100.0

The cost of sales of the Group decreased by approximately 10.6% to HK$641.2 million for the year ended 31 March 2013 as compared with the corresponding period last year. The decrease is in line with decrease in total revenue. Furthermore, the percentage of cost of sales to the total revenue was approximately 75.7%, representing an increase of 0.3% as compared to 75.4% last year, which is primarily due to the increase in average labour costs and operating lease expenses.

Gross profit and gross profit margin

Our gross profit for the year ended 31 March 2013 was approximately HK$205.3 million, representing a decrease of 12.5% as compared to that of 2012. It is mainly due to decrease in overall sales by approximately 11.0%. In particular, there was a significant decrease in sales from the high margin consumer electronics segment by approximately 28.6%.

The gross profit margin of the Group was approximately 24.3% for the year ended 31 March 2013 which decreased by 0.3% as compared to 24.6% in the corresponding period of 2012. This was primarily due to decrease in revenue from high margin consumer electronics segment. As a percentage of total revenue, sales from the consumer electronics segment decreased from approximately 23.8% to 19.1% which in turn resulted in a decrease of 2.4% of the Group's gross profit margin from the year ended 31 March 2012 to 2013. Such impact was partially offset by the increase in sales of another high profit margin medical and testing equipment segment from approximately 21.0% to 25.2% in terms of total revenue from the year ended 31 March 2012 to 2013. This contributed to an increase of approximately 1.1% to the Group's gross profit margin. The increase of gross profit margin from the network and data storage segment from approximately 21.2% for the financial year ended 31 March 2012 to 35.6% for the financial year ended 31 March 2013, was due to the commencement of the BDT assembly business during the year which contributed approximately HK$9.1 million of profit to this segment.

The gross profit margin of the Group's various business segments remain stable for the year ended 31 March 2013. For the details of the Group's gross profit margin of the various business segments, please refer to the note 31(a) and 31(b) to the consolidated financial statements.

Management Discussion and Analysis

Other gains, net

The net other gains of the Group amounted to approximately HK$7.8 million and HK$29.1 million for each of the two years ended 31 March 2013 and 2012 respectively. The decrease was primarily due to the decrease in the gain on disposal of leased land and building and increase in net exchange loss. During the year ended 31 March 2013, the Group has disposed certain leasehold land and building which were previously intended to be utilised as the office for the Group's headquarter in Hong Kong. The disposal resulted in a gain of approximately HK$9.6 million. In view of the expected business growth, the size of the said properties is insufficient to accommodate the projected expansion of the Group's headquarter. For the year ended 31 March 2012, approximately HK$26.1 million was recorded as a gain on the disposal of leasehold land and building.

During the year ended 31 March 2013, the Group incurred net exchange losses which amounted to HK$3.8 million. During the year ended 31 March 2012, net exchange gain which amounted to HK$0.4 million was recorded. The settlement currency between the Group and certain major customers is in United States dollar ("US$"). Due to gradual appreciation of Renminbi, the Group recorded net exchange losses from the settlement of trade balances due by those customers.

Distribution and selling expenses

Distribution and selling expenses relate to the expenses incurred for the promotion and selling of our products. It mainly comprises of, among others, salaries and related costs of the sales and marketing staff, travelling and transportation costs and marketing expenses. Distribution and selling expenses were approximately HK$17.6 million and HK$19.4 million for each of the two years ended 31 March 2013 and 2012 respectively. The decrease is mainly driven by the decrease in sales during the year ended 31 March 2013.

General and administrative expenses

General and administrative expenses comprised primarily of salaries and related costs of key management, finance and administration staff, rental expenses, depreciation, audit fees and the professional and related costs incurred in the process of the Group's initial public offering ("IPO").

The general and administrative expenses of the Group increased from HK$124.3 million for the year ended 31 March 2012 to approximately HK$140.1 million for the year ended 31 March 2013. The increase in general and administrative expenses is mainly due to the amortisation of the intangible asset arising from acquisition of product assembly business from BDT-Germany; and the incurring of additional payroll cost due to the hiring of more senior and professional staff to manage the listing process and fulfill post listing requirements, as well as to explore business opportunities and to streamline our existing operations.

Finance costs

Our finance costs of approximately HK$6.3 million for the year ended 31 March 2013 (2012: HK$2.9 million) represented interest expenses on bank borrowings. Increase in finance costs were mainly due to additional bank borrowings drawn down during the financial year, and a higher average interest rate for the year ended 31 March 2013.

Income tax expenses

Our income tax expenses amounted to approximately HK$9.1 million and HK$23.1 million for each of the two years ended 31 March 2013 and 2012 respectively. The decrease was attributable primarily to the lower taxable profit recorded for the year ended 31 March 2013; and the recognition of deferred tax assets amounted to HK$5.6 million, which arose from a revaluation as a consequence of transferring certain property, plant and equipment to one of the Group's subsidiaries in the PRC.

Our effective tax rate decreased from 19.6% for the year ended 31 March 2012 to 18.6% for the year ended 31 March 2013, mainly due to the recognition of deferred tax assets of HK$5.6 million in the year ended 31 March 2013. For each of the two years ended 31 March 2013 and 2012, tax non-deductible IPO expenses which amounted to HK$14.5 million and HK$15.0 million were incurred respectively. Had the deferred tax asset not been recognised and the effect of IPO expenses taken into account, our adjusted effective tax rate for each of the two years ended 31 March 2013 and 2012 would have been 23.0% and 17.4% respectively. The increase of the adjusted effective tax rate from 17.4% in 2012 to 23.0% in 2013 is mainly caused by the change of business form of one of our production bases in the PRC from a contract processing factory to a wholly foreign owned enterprise, which is subject to a higher income tax rate of 25%.

Profit attributable to equity holders of the Company

The Group recorded a net profit of approximately HK$40.2 million for the year ended 31 March 2013 which decreased approximately 57.5% as compared to the net profit of HK$94.4 million in the corresponding period of 2012. Before the recognition of non-recurring listing expenses which amounted to approximately HK$14.5 million for the year ended 31 March 2013 (2012: HK$15.0 million), the net profit attributable to the equity holders of the Company was approximately HK$54.7 million which decreased approximately 50.0% as compared to the adjusted net profit of HK$109.4 million in the corresponding period of 2012.

The decrease of net profit attributable to equity holders of the Company was attributable to mainly (i) a significant decrease in revenue from the high margin consumer electronics segment by approximately HK$64.8 million or 28.6%; (ii) the increase in labour cost by approximately HK$4.4 million in spite of the decrease in total revenue; (iii) the decrease in net other gains mainly comprised of disposal of the leasehold land and buildings by HK$21.3 million; (iv) the increase in general and administrative expenses by HK$15.8 million, mainly caused by the amortisation of intangible assets and the incurring of additional payroll cost; and (v) a reduction in income tax expenses by HK$14.0 million.

Liquidity, Financial and Capital Resources

Financial resources and liquidity

Our current assets comprise mainly of cash and bank balances, trade receivables, other receivables and inventories. Our total current assets amounted to approximately HK$605.5 million and HK$511.4 million as at 31 March 2013 and 2012, respectively, and represented approximately 69.5% and 69.8% of our total assets as at 31 March 2013 and 2012, respectively.

Capital structure

The Group's capital structure is summarised as follow:

	2013 HK$'000	2012 HK$'000
Bank borrowings	**209,848**	111,696
Bank overdrafts	**1,176**	1,411
Total debts	**211,024**	113,107
Less: Cash and cash equivalent	**(218,678)**	(133,423)
Restricted bank deposit	**(46,800)**	(46,800)
Net debt/(cash)	**(54,454)**	(67,116)
Shareholders' equity	**493,523**	448,171
Total capitalisation*	**493,523**	448,171
Gearing ratio		
– Total debt to shareholders' equity ratio#	**42.8%**	25.2%
– Net debt to shareholders' equity ratio##	**Net cash**	Net cash

* Total capitalisation is the sum of the net debt and the shareholders' equity

\# Total debt to shareholders' equity ratio is calculated based on total debts divided by shareholders' equity at the end of the respective years

\## Net debt to shareholders' equity ratio is calculated based on net debt divided by shareholders' equity at the end of the respective years

The Group's primary sources of funds came from cash generated from operating activities and short-term bank loans. The Group had recorded net cash inflow from operating activities of approximately HK$58.0 million and HK$82.2 million for each of the two years ended 31 March 2013 and 2012 respectively.

Details of the Group's bank loans and other borrowings as at 31 March 2013 are set out in note 16 to the consolidated financial statements.

The capital structure of the Group consists of equity attributable to the equity holders of the Company (comprising issued share capital and reserves) and bank loans. Our Directors will review the capital structure regularly. As part of such review, our Directors consider the cost of capital and the optimal use of debt and equity so as to maximise the return to the equity holders.

Capital expenditure

During the year ended 31 March 2013, the Group acquired property, plant and equipment of approximately HK$97.6 million as compared to approximately HK$44.2 million for the year ended 31 March 2012. The acquisition mainly comprises of plant and machinery of HK$57.1 million, including robotic arms of HK$3.9 million to automate our production process; and leasehold land and building of HK$28.2 million. The leasehold land and building were previously intended to be utilised as the office for the Group's headquarter in Hong Kong but was subsequently disposed due to the insufficient size. The remaining balance represented the acquisition of other property, plant and machinery during the normal and ordinary course of our business.

We financed our capital expenditure through cash flows generated from operating activities and bank borrowings.

Charges on the Group's assets

Details relating to the pledge of assets by the Group during the year ended 31 March 2013 are set out in note 16 to the consolidated financial statements.

Foreign currency exposure

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. The Group operates mainly in Hong Kong and the PRC. The Group's Hong Kong entities are exposed to foreign exchange risk arising from Renminbi, while the Group's PRC entities are exposed to foreign exchange risk arising from US dollars.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Save for bank loan denominated in Renminbi as discussed below, the Group does not use any derivative financial instruments to manage the foreign exchange exposure arising from the financial assets/liabilities which are denominated in a currency which is not the functional currency of the Group's entities.

Derivative financial instruments

The Group has entered into one foreign exchange derivative contract to hedge against the foreign exchange exposure in relation to a long-term bank loan denominated in Renminbi. The effective period of the contract is two years and will expire in August 2013.

Capital commitments and operating lease commitments

Details of the Group's capital commitments and operating lease commitments as at 31 March 2013 are set out in note 28(a) and note 28(b) to the consolidated financial statements.

Contingent liabilities

As at 31 March 2013, the Group had no material contingent liabilities as set out in note 29 to the consolidated financial statements.

Employees and Remuneration Policy

As at 31 March 2013, the Group had a total number of 2,792 full-time employees (2012: 3,026). The Group determined the remuneration packages of all employees based on factors including individual qualifications, contribution to the Group, performance and years of experience of the respective staff.

The Group provides on-going training to our staff in order to enhance their technical skills and product knowledge and to provide them with updates with regard to industry quality and work safety.

The Group maintains good relationships with our employees. We have not had any labour strikes or other labour disputes that have interfered with our operations during the year ended 31 March 2013.

As required by PRC regulations, the Group participates in the social insurance schemes operated by the relevant local government authorities.

Use of Proceeds from the share offer

On 15 October 2012, the Company received the net proceeds of approximately HK$85.6 million from the issue of new shares at the time of its listing on the Stock Exchange. Such net proceeds were derived after deduction of related issuance expenses. None of the listing proceeds has been utilised as at 31 March 2013 and they are placed on short-term deposits with licensed banks in Hong Kong and the PRC.

Subsequent to the year end date, the Group applied IPO proceed of HK$31.0 million to purchase a piece of land in Suzhou.

Corporate Governance Report

The Board (the "Board") of Directors (the "Director" and each a "Director") of the Company is pleased to present this Corporate Governance Report for the period from 15 October 2012 (the "Listing Date") to 31 March 2013 (the "Relevant Period").

Corporate Governance Practices

The Board is always committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

Except for the deviation of Corporate Governance Code and Corporate Governance Report (the "CG Code") A2.1 which stipulated that the roles of the Chairman and the chief executive officer should be separated and should not be performed by the same individual as disclosed in the section headed "Chairman and chief executive officer", the Company has complied with the code provision as set out in the CG Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Relevant Period.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG code.

The Board of Directors

Responsibilities

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems. The authority and responsibilities for the day-to-day management and operations of the Group is delegated by the Board to the senior management. The Board is well balanced with directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Board composition

The Board currently comprises seven members, consisting of four executive Directors and three independent non-executive Directors. The biographical details of the Board members are set out on pages 26 to 30 of this Annual Report. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Since the Listing Date, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional accounting qualifications and financial management expertise, and the independent non-executive Directors represented over one-third of the Board.

The Company has received, from each of the existing independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent in accordance with the Listing Rules.

Appointments, re-election and removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 September 2012, whereas each of the independent non-executive Directors has been appointed for an initial term of two years commencing from 22 September 2012 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term appointment.

According to the Articles of Association of the Company, one-third of the Directors (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire by rotation provided that every Director shall be subject to retirement at least once every three years. Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

The Articles of Association also provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Chairman and chief executive officer

Under CG Code A2.1, the roles of the Chairman and the chief executive officer should be separated and should not be performed by the same individual.

The Company did not have a separate Chairman and chief executive officer during the Relevant Period. Mr. Sun Kwok Wah Peter ("Peter Sun") is the Chairman and chief executive officer of the Company. In view of Mr. Peter Sun's extensive experience in the industry and in-depth knowledge of the Group's operation and business, the Board believes that Mr. Peter Sun is instrumental in formulating and implementing the Group's strategies. The Board expects that the Group will benefit from a unified Chairman and chief executive officer position that provides clarity of leadership and allows efficient decision-making in strategic matters as well as the Group's day-to-day business. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the effective operations of the Board, which comprises experienced and high caliber individuals.

Subsequent to the year end, in order to fully comply with the CG Code to ensure a clear distinction in responsibilities between the Chairman and chief executive officer, Ms. Chung Sin Ling was appointed as the chief executive officer of the Group with effect from 1 April 2013.

Under the new structure, the Chairman and chief executive officer have separate defined responsibilities. The Chairman is responsible in leading the Board in forming the Group's strategies and policies and for organising the business of the Board, ensuring its effectiveness and setting its agenda but not involved in the day-to-day business of the Group. The chief executive officer is directly in charge of the daily operations of the Group and is accountable to the Board for the financial and operational performance of the Group. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the Board.

Directors' continuous training and development

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Directors are committed to complying with the CG Code A6.5 on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received during the Relevant Period to the Company.

According to the records provided by the Directors, a summary of training received by the Directors during the Relevant Period is as follows:

Name of Directors	Type of continuous professional development programmes
Executive Directors	
Mr. Sun Kwok Wah Peter (Chairman)	A,B
Mr. Wong Chi Kwok	A,B
Mr. Lam Kin Shun	A,B
Mrs. Chow Suen Christina	A,B
Independent Non-executive Directors	
Mr. Wan Kam To	A,B
Mr. Lam Hon Keung Keith	A,B
Prof. Chung Chi Ping Roy	A,B

Notes:

A: attending training/seminars for the Listing Rules

B: reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

Board meetings and attendance

During the Relevant Period, the Board meets regularly to review the financial and operating performance of the Company and to discuss future strategy. At the Board meetings, the Board reviewed significant matters including the Company's annual and interim financial statements, proposals for final dividend, annual and interim reports and approved material acquisition and disposal of the Group's assets; and appointment of senior executive of the Group. At least 14 days' notice is given to all Directors for all regular Board meetings and all Directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all Directors at least three days in advance of every regular board meeting. All minutes of the Board meetings are kept by the company secretary and are available to all Directors for inspection.

During the Relevant Period, the Company has convened three Board meetings. The attendance record for each of the Directors at the Board meeting is set out below.

Name of Directors	Attendance/ Number of Board meetings
Executive Directors	
Mr. Sun Kwok Wah Peter (Chairman)	3/3
Mr. Wong Chi Kwok	3/3
Mr. Lam Kin Shun	3/3
Mrs. Chow Suen Christina	3/3
Independent Non-Executive Directors	
Mr. Wan Kam To	3/3
Mr. Lam Hon Keung Keith	3/3
Prof. Chung Chi Ping Roy	2/3

Model Code for Securities Transactions by Directors

As at Listing Date, the Company has adopted a code for securities transactions by the Directors on terms equivalent to the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

The Board confirmed that, having made specific enquiry, the Directors have complied in full with the required standards as set out in the Model Code and its code of conduct since the date of listing up to 19 June 2013, the date of this Annual Report.

Board Committees

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs. Each of these committees comprises independent non-executive Directors who are being invited to join as members.

Audit committee

The Company established an audit committee on 22 September 2012 with written terms of reference in compliance with Rule 3.21 and the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee of the Company are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material and provide advice in respect of financial reporting and oversee the internal control procedures of the Company. The full terms of reference are available on the Company's website (www.kingdom.com.hk) and the Stock Exchange's website.

The audit committee currently consists of three independent non-executive Directors. The Chairman of the committee is Mr. Wan Kam To, who has appropriate professional qualifications and experience in accounting matters.

The composition of the audit committee during the period from the date of its establishment to 31 March 2013 as well as the meeting attendance of the committee members is as follows:

Membership and Attendance Members	
Members	**Attendance/ Number of Meetings**
Independent Non-executive Directors	
Mr. Wan Kam To (Chairman)	1/1
Mr. Lam Hon Keung Keith	1/1
Prof. Chung Chi Ping Roy	1/1

The audit committee has reviewed the Group's interim condensed consolidated financial statements for the six months ended 30 September 2012 and had discussed the financial information with the management and the external and internal auditors of the Company during the Relevant Period before submission to the Board for approval.

Nomination committee

The Company established a nomination committee on 22 September 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the nomination committee of the Company include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors, and making recommendations to the Board on matters relating to the appointment of Directors. The full terms of reference are available on the Company's website (www.kingdom.com.hk) and the Stock Exchange's website.

The committee currently comprises two independent non-executive Directors and one executive Director. The committee is chaired by the Chairman of the Board.

The composition of the nomination committee during the period from the date of its establishment to 31 March 2013 as well as the meeting attendance of the committee members is as follows:

Membership and Attendance Members	
Members	Attendance/ Number of Meetings
Executive Director	
Mr. Sun Kwok Wah Peter (Chairman)	1/1
Independent Non-executive Directors	
Mr. Lam Hon Keung Keith	1/1
Prof. Chung Chi Ping Roy	1/1

A meeting was held in the Relevant Period in which the nomination committee recommended to the Board a candidate, Ms. Chung Sin Ling, to be appointed as the chief executive officer of the Group with effect on 1 April 2013.

Remuneration committee

The Company established a remuneration committee on 22 September 2012 with written terms of reference in compliance with Rule 3.25 and the CG Code as set out in Appendix 14 of the Listing Rules. The primary functions of the remuneration committee of the Company are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. The full terms of reference are available on the Company's website (www.kingdom.com.hk) and the Stock Exchange's website.

The committee currently comprises two independent non-executive Directors and one executive Director. The Chairman of the committee is Mr. Lam Hon Keung Keith, an independent non-executive Director.

The composition of the remuneration committee during the period from the date of its establishment to 31 March 2013 as well as the meeting attendance of the committee members is as follows:

Membership and Attendance Members	
Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Lam Hon Keung Keith (Chairman)	1/1
Mr. Wan Kam To	1/1
Executive Director	
Mr. Sun Kwok Wah Peter	1/1

A meeting was held in the Relevant Period in which the remuneration committee reviewed the remuneration policies and approved the salaries and bonuses of the executive Directors and senior management. No Director took part in any discussion about his own remuneration. The remuneration committee has communicated with the Chairman of the Company about proposals relating to the remuneration packages of other executive Directors and senior management.

Details of the Directors' emoluments and retirement benefits and remuneration payable to members of senior management are disclosed in the note 21(a) and 21(b) to the consolidated financial statements respectively.

Corporate governance functions

During the Relevant Period, the Board is also responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

– to develop and review the Group's policies and practices on corporate governance and make recommendations;

– to review and monitor the training and continuous professional development of the Directors and senior management;

– to review and monitor the Group's policies and practices on compliance with the relevant legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Group; and

– to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

Financial Reporting and Audit

Directors' responsibility for the financial statements

The Directors acknowledge their responsibility for preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the year end date and of the Group's results and cash flows for the financial year then ended. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosures and announcements in a timely manner. Pursuant to code provision C.1.1 of the CG Code, management would provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval. As at the date of this report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The financial statements for the year ended 31 March 2013 are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

The responsibilities of PricewaterhouseCoopers, the Company's external auditors, on the Group's financial statements are set out in the section headed "Independent Auditors' Report" in this Annual Report.

Auditor's remuneration

For the year ended 31 March 2013, the Group's external auditor provided the following services to the Group:

	HK$'000
Statutory audit services	2,100
Non-audit services	
– Initial Public Offering	3,938
– Interim review services	400
– Taxation	82
Total	6,520

Internal controls

The Board is responsible for maintaining an adequate system of internal control and reviewing its effectiveness.

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the true and fairness of the financial statements, and ensure compliance with relevant legislations. It provides reasonable, but not absolute, assurance against material misstatement or loss, and management, rather than elimination, of risks associated with the Group's business activities.

The internal audit department conducts regular and independent reviews of the effectiveness of the Group's internal control system. The audit committee reviews the findings and opinion of the internal audit department on the effectiveness of the Group's internal control system and reports to the Board on such reviews.

Internal audit

The Group has continued to engage the internal audit department to perform internal audits for the Group. The internal audit department performs independent internal audit reviews for all business units and functions in the Group on a systematic and ongoing basis. The frequency of review of individual business units or functions is determined after an assessment of the risks involved. The audit committee endorses the internal audit plan semi-annually. The internal audit department has unrestricted access to all parts of the business and direct access to any level of management including the Chairman of the Company and the Chairman of the audit committee as it considers necessary. It submits regular reports for the audit committee's review in accordance with the approved internal audit plan. Concerns which have been reported by the internal audit department are monitored by management by taking appropriate remedial actions.

Shareholders' Right

Convening of extraordinary general meeting ("EGM") on requisition by shareholders

In accordance with Article 64 of the Articles of Association of the Company, any one or more shareholders ("Requisitionist(s)") holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice to the Board of Directors or the company secretary of the Company by mail at Block A3, 10th Floor, Yee Lim Industrial Centre, 2-28 Kwai Lok Street, Kwai Chung, New Territories, Hong Kong, to require an EGM to be called by the Directors of the Company for the transaction of any business specified in such requisition. Such EGM shall be held within two months after the deposit of such requisition. If the Directors fail to proceed to convene such meeting within twenty-one (21) days of such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board of Directors of the Company in writing through the company secretary whose contact details are as follows:

The Company Secretary
KFM Kingdom Holdings Limited
Email: edmond@kingdom.com.hk
Block A3, 10th Floor, Yee Lim Industrial Centre, 2-28 Kwai Lok Street, Kwai Chung, New Territories, Hong Kong

The company secretary shall forward the shareholders' enquiries and concerns to the Board of Directors and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at Block A3, 10th Floor, Yee Lim Industrial Centre, 2-28 Kwai Lok Street, Kwai Chung, New Territories, Hong Kong.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Board of Directors of the Company will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follow:

(a) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;

(b) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company; and

(c) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

Communication with Shareholders

The management endeavours to maintain effective communications with the shareholders and potential investor.

The Company meets the shareholders at the annual general meeting, publish interim and annual reports on the Company's website (www.kingdom.com.hk) and the Stock Exchange, and release press releases on the Company's website to keep the shareholders and potential investors abreast of the Group's business and development.

Constitutional documents

During the Relevant Period, there is no change in the Company's constitutional documents.

Updates on Compliance and Regulatory Matters as Disclosed in the Prospectus

Long term relocation plan

As disclosed in our prospectus dated 28 September 2012 (the "Prospectus"), one of our four production bases, namely our factory building and staff dormitory currently located in Xili, Nanshan District, Shenzhen (the "Xili Leased Properties") were leased by Kingdom (Reliance) Precision Parts (Shenzhen) Manufactory Limited ("KRP-Shenzhen"). As advised by our PRC legal advisers, there is a potential risk of demolition and expropriation of the Xili Leased Properties as it may be deemed as the historical illegal construction. For details, please refer to pages 186 to 190 of the Prospectus.

As a result, our Directors plan to relocate from the Xili Leased Properties should the potential risk regarding the legality and ownership title of the Xili Leased Properties persist upon expiry of the current lease term (the "Long Term Relocation Plan"). Our Directors intend to lease a new factory site for the Long Term Relocation Plan. As disclosed in the Prospectus, we will budget for the costs of the relocation in around 12 to 18 months prior to the expiry date of the lease term of October 2016, and disclose in future interim and annual reports should there be any significant costs expected.

Contingency lease property

As disclosed in the Prospectus, in the event we receive notice for relocation prior to the completion of the Long Term Relocation Plan, the Group will implement the contingency plan, which involves relocating the production facilities and production lines at the Xili Leased Properties to Kingdom Technology (Shenzhen) Company Limited ("KFM-Shenzhen"), a lease factory space in Dongguan with total gross area of approximately 4,850 square meters (the "Contingency Lease Property"). We have entered into an agreement ("Contingency Lease Property Agreement") with the landlord of the Contingent Lease Property to secure our right but not obligation to lease the Contingent Lease Property within 1 year of signing should the contingency plan be triggered. Please refer to page 190 to 191 of the Prospectus for further details.

Towards the expiry of the Contingency Lease Property Agreement, the Company will seek to either renew the agreement or engage another lessor for similar arrangement.

As at the date of this report, our Directors confirm that both the lessor and the Group have not received any order from the relevant authorities to vacate the Xili Leased Properties. Our Directors also confirm that the Contingency Lease Property Agreement is still effective and we have confirmed with the lessor that the Contingency Lease Property is still available. We shall disclose the status of the Contingency Lease Property Agreement (including whether another lessor is engaged and relevant details of such lessor and land) in future interim and annual reports until the earlier of the execution of the Long Term Relocation Plan or the contingency plan.

The Group has assigned specific staff from the Group's senior management and local management of KRP-Shenzhen to manage the relocation process of the Xili Leased Properties. The aforementioned staff will be responsible for locating the appropriate premises and estimation of the costs of the relocation.

Housing provident fund contributions

As disclosed in the Prospectus, on 20 December 2010, the relevant housing provident fund authority in Shenzhen required enterprises in Shenzhen to undergo the necessary registration procedures within six months from 20 December 2010 and make housing provident fund contributions for their employees. In addition, it is mandatory for enterprises in Shanghai to make housing provident fund contributions only for employees who are urban hukou (城鎮戶口) holders. Therefore, KRP-Shenzhen and KFM-Shenzhen are required to undergo certain registration procedures and to make housing provident fund contributions together with their entitled employees with effect from 20 December 2010, and for Kingdom Reliance Mechatronic Components (Shanghai) Manufactory Limited ("KRP-Shanghai") with effect since its incorporation in 2002.

The Group has opened certain bank accounts and made the necessary registration procedures for the purpose of making housing provident fund contribution for all entitled employees of KRP-Shenzhen, Shenzhen Shunan Kingdom Contract Processing Factory ("KFM-Shenzhen Factory") and KRP-Shanghai. Housing provident fund contributions for all entitled employees of: (i) KRP-Shenzhen and KFM-Shenzhen Factory have been made since November 2011; and (ii) KRP-Shanghai has been made since July 2011. We have also made full provision in the amount of about RMB1.86 million, which cover for both of the employer's and the employee's portions of the unpaid housing provident fund contributions for the period since the enactment of the relevant rules governing the housing provident fund contribution in Shenzhen and Shanghai, to the period when we made such contributions for all entitled employees. Please refer to page 197 to 199 of the Prospectus for further details.

As at the date of this report: (i) we have not received any notification or orders from the relevant housing provident fund authorities in relation to the opening of housing provident fund accounts and the making of contributions to the previously unpaid housing provident fund; and (ii) our management has entered into a negotiation process with relevant housing provident fund authorities in Shenzhen and Shanghai for settlement of previously unpaid housing provident fund contribution in order to rectify the non-compliance.

We shall continue to update and monitor the progress and results of the rectification in future interim and annual reports.

Non-Competition

As disclosed in the Prospectus, to further delineate the respective business of Innotech Advanced Products Limited (匯德產品發展有限公司) and its wholly-owned subsidiary Dongguan Tech-in Electrical & Mechanical Products Limited (東莞德鎂精密機電產品有限公司) (together, "Innotech Group"), Kingdom Innovative Storage Systems Limited and its wholly-owned subsidiary Innotech Advanced Creative Metal Products (Shenzhen) Limited (匯德創意金屬產品(深圳)有限公司) (together, "Kingdom Innovative Group") and the Group from any potential competition from them, Innotech Group and Kingdom Innovative Group have entered into a deed of non-competition in favour of the Group on 22 September 2012 pursuant to which the Innotech Group and Kingdom Innovative Group have, among other matters, irrevocably and unconditionally undertaken with us that each of them shall, and shall procure that each of their respective associates (other than the Group) shall not directly or indirectly be engaged in any business in competition with the Group ("Restricted Activity"). For further details, please refer to page 226 to 227 of the Prospectus.

It was also disclosed in the Prospectus that each of the Controlling Shareholders (as defined in the Prospectus) have entered into a deed of non-competition in favour of the Group on 22 September 2012 pursuant to which each of the Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken to us that each of them shall, and shall procure that each of their respective associates (other than the Group) shall not directly or indirectly be engaged in the Restricted Activity. For further details, please refer to page 227 of the Prospectus.

During the Reporting Period and as at the date of this report, the Company has not been offered and has not rejected any project or business opportunity which falls within the Restricted Activity category referred by the Controlling Shareholders, Innotech Group and Kingdom Innovative Group.

Biographies of Directors and Senior Management

Executive Directors

Mr. Sun Kwok Wah Peter (孫國華), aged 53, one of the founders of the Group, is the Chairman and was appointed as an executive Director on 13 July 2011. Mr. Sun Kwok Wah Peter has more than 24 years of experience in the metal stamping industry. Since 1981, he participated in his family business in metal kitchenware manufacturing in Hong Kong. He developed his expertise in metal stamping when he first started his metal stamping factory in the name of Kingdom Industrial Company in Kwai Chung in 1987. In 1989, he established Kingdom Fine Metal Limited and established his Shenzhen Shunan Kingdom Contract Processing Factory in 1990. He is responsible for the overall strategic planning and partnership development as well as international key customer relations of the Group.

Mr. Sun Kwok Wah Peter is actively involved in different associations of the industry. He is the honorary Chairman of Hong Kong (SME) Economic and Trade Promotional Association Limited and a member of Innovation and Technology Support Programme Assessment Panel of the Innovation and Technology Fund under Innovation and Technology Commission of the Hong Kong SAR Government.

Mr. Sun Kwok Wah Peter was awarded for his achievements in the industry. He was given the Young Industrialist Awards of Hong Kong by the Federation of Hong Kong Industries in 1999. In 2001, he was awarded as 優秀青年企業家 (Shenzhen Excellent Young Entrepreneurs) by 共青團深圳市委員會 (Communist Youth Shenzhen Committee), 深圳市青年企業家聯合會 (Shenzhen Young Entrepreneurs' Joint Association), 深圳市青年聯合會 (Shenzhen Youth Joint Association), 深圳特區報社 (Shenzhen Special Zone Press Office) and 深圳電視台 (Shenzhen Television) as well as Directors of the Year Awards by the Hong Kong Institute of Directors. In 2002, he received the Bauhinia Cup Outstanding Entrepreneur Award by the Hong Kong Polytechnic University. In 2006, he was awarded the Medal of Honour by the Hong Kong SAR Government.

Mr. Sun Kwok Wah Peter serves numerous positions in various governmental bodies. He has been a member of both Shenzhen Nanshan District Standing Committee of the Chinese People's Political Consultative Conference (the "CPPCC") and Anhui Provincial Committee of CPPCC since 2006 and 2003, respectively. He was also the vice chairman of Shenzhen Association of Enterprises with Foreign Investment since 2005. He was the vice-president of Shenzhen Nanshan Foreign Enterprise's Chamber of Commerce between 2005 and 2012 and was appointed as the president in February 2012. He was a member of Hong Kong CPPCC (Provincial) Members Association Limited since 2006.

Mr. Sun Kwok Wah Peter is an active member in different social organisations as well. He is a Director and committee member of the Hong Kong Young Industrialists Council Foundation Limited and a member of the Vetting Committee for the Professional Services Development Assistance Scheme. Apart from that, he is involved in charitable organisations by being the Director and the Chairman of Hong Kong Blind Sports Federation Limited.

In January 2002, Mr. Sun Kwok Wah Peter was awarded associateship (metal industry) by the Professional Validation Council of Hong Kong Industries. He was also appointed as the honorary professor of the 深圳大學工程技術學院 (College of Engineering and Technology of Shenzhen University) in December 2002.

Mr. Sun Kwok Wah Peter is the elder brother of Mrs. Chow Suen Christina, our executive Director.

Mr. Wong Chi Kwok (黃志國), aged 61, first invested in the Group in 1989 and was appointed as an executive Director on 22 September 2012. He is responsible for advising the Board on strategic planning, partnership development and merger and acquisition strategies, but will not involve in day-to-day management of the Group.

He has over 40 years of experience in the sales, marketing and overall operational management of the printed circuit board manufacturing industry. From 1977 to 1996, he worked in HT (China) Limited and was responsible for setting up the operation of HT Circuits Limited ("HT Circuits") in Hong Kong in 1981. He was the general manager of HT Circuits from 1981 to June 1986 and was subsequently promoted as the managing director in July 1986, being responsible for its business planning, finance management and daily operation.

In 1995, HT (China) Limited decided to exit the Hong Kong market and Mr. Wong Chi Kwok then became the major shareholder of HT Circuits after the management buy-out.

Mr. Lam Kin Shun (林健信), aged 55, joined the Group in 1996 and was appointed as our executive Director on 22 September 2012. He is responsible for managing the operation of Kingdom (Reliance) Precision Parts (Shenzhen) Manufactory Limited and Kingdom Reliance Mechartronic Components (Shanghai) Manufactory Limited as well as supporting the Group's strategic planning.

Mr. Lam Kin Shun has over 15 years of experience in the metal industry specialising in high precision metal turning, machining and lathing processes. In 1996, he co-founded Kingdom (Reliance) Precision Parts Manufactory Limited and he has been responsible for the overall financial management, operation, market development and technological improvement of the company.

Mrs. Chow Suen Christina (周孫汛玲) (formerly known as Ms. Suen Pui Pui (孫蓓蓓)), aged 52, joined the Group since 1987 and was appointed as our executive Director on 22 September 2012. She is responsible for managing the corporate governance of the Group as well as liaising with local banks and financial institutions and overseeing and ensuring the general working capital level and gearing ratio of the Group are in a healthy and stable condition.

Mrs. Chow Suen Christina has over 20 years of experience in finance, administration and system control. Prior to joining the Group, she was the senior executive and accountant of Ocean Enterprise Textiles Limited between 1983 and 1984. She works in Kingdom Fine Metal Limited since 1987 and has been responsible for the company's finance, accounts, administration as well as internal control.

Mrs. Chow Suen Christina is the younger sister of Mr. Sun Kwok Wah Peter.

Biographies of Directors and Senior Management

Independent non-executive Directors

Mr. Wan Kam To (尹錦滔), aged 60, was appointed as our independent non-executive Director on 22 September 2012. Mr. Wan Kam To graduated from Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) in 1975 with a Higher Diploma in Accountancy. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Wan Kam To has been a practicing accountant in Hong Kong for over 30 years and has extensive experience in auditing and advisory work. He joined Coopers & Lybrand in 1975 and was admitted to the firm's partnership in 1992. In 1997, the firm merged with Pricewaterhouse and became PricewaterhouseCoopers. Mr. Wan Kam To remained in the firm's partnership until his retirement in June 2008.

He is a member of the Council of the Open University of Hong Kong and serves as a member of the board of directors in several charitable and service organisations.

Mr. Wan Kam To is currently an independent director of Mindray Medical International Limited (NYSE: MR), which is a company listed on the New York Stock Exchange of USA, and RDA Microelectronics, Inc. (NASDAQ: RDA), which is a company listed on NASDAQ.

Mr. Wan Kam To is also currently an independent non-executive director of several companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely China Resources Land Limited (stock code: 1109), Dalian Port (PDA) Company Limited (stock code: 2880), Fairwood Holdings Limited (stock code: 52), GreaterChina Professional Services Limited (stock code: 8193), Huaneng Renewables Corporation Limited (stock code: 958). Mr. Wan served briefly as an independent non-executive director of Real Gold Mining Limited (stock code: 246) in 2011. He was appointed as an independent non-executive director of S. Culture International Holdings Limited (stock code:1255) and Shanghai Pharmaceuticals Holding Company Limited (stock code:2607) effective on 1 May 2013 and 5 June 2013 respectively.

Mr. Lam Hon Keung Keith (林漢強) *OBE, JP,* aged 73, was appointed as our independent non-executive Director on 22 September 2012. He was an articled clerk of Messrs. M.K. Lam & Co. Solicitors & Notaries between May 1962 and April 1967. He is a fellow member of the Institute of Directors and the Chartered Management Institute since June 1981 and September 2006, respectively. He was once the second vice president of the management committee of the Stock Exchange. He was the executive director of Hembly International Holdings Limited (now known as New Environmental Energy Holdings Limited) (stock code: 3989), a company listed on the Stock Exchange, from June 2006 to December 2009, responsible for business advisory and strategic planning. Mr. Lam Hon Keung Keith has also been an independent non-executive director of Wah Ha Realty Company Limited (stock code: 278), a company listed on the Stock Exchange, since November 1993.

Mr. Lam Hon Keung Keith is active in various social bodies and institutions. In 1984, he was appointed as an unofficial member of the Legislative Council of Hong Kong. From 2000 to 2006, he was a member of the Social Welfare Advisory Committee. He was also appointed as the chairman of the Hospital Governing Committee of the Hong Kong Buddhist Hospital since 1988 and the vice-chairman of the Hong Kong Buddhist Association since 2001.

Prof. Chung Chi Ping Roy (鍾志平) *BBS JP,* aged 60, was appointed as our independent non-executive Director on 22 September 2012. Prof. Chung is a co-founder of Techtronic Industries Company Limited (stock code: 669) ("Techtronic"). Prof. Chung, was the managing director of Techtronic since 1985, and was appointed as the vice chairman and executive director of Techtronic on 18 April 2007. He was re-designated to be a non-executive director of Techtronic with effect from 1 July 2011. Prof. Chung has also been an independent non-executive director of Kin Yat Holdings Limited (stock code: 638), a company listed on the Stock Exchange, since 30 January 1997.

Prof. Chung holds a Doctor of Engineering Degree from the University of Warwick, United Kingdom and Doctor of Business Administration Degree from City University of Macau. He was appointed as an Industrial Professor by the University of Warwick, United Kingdom in December 2010. He was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007 and awarded an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was awarded the Bronze Bauhinia Star (BBS) Medal by the Hong Kong SAR Government on 1 July 2011. He was also appointed as Justice of Peace by the Hong Kong SAR Government on 1 July 2005 and won the Hong Kong Young Industrialists Award in 1997.

Prof. Chung is highly dedicated to the advancement of industry and is the Chairman of the Federation of Hong Kong Industries. In addition, Prof. Chung holds positions on a number of Hong Kong SAR Government advisory committees and is also an active member of many social committees and associations.

Senior Management

Ms. Chung Sin Ling (鍾倩玲) *B.Eng(EE), MBA, CPEng, MIEAust., MIEEE,* aged 51, was appointed as the chief executive officer on 1 April 2013. She had been an advisor to the Board of the Company from July 2010 to March 2013. She has over 26 years of experience in management, marketing, business development, strategic planning and investment field. Before joining the Company, Ms. Chung was the chief executive officer of EuAuto Technology Limited ("EuAuto"), an electric vehicle company in Hong Kong, and the general manager of Innovech Technology Limited (a subsidiary of EuAuto), where she had worked for more than 6 years. From June 2000 to December 2003, she held senior positions in a telecom consultancy firm and a wireless data solution corporation. Prior to such, Ms. Chung served in several managerial positions in PCCW (formerly known as Cable & Wireless – Hong Kong Telecom) and Motorola AirCommunications Limited. Ms. Chung holds a Bachelor of Science degree in Electrical Engineering at the Seattle University, and a Master of Business Administration degree at the University of South Australia. She is a Chartered Professional Engineer of the Institution of Engineers Australia and a member of the Institute of Electrical and Electronic Engineers.

Mr. Mak Pak Ying Francis (麥伯英) *HKICPA, ICAEW, ICABC,* aged 54, joined the Group in May 2011 and was appointed as the chief financial officer of the Company on 16 May 2011. He was subsequently transferred to manage a new investment project in kiosk products of the Group on 1 January 2013. He is now primarily responsible for the designing and executing business plan, leading the direct marketing and sales program and, conducting and running the business of kiosk products.

Mr. Mak Pak Ying Francis has been a professional accountant for over 20 years and has worked in England, Canada and Hong Kong for extensive periods of time. Between 1982 and 1988, he was a chartered accountant trainee and an audit manager with Horwath International in their London and Hong Kong office. Between 1988 and 1990, he was a technical manager in Ernst & Young (then known as Ernst & Whinney) in their Hong Kong and Canada office.

Mr. Mak Pak Ying Francis joined the audit and assurance group of PricewaterhouseCoopers (then known as Price Waterhouse) Canada, Vancouver office in January 1991, and was promoted to Director in July 1993. He was later appointed to the advisory group as principal in July 1998, and subsequently became Director of the assurance department of PricewaterhouseCoopers Hong Kong in February 2000. He left PricewaterhouseCoopers in September 2002.

Between 2002 and 2008, he was the advisor to a number of award-winning clients on corporate development, strategic co-operation and project financing matters. His clientele includes enterprises in specific industry sectors in the fields of design engineering, technology and financial services. He was the master planner and principal advisor behind the merger of MyCar, a well renowned Hong Kong electric car manufacturer with its current business partner and parent company in the US.

Prior to joining the Group, Mr. Mak Pak Ying Francis served as Director in Grant Thornton Hong Kong and SHINEWING Specialist Advisory Services Limited from August 2009 to December 2010, and from January 2011 to May 2011, respectively.

Mr. Mak Pak Ying Francis has been a member of the Institute of Chartered Accountants in England and Wales since May 1986, the Hong Kong Institute of Certified Public Accountants since July 1986 and the Institute of Chartered Accountants of British Columbia, Canada since May 1992. He obtained a bachelor degree of arts in accounting from the University of Kent at Canterbury, England in July 1982.

Mr. Kwok For Chi (郭科志), aged 43, joined the Group and was appointed as the financial controller of the Company on 15 February 2012. He was subsequently promoted as the chief financial officer of the Company on 1 January 2013. Mr. Kwok For Chi has over 15 years of experience in financial management and auditing. Prior to joining the Group, Mr. Kwok For Chi served as the chief financial officer and company secretary of Xing Yuan Power Holdings Company Limited from December 2010 to February 2012. Prior to that Mr. Kwok For Chi served as the financial controller of 北京華夏創業房地產開發有限公司 (Beijing Huaxia Real Estate Development Company Limited) from October 2006 to December 2008, and served as the group controller of the Finance and Investment Centre of Hopson Development Holdings Limited (stock code: 754), a company listed on the Stock Exchange, from April 2008 to November 2009. Mr. Kwok For Chi also worked with KPMG from August 1994 to October 2006.

Mr. Kwok For Chi received his bachelor's degree in business administration in accounting from the Hong Kong University of Science and Technology in November 1994. Mr. Kwok For Chi is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. He Lin (賀林), aged 51, is the general manager of the Group. He is primarily responsible for market planning and product research and development of Kingdom Precision Product (Suzhou) Company Limited and Kingdom Technology (Shenzhen) Company Limited. He graduated with a bachelor's degree in 瀋陽航空航天大學 (Shenyang Aerospace University) in July 1984. Prior to joining the Group in 1991, he worked in 上海航空電器有限公司 (Factory 118) in Shanghai between August 1984 and December 1991 as an engineer. He served various positions in the Group and he was appointed as the general manager of Kingdom Precision Product (Suzhou) Company Limited in April 2002 being responsible for the management of the company.

Mr. He Lin is the nephew-in-law (表外甥女婿) of Mr. Sun Kwok Wah Peter and Mrs. Chow Suen Christina.

Report of the Directors

The Board of Directors (the "Board") have pleasure in presenting their report and the audited consolidated financial statements of the Company for the year ended 31 March 2013.

Corporate Reorganisation and Initial Public Offering

The Company was incorporated in Cayman Islands on 13 July 2011, as an exempted limited company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a series of group reorganisation procedures, the Company became the holding company of the Group. Details of the corporate reorganisation are set out in the paragraph headed "Reorganisation" under the section headed "History and Development" in the prospectus of the Company dated 28 September 2012 (the "Prospectus"). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 October 2012 (the "Listing Date").

Principal Activities

The Company is an investment holding company and its subsidiaries (together, the "Group"), are principally engaged in the provision of precision metal stamping services, and manufacturing and sales of fine metal products to customers in the five major business sectors. Details of the principal activities of the Company's subsidiaries are set out in note 7 to the consolidated financial statements.

An analysis of the Group's turnover and operating result by business segment for the year ended 31 March 2013 is set out in note 31 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 48.

Dividend

The Board has recommended the payment of a final dividend of HK2.0 cents per share for the year ended 31 March 2013 which will be payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on Tuesday, 3 September 2013 subject to the shareholders' approval in the annual general meeting of the Company to be held on Tuesday, 27 August 2013 (the "AGM").

On 2 May 2012 and 26 June 2012, the Group declared dividends of HK$53,646,000 and HK$31,582,000 respectively to its then shareholders and have been fully paid by the Group. Except for these dividends and the final dividend, no further dividend is proposed by the Board to be paid for the year ended 31 March 2013.

For the year ended 31 March 2012, dividends totaling to HK$85,579,000 were declared and paid.

Property, Plant and Equipment

Details of movements in property, plant and equipment during the year are set out in note 5 to the consolidated financial statements.

Borrowings and Interest Capitalised

Particular of borrowings of the Group as at 31 March 2013 is set out in note 16 to the consolidated financial statements.

Interest and other borrowing costs capitalised by the Group (if any) are set out in note 22 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company are set out in note 12 to the consolidated financial statements.

Reserves

Details of the movement in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 49 of this Annual Report and note 13 to the consolidated financial statements.

Distributable Reserves

As at 31 March 2013, the Company's reserves available for distribution to shareholders amounted to approximately HK$41.0 million, comprising retained profit of HK$14.9 million and share premium of HK$26.1 million. Under Cayman Islands law, a company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

Retirement Benefit Schemes

Details of retirement schemes of the Group are set out in note 20 to the consolidated financial statements.

Donations

Donation made by the Group during the year amounted to approximately HK$170,000.

Financial Summary

A summary of the results and other assets and liabilities of the Group for the last four financial years is set out on pages 103 to 104 of this Annual Report.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Sun Kwok Wah Peter (Chairman)	(appointed on 13 July 2011)
Mr. Wong Chi Kwok	(appointed on 22 September 2012)
Mr. Lam Kin Shun	(appointed on 22 September 2012)
Mrs. Chow Suen Christina	(appointed on 22 September 2012)

Independent Non-Executive Directors:

Mr. Wan Kam To	(appointed on 22 September 2012)
Mr. Lam Hon Keung Keith	(appointed on 22 September 2012)
Prof. Chung Chi Ping Roy	(appointed on 22 September 2012)

In accordance with the Company's Articles of Association, Mr. Sun Kwok Wah Peter, Mr. Lam Kin Shun and Mr. Lam Hon Keung Keith shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Biographical details of Directors are set out on pages 26 to 30 of this Annual Report.

Independence Confirmation

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Directors' Remuneraton

The remuneration of the Directors is determined with reference to the Director's duties, responsibilities, performance and the results of the Group. Details of the remuneration of the Directors are set out in note 21 to the consolidated financial statements.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for a term of three years commencing from 22 September 2012 until terminated by not less than three months' notice in writing served by either party. After the expiry of the current term, the executive Director may continue to be appointed by the Company, subject to terms and conditions to be agreed between the parties.

Each of the independent non-executives Directors has been appointed for an initial term of two years commencing from 22 September 2012 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company expiring at the end of the initial term or at any thereafter.

Directors' Interests in Contracts of Significance

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Arrangement for Directors to Acquire Shares or Debentures

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Business

During the year ended 31 March 2013 and up to the date of this report, none of the Directors of the Company are considered to have direct or indirect interests in businesses which compete or are likely to compete with businesses of the Group pursuant to the Listing Rules.

Non-Competition Undertaking

The Group has entered into several Deeds of Non-Competition with the Controlling Shareholders (as defined in the Prospectus) and related companies. Details of the Deed of Non-Competition was set out in page 25 of this Annual Report.

Share Option Scheme

Pursuant to the written resolution of the shareholders of the Company dated 22 September 2012, the share option scheme (the "Share Option Scheme") of the Company was approved and adopted.

The Share Option Scheme was established for the purpose of providing incentives or rewards for the contribution of Directors and eligible persons. The Share Option Scheme will remain in force for a period of ten years from adoption of the Share Option Scheme. The Share Option Scheme will expire on 21 September 2022.

Under the Share Option Scheme, the Directors may at their discretion grant options to (i) any Director (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Company, any of its subsidiaries or any entity in which the Group holds an equity interest; or (ii) any suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners to subscribe for the shares.

The offer of a grant of options must be taken up within 21 days of the date of offer. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 30% of the issued share capital of the Company at any point in time. The total number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares in issue at the time dealings in the shares first commence on the Stock Exchange. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the Directors and commences after a certain vesting period and ends in any event not later than ten years from the date of grant of the relevant share option, subject to the provisions for early termination thereof. Options may be granted upon payment of HK$1 as consideration for each grant. The exercise price is equal to the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of the offer of grant; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) nominal value of the Shares.

During the year ended 31 March 2013, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

Interests and Short Positions of Directors and Chief Executive of the Company in the Shares, Underlying Shares or Debentures of the Company or its Associated Corporations

As at 31 March 2013, the interests and/or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules are set out as follows:

Name of Director	Name of Group member/associated corporation	Capacity/Nature of Interest	Number and class of securities (note 1)	Approximate shareholding percentage
Mr. Sun Kwok Wah Peter ("Peter Sun")	Company	Interest of controlled corporation/Interests of Concert Party (note 3)	450,000,000 shares (L) (note 2)	75%
Mr. Wong Chi Kwok ("David Wong")	Company	Interests of Concert Party (note 3)	450,000,000 shares (L) (note 2)	75%
Mr. Lam Kin Shun ("Banson Lam")	Company	Interests of Concert Party (note 3)	450,000,000 shares (L) (note 2)	75%
Mr. Sun Kwok Wah, Peter	Kingdom International Group Limited ("KIG")	Beneficial owner	4,670 shares (note 4)	46.70%
Mr. Wong Chi Kwok	KIG	Beneficial owner	1,369 shares	13.69%
Mr. Lam Kin Shun	KIG	Beneficial owner	617 shares	6.17%

Notes:

1. The letter "L" denotes our Directors' long position in the shares of the Company or the relevant associated corporation.

2. These shares were held by KIG, which is owned as to 46.70% by Mr. Peter Sun, among the 4,670 shares (representing 46.70% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 220 shares (representing 2.20% of the total issued share capital of KIG) were held by him as trustee on trust for the share award plan of KIG, as to 13.69% by Mr. David Wong, as to 13.69% by Mr. Yau Lam Chuen, as to 9.12% by Mr. Yung Ching Tak, as to 6.17% by Mr. Banson Lam, as to 6.17% by Mr. Chan Lin On and as to 3.09% by Mr. Yeung Man Chiu. Subsequent to the transactions stated in note 5 and note 6 below, the respective shareholdings in KIG of Mr. Banson Lam, Mr. David Wong and Mr. Yau Lam Chuen are 8.67%, 12.44% and 12.44% respectively.

3. Pursuant to the confirmation of concert party arrangement dated 26 September 2011 entered into by Mr. Peter Sun, Mr. David Wong, Mr. Yau Lam Chuen, Mr. Yung Ching Tak, Mr. Banson Lam, Mr. Chan Lin On and Mr. Yeung Man Chiu, they have confirmed that they are parties acting in concert in the operation and management of Kingdom Precision Product Limited ("KPP-HK"), Kingdom Precision Product (Suzhou) Company Limited ("KPP-Suzhou"), Kingdom (Reliance) Precision Parts Manufactory Limited ("KRP-HK"), Kingdom (Reliance) Precision Parts (Shenzhen) Manufactory Limited ("KRP-Shenzhen"), Kingdom Reliance Mechatronic Components (Shanghai) Manufactory Limited ("KRP-Shanghai"), Kingdom Fine Metal Limited ("KFM-HK") and Kingdom Technology (Shenzhen) Company Limited ("KFM-Shenzhen") since 13 March 2002, being the date of incorporation of KPP-HK. Accordingly, each person under the concert party arrangement is taken to be interested in the Shares the other party under such concert party arrangement is interested under the SFO.

4. Among the 4,670 shares (representing 46.70% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 220 shares (representing 2.20% of the total issued share capital of KIG) were held by him as trustee on trust for the share award plan of KIG.

5. Subsequent to the year ended 31 March 2013, Mr. Banson Lam and Mr. David Wong entered into the "Agreement for the sale and purchases of the shares in KIG" on 30 April 2013. Mr. Banson Lam acquired 125 ordinary shares of KIG from Mr. David Wong. Since both parties are parties to the concert party arrangement as stated in note 3, the above mentioned transactions do not affect the control of the concert parties in the Company.

6. Subsequent to the year ended 31 March 2013, Mr. Banson Lam and Mr. Yau Lam Chuen entered into the "Agreement for the sale and purchases of the shares in KIG" on 30 April 2013. Mr. Banson Lam acquired 125 ordinary shares of KIG from Mr. Yau Lam Chuen. Since both parties are parties to the concert party arrangement as stated in note 3, the above mentioned transactions do not affect the control of the concert parties in the Company.

Substantial Shareholders', Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2013, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Name of group member/associated corporation	Capacity/Nature of Interest	Number and class of securities (note 1)	Approximate shareholding percentage
KIG	Company	Beneficial owner	450,000,000 shares (L)	75%
Ms. Kwok Wing Yi (note 4)	Company	Interest of spouse	450,000,000 shares (L)	75%
Ms. Mak Kam Fung (note 5)	Company	Interest of spouse	450,000,000 shares (L)	75%
Ms. Lo Ka Wai (note 6)	Company	Interest of spouse	450,000,000 shares (L)	75%
Mr. Yau Lam Chuen	Company	Interest of Concert Party (note 3)	450,000,000 shares (L) (note 2)	75%
Ms. Tsang Mo Jan (note 7)	Company	Interest of spouse	450,000,000 shares (L)	75%
Mr. Yung Ching Tak	Company	Interest of Concert Party (note 3)	450,000,000 shares (L) (note 2)	75%
Ms. Wen Shi Fang (note 8)	Company	Interest of spouse	450,000,000 shares (L)	75%

Name of Shareholder	Name of group member/associated corporation	Capacity/Nature of Interest	Number and class of securities (note 1)	Approximate shareholding percentage
Mr. Chan Lin On	Company	Interest of Concert Party (note 3)	450,000,000 shares (L) (note 2)	75%
Ms. Pang Sau Ying (note 9)	Company	Interest of spouse	450,000,000 shares (L)	75%
Mr. Yeung Man Chiu	Company	Interest of Concert Party (note 3)	450,000,000 shares (L) (note 2)	75%
Ms. Wan Wing Sze (note 10)	Company	Interest of spouse	450,000,000 shares (L)	75%

Notes:

1. The letter "L" denotes the corporation/person's long position in our Shares.

2. These Shares were held by KIG, which is owned as to 46.70% by Mr. Peter Sun, among the 4,670 shares (representing 46.70% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 220 shares (representing 2.20% of the total issued share capital of KIG) were held by him as trustee on trust for the share award plan of KIG, as to 13.69% by Mr. David Wong, as to 13.69% by Mr. Yau Lam Chuen, as to 9.12% by Mr. Yung Ching Tak, as to 6.17% by Mr. Banson Lam, as to 6.17% by Mr. Chan Lin On and as to 3.09% by Mr. Yeung Man Chiu. Subsequent to the transactions stated in note 11 and note 12 below, the respective shareholdings in KIG of Mr. Banson Lam, Mr. David Wong and Mr. Yau Lam Chuen are 8.67%, 12.44% and 12.44% respectively.

3. Pursuant to the confirmation of concert party arrangement dated 26 September 2011 entered into by Mr. Peter Sun, Mr. David Wong, Mr. Yau Lam Chuen, Mr. Yung Ching Tak, Mr. Banson Lam, Mr. Chan Lin On and Mr. Yeung Man Chiu, they have confirmed that they are parties acting in concert in the operation and management of KPP-HK, KPP-Suzhou, KRP-HK, KRP-Shenzhen, KRP-Shanghai, KFM-HK and KFM-Shenzhen since 13 March 2002, being the date of incorporation of KPP-HK. Accordingly, each person under the concert party arrangement is taken to be interested in the Shares the other party under such concert party arrangement is interested under the SFO.

4. Ms. Kwok Wing Yi is the spouse of Mr. Peter Sun.

5. Ms. Mak Kam Fung is the spouse of Mr. David Wong.

6. Ms. Lo Ka Wai is the spouse of Mr. Banson Lam.

7. Ms. Tsang Mo Jan is the spouse of Mr. Yau Lam Chuen.

8. Ms. Wen Shi Fang is the spouse of Mr. Yung Ching Tak.

9. Ms. Pang Sau Ying is the spouse of Mr. Chan Lin On.

10. Ms. Wan Wing Sze is the spouse of Mr. Yeung Man Chiu.

11. Subsequent to the year ended 31 March 2013, Mr. Banson Lam and Mr. David Wong entered into the "Agreement for the sale and purchases of the shares in KIG" on 30 April 2013. Mr. Banson Lam acquired 125 ordinary shares of KIG from Mr. David Wong. Since both parties are parties to the concert party arrangement as stated in note 3, the above mentioned transactions do not affect the control of the concert parties in the Company.

12. Subsequent to the year ended 31 March 2013, Mr. Banson Lam and Mr. Yau Lam Chuen entered into the "Agreement for the sale and purchases of the shares in KIG" on 30 April 2013. Mr. Banson Lam acquired 125 ordinary shares of KIG from Mr. Yau Lam Chuen. Since both parties are parties to the concert party arrangement as stated in note 3, the above mentioned transactions do not affect the control of the concert parties in the Company.

Continuing Connected Transactions

On 22 September 2012, the Group has entered into several continuing connected transactions agreements with certain connected person of the Company under the Listing Rules. Pursuant to these agreements, the Group shall conduct continuing connected transactions with those parties in the course of conducting the Group's Business.

During the year ended 31 March 2013, the details of such transactions, which also constitutes related party transaction set out in note 30 to the consolidated financial statements, are set out as follows:

Tooling master agreement

Date: 22 September 2012

Parties:

(1) Innotech Advanced Product Limited ("Innotech") and its subsidiaries ("Innotech Group") as supplier (Innotech was owned as to 71% by Gold Joy (HK) Industrial Limited ("Gold Joy") that was owned as to 52.94% by Mrs. Chow Suen Christina, our executive Director, 17.65% by Mr. Yau Lam Chuen, one of our Controlling Shareholders, 17.65% by Mr. David Wong, our executive Director and one of our Controlling Shareholders, and 11.76% by Mr. Yung Ching Tak, one of our Controlling Shareholders. As Mrs. Chow Suen Christina, a connected person upon Listing, owned 52.94% of the share capital of Gold Joy, Gold Joy is a connected person under Rule 14A.11(4) of the Listing Rules.

(2) KFM Group Limited (on its own behalf and as trustee for the benefit of other members of the Group), a 100%-owned subsidiary of the Company, as purchaser

Terms: the Group agreed to purchase tooling and moulding products from the Innotech Group during the term of the Tooling Master Agreement from 1 April 2012 to 31 March 2015

Price: Negotiated with reference to the then prevailing market prices of the raw materials and accessories required for the manufacturing of the tooling and moulding products concerned, as well as, where applicable, prevailing market prices of similar products, and in good faith.

Caps: Annual cap not exceeding HK$2.1 million for each of the three years ending 31 March 2015

For the year ended 31 March 2013, there were no transactions under the Tooling Master Agreement.

Products master agreement

Date:	22 September 2012	
Parties:	(1)	Innotech Group
	(2)	KFM Group Limited
Terms:	(a)	the Group agreed to purchase metal and plastic components and parts from the Innotech Group during the term of the Products Master Agreement from 1 April 2012 to 31 March 2015
	(b)	the Innotech Group agreed to purchase spare metal parts from KFM Group Limited during the term of the Products Master Agreement from 1 April 2012 to 31 March 2015
Price:	Negotiated with reference to the then prevailing market prices of the raw materials and accessories required for the manufacturing of metal and plastic components and parts and the spare metal parts concerned, as well as, where applicable, prevailing market prices of similar products, and in good faith.	
Caps:	(a)	Annual cap not exceeding HK$5.6 million for each of the three years ending 31 March 2015
	(b)	Annual cap not exceeding HK$114,400 for each of the three years ending 31 March 2015

Under the Product Master Agreement, transactions of HK$5,080,852 under (a) above and transactions of HK$42,900 under (b) above were conducted for the year ended 31 March 2013.

Further details are set out in note 30 to the consolidated financial statements.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter to the Board of Directors confirming that:

- nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of Directors;
- nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded their respective maximum aggregate annual value as disclosed in the previous announcements.

Purchase, sale or redemption of the company's shares

The Company has not redeemed any of its securities during the year ended 31 March 2013, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Article of Association or the laws in the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Emolument policy

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the market rates, workload and responsibilities and general economic situation.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules from the Listing Date up to the date of this report.

Major customers and suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively during the year is as follows:

Percentage of the Group's total

Sales	
The largest customer	10.7%
Five largest customers in aggregate	40.7%
Purchase	
The largest supplier	6.2%
Five largest suppliers in aggregate	15.9%

According to the understanding of the Directors, none of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers at any time during the year.

Use of net proceeds from the Company's initial public offering

On 15 October 2012, the Company received the net proceeds in the sum of approximately HK$85.6 million raised from the issue of new shares at the time of its listing on the Stock Exchange. Such net proceeds were derived after deduction of related issuance expenses. None of the listing proceeds has been utilised as at 31 March 2013 and they are placed on short-term deposits with licensed banks in Hong Kong and the PRC.

Subsequent to the year end date, the Group applied listing proceed of HK$31.0 million to purchase a piece of land in Suzhou.

Closure of register of member

For the purpose of ascertaining Shareholders' right to attend and vote at the annual general meeting (the "AGM"), the Register of Members will be closed from Monday, 26 August 2013 to Tuesday, 27 August 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, namely Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 August 2013.

Subject to the Shareholders' approval of the recommended final dividend at the AGM, the final dividend will be payable on or about Wednesday, 18 September 2013. For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Monday, 2 September 2013 to Tuesday, 3 September 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend for the year ended 31 March 2013, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, namely Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 30 August 2013.

Corporate governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 14 to page 25 of this Annual Report.

Audit committee

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2013.

Auditor

The consolidated financial statements for the year ended 31 March 2013 have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
KFM Kingdom Holdings Limited

Sun Kwok Wah Peter
Chairman

Hong Kong, 19 June 2013

Independent Auditor's Report

TO THE SHAREHOLDERS OF KFM KINGDOM HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of KFM Kingdom Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 102, which comprise the consolidated and company balance sheets as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 June 2013

Consolidated Balance Sheet

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**224,086**	181,873
Intangible asset	6	**11,305**	15,074
Goodwill	6	**24,540**	24,540
Deferred income tax assets	14	**5,565**	–
Total non-current assets		**265,496**	221,487
Current assets			
Inventories	8	**110,527**	102,958
Trade and other receivables	9	**229,215**	227,720
Derivative financial asset	10	**319**	258
Tax recoverable		**–**	210
Restricted bank deposit	11	**46,800**	46,800
Cash and cash equivalents	11	**218,678**	133,423
Total current assets		**605,539**	511,369
Total assets		**871,035**	732,856

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
EQUITY			
Capital and reserves			
Share capital	12	**60,000**	–
Share premium	12	**26,135**	–
Reserves	13		
– Proposed dividends		**12,000**	–
– Others		**395,388**	448,171
Total equity		**493,523**	448,171
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	14	**14,716**	12,751
Current liabilities			
Trade and other payables	15	**144,302**	152,753
Bank borrowings	16	**211,024**	113,107
Current income tax liabilities		**7,470**	6,074
Total current liabilities		**362,796**	271,934
Total liabilities		**377,512**	284,685
Total equity and liabilities		**871,035**	732,856
Net current assets		**242,743**	239,435
Total assets less current liabilities		**508,239**	460,922

The financial statements on pages 45 to 102 were approved by the Board of Directors on 19 June 2013 and were signed on its behalf.

Sun Kwok Wah Peter
Director

Chow Suen Christina
Director

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current asset			
Investment in subsidiaries	7	**100**	–
Current assets			
Amounts due from subsidiaries	7	**100,433**	–
Cash and cash equivalents	11	**511**	–
Total current assets		**100,944**	–
Total assets		**101,044**	–
EQUITY			
Capital and reserves			
Share capital	12	**60,000**	–
Share premium	12	**26,135**	–
Reserves	13		
– Proposed dividends		**12,000**	–
– Others		**2,909**	–
Total equity		**101,044**	–

The financial statements on pages 45 to 102 were approved by the Board of Directors on 19 June 2013 and were signed on its behalf.

Sun Kwok Wah Peter
Director

Chow Suen Christina
Director

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	17	**846,507**	951,418
Cost of sales	18	**(641,208)**	(716,918)
Gross profit		**205,299**	234,500
Other gains, net	19	**7,800**	29,052
Distribution and selling expenses	18	**(17,631)**	(19,391)
General and administrative expenses	18	**(140,149)**	(124,291)
Operating profit		**55,319**	119,870
Finance income	22	**297**	470
Finance costs	22	**(6,315)**	(2,883)
Profit before income tax		**49,301**	117,457
Income tax expenses	23	**(9,146)**	(23,064)
Profit for the year		**40,155**	94,393
Other comprehensive income for the year, net of tax			
Currency translation differences		**4,390**	10,797
Total comprehensive income for the year		**44,545**	105,190
Profit for the year attributable to:			
Equity holders of the Company		**40,155**	94,393
Total comprehensive income attributable to:			
Equity holders of the Company		**44,545**	105,190
Earnings per share for profit attributable to equity holders of the Company			
– Basic and diluted (HK cents)	24	**6.69**	15.73
Dividends	26	**85,228**	85,579

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
		Attributable to equity holders of the Company						
Balance at 1 April 2012		**–**	**–**	**3,545**	**17,735**	**36,459**	**390,432**	**448,171**
Comprehensive income								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**40,155**	**40,155**
Other comprehensive income								
Currency translation differences	13	**–**	**–**	**–**	**–**	**4,390**	**–**	**4,390**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**4,390**	**40,155**	**44,545**
Transactions with equity holders								
Issue of share capital	12, 13	**15,100**	**87,000**	**(100)**	**–**	**–**	**–**	**102,000**
Capitalisation of shares	12	**44,900**	**(44,900)**	**–**	**–**	**–**	**–**	**–**
Share issue expenses	12	**–**	**(15,965)**	**–**	**–**	**–**	**–**	**(15,965)**
Transfer of retained profits to statutory reserve	13	**–**	**–**	**–**	**3,339**	**–**	**(3,339)**	**–**
Dividends paid	26	**–**	**–**	**–**	**–**	**–**	**(85,228)**	**(85,228)**
Balance at 31 March 2013		**60,000**	**26,135**	**3,445**	**21,074**	**40,849**	**342,020**	**493,523**

	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
		Attributable to equity holders of the Company						
Balance at 1 April 2011		–	–	3,545	14,271	25,662	385,082	428,560
Comprehensive income								
Profit for the year		–	–	–	–	–	94,393	94,393
Other comprehensive income								
Currency translation differences	13	–	–	–	–	10,797	–	10,797
Total comprehensive income for the year		–	–	–	–	10,797	94,393	105,190
Transactions with equity holders								
Transfer of retained profits to statutory reserve	13	–	–	–	3,464	–	(3,464)	–
Dividends paid	26	–	–	–	–	–	(85,579)	(85,579)
Balance at 31 March 2012		–	–	3,545	17,735	36,459	390,432	448,171

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Net cash generated from operations	25	**68,958**	120,453
Income tax paid		**(12,508)**	(39,421)
Income tax refunded		**1,288**	725
Interest received		**297**	470
Net cash generated from operating activities		**58,035**	82,227
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**37,894**	48,904
Purchase of property, plant and equipment	5	**(97,621)**	(44,184)
Acquisition of business		**(25,962)**	–
Net cash (used in)/generated from investing activities		**(85,689)**	4,720
Cash flows from financing activities			
Proceeds from issue of shares	12	**102,000**	–
Share issue expenses	12	**(15,965)**	–
Proceeds from bank borrowings		**185,000**	114,174
Repayment of bank borrowings		**(86,848)**	(37,162)
Increase in restricted bank deposit		**–**	(46,800)
Receipt of amounts due from shareholders		**20,028**	–
Interest paid		**(6,315)**	(2,883)
Dividends paid		**(85,228)**	(104,419)
Net cash generated from/(used in) financing activities		**112,672**	(77,090)
Increase in cash and cash equivalents		**85,018**	9,857
Cash and cash equivalents at beginning of year		**132,012**	119,349
Currency translation differences		**472**	2,806
Cash and cash equivalents at end of year		**217,502**	132,012
Analysis of balances of cash and cash equivalents:			
Cash at bank and on hand	11	**213,678**	128,463
Short-term bank deposits with original maturity within three months	11	**5,000**	4,960
Bank overdrafts	16	**(1,176)**	(1,411)
		217,502	132,012

The notes on pages 51 to 102 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

1 General Information and Reorganisation

(a) General information

KFM Kingdom Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 July 2011, as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the provision of precision metal stamping services, and manufacturing and sales of fine metal products (the "Group's Businesses").

(b) Reorganisation

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 13 September 2012. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 October 2012 (the "Listing").

The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of having a business. The Reorganisation is merely a reorganisation of the Group's Businesses with no change in management of such businesses. The companies now comprising the Group were under the common control of the underlying controlling shareholders before and after the Reorganisation.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 March 2013 and 2012 have been prepared using the financial statements of the companies engaged in the Group's Businesses under the common control of the underlying controlling shareholders now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 March 2013 and 2012, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the control of the underlying controlling shareholders. The consolidated balance sheet of the Group as at 31 March 2012 has been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. The net assets and results of the Group were consolidated using the carrying value from the underlying controlling shareholders' perspective. All significant intra-group transactions and balances have been eliminated on combination.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements note 4.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 June 2013.

(i) Amendments to existing standards effective in 2012 but not relevant to the Group:

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 April 2012.

HKFRS 1 (Amendment)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards and amendments, revisions and interpretation to existing standards that have been issued but are not effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 1 (Amendment)	First Time Adoption – Government Loans	1 January 2013
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards and amendments, revisions and interpretation to existing standards that have been issued but are not effective and have not been early adopted by the Group: (Continued)

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements	1 January 2014
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements Project	Annual Improvements 2009-2011 Cycle	1 January 2013

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments, revisions and interpretation to existing standards to the Group. The Group does not expect substantial charges to the Group's accounting policies and presentation of the financial statements will be resulted.

(b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of Significant Accounting Policies (Continued)

(b) Subsidiaries (Continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(c) Business combinations

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of comprehensive income.

(d) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes indirect attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing on the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. 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 the 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 consolidated statement of comprehensive income 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 assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as 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	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

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 (note 2(g)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the consolidated statement of comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

(f) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of business and represents the excess of the consideration transferred over the Group entity's interests in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the contractual customer over their estimated useful lives of four years.

(iii) Patents

Costs associated with developing patents are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable patents controlled by the Group, and that will probably generate economic benefits beyond one year, are recognised as intangible assets. Costs that are directly associated with the development of identifiable patents include the employee costs, materials utilised and an appropriate portion of relevant overheads.

Patent costs recognised as assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis over their estimated useful life.

2 Summary of Significant Accounting Policies (Continued)

(g) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Current and deferred income tax

The tax expense for the period comprise current and deferred income tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of Significant Accounting Policies (Continued)

(i) 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.

(j) 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 the 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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

(k) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2 Summary of Significant Accounting Policies (Continued)

(l) Lease (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Leases where the Group has substantially all the risks and rewards of ownership, including leases which transfer ownership of the asset to the Group at the end of the lease term, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in current liabilities. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(m) 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.

(n) Provisions

Provisions are recognised when the 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.

2 Summary of Significant Accounting Policies (Continued)

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable increment transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

(q) Revenue recognition

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

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

2 Summary of Significant Accounting Policies (Continued)

(q) Revenue recognition (Continued)

(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) Provision of product assembly service

Revenue from product assembly service is recognised in the accounting period in which the service is rendered.

(r) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the 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.

(s) Employee benefits

(i) Pension obligations

The Group's entities operate defined contribution schemes which are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(ii) Bonus plans

The expected cost of bonus payments wholly due within 12 months after the balance sheet date are recognised as a liability where the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2 Summary of Significant Accounting Policies (Continued)

(t) Borrowing costs

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

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders, or directors, where appropriate.

(v) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "finance income" or "finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other gains/(losses), net".

2 Summary of Significant Accounting Policies (Continued)

(v) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(w) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

2 Summary of Significant Accounting Policies (Continued)

(w) Derivative financial instruments (Continued)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Changes in derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated statement of comprehensive income within "other gains/(losses), net".

(x) Compensations from the government

Compensations from the government are recognised at their fair value where it is certain that the compensation will be received and the Group will comply with all attached conditions.

Compensations from the government relating to costs are deferred and recognised in the consolidated statement of comprehensive income as other gain over the period necessary to match them with the costs they are intended to compensate.

(y) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability other than those acquired from business combination is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and senior management collectivity, who makes strategic decisions.

(aa) Financial guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instruments. Group companies do not recognise liabilities for financial guarantees at inception, but perform liability adequacy tests at each reporting date by comparing respective net liabilities (if applicable) regarding the financial guarantees with the amounts that would be required if the financial guarantees were to result in a present legal or constructive obligation. If the respective liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated statement of comprehensive income immediately.

3 Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(i) 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. The Group operates mainly in Hong Kong and the People's Republic of China (the "PRC"). The Group's PRC entities are exposed to foreign exchange risk arising from United States dollars ("US$"), while the Group's Hong Kong entities are exposed to foreign exchange risk arising from Renminbi ("RMB").

The Group manages its foreign currencies risk by closely monitoring the movement of the foreign currency rates.

As at 31 March 2013 and 2012, if the functional currencies of the Group's entities had strengthened/weakened by 2% against RMB and US$, with all other variables held constant, the profit after income tax for the year ended 31 March 2013 and 2012 would decrease/increase by HK$1,148,000 and HK$875,000, respectively, mainly as a result of foreign exchange loss/gain on translation of US$, HK$ and RMB denominated financial assets and liabilities.

As at 31 March 2013 and 2012, the Group held one RMB/US$ forward foreign exchange contract.

During the years ended 31 March 2013 and 2012, if RMB/US$ exchange rate weakened by 5%, the Group would suffer loss after income tax amounting to HK$13,000 and HK$608,000, respectively.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risk. Borrowings at fixed interest rates expose the Group to fair value interest rate risk. The Group's variable interest rate and fixed interest rate borrowings as at 31 March 2013 and 2012, are as follows:

	2013	2012
	HK$'000	HK$'000
Variable interest rate borrowings	**195,571**	60,567
Fixed interest rate borrowing	**15,453**	52,540
	211,024	113,107

Other than short-term bank deposits, bank balances and bank borrowings, the Group does not have significant interest-bearing assets or liabilities. The 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 is not deemed to be substantial in the view of management based on the nature of the assets and liabilities.

As at 31 March 2013 and 2012, if the interest rates had been 50 basis-points higher/lower, with all other variables held constant, the net effect on the profit before income tax for the years would have been HK$350,000 and HK$598,000 lower/higher, respectively, mainly as a result of higher/lower interest income on bank deposits, and higher/lower interest expense on bank borrowings.

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from trade receivables, prepayments, deposits and other receivables and cash and cash equivalents. 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 significant losses from non-performance by these counterparties.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) ***Credit risk*** (Continued)

The Group has concentration of credit risk as over 48% and 40% of total trade receivables as at 31 March 2013 and 2012, respectively, were due from the Group's largest five customers. No significant collectability issues have been identified in the past.

As at 31 March 2013 and 2012, major bank balances are deposited in Standard Chartered Bank (Hong Kong) Limited, DBS Bank (Hong Kong) Limited and the PRC state owned banks. Management does not expect any losses from non-performance by these banks.

(iv) ***Liquidity risk***

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Specifically, for bank loans containing a repayment on demand clause which can be exercised at the banks' sole discretions, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	On demand HK$'000	Less than 1 year HK$'000	Total HK$'000
At 31 March 2013			
Bank borrowings	**220,837**	**–**	**220,837**
Trade payables	**–**	**101,080**	**101,080**
Other payables	**–**	**43,222**	**43,222**
	220,837	**144,302**	**365,139**
At 31 March 2012			
Bank borrowings	115,325	–	115,325
Trade payables	–	88,403	88,403
Other payables	–	64,350	64,350
	115,325	152,753	268,078

3 Financial Risk Management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt-to-asset ratio. The ratio is calculated as total debt divided by total assets. Total debt is calculated as interest-bearing borrowings.

	2013 **HK$'000**	2012 HK$'000
Total debt	**211,024**	113,107
Total assets	**871,035**	732,856
Debt-to-asset ratio	**24%**	15%

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 March 2013 and 2012, the Group holds certain foreign exchange derivative instruments which are included in level 2. The fair value of these financial instruments is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The significant inputs used by the Group in determining the fair value of those foreign exchange derivatives are observable in the market.

As at 31 March 2013 and 2012, the Group did not hold any instruments which are classified as level 1 and level 3.

The fair values of trade and other receivables, cash and cash equivalents and a fixed rate bank borrowing are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities. The carrying amounts of the variable rate bank borrowings approximate their fair values because the interest rates are reset to market rates.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimations by each balance sheet date.

(b) Income taxes

The Group is subject to income taxes and withholding taxes in several jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax liabilities are established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends when there is a current intention to remit such profit. The estimation regarding the remittance involved judgements.

4 Critical Accounting Estimates and Judgements (Continued)

(c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions.

Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(e) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(f)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The key assumptions adopted on growth rates and discount rate used in the value-in-use calculation are based on management's best estimates and past experience. These calculations require the use of estimates (note 6).

5 Property, Plant and Equipment

	Leasehold land and buildings in Hong Kong HK$'000 (note (b))	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2011							
Cost	23,182	11,201	284,817	17,154	21,467	1,300	359,121
Accumulated depreciation	(2,458)	(4,457)	(144,479)	(11,597)	(17,846)	–	(180,837)
Net book amount	20,724	6,744	140,338	5,557	3,621	1,300	178,284
Year ended 31 March 2012							
Opening net book amount	20,724	6,744	140,338	5,557	3,621	1,300	178,284
Acquisition of business (note 27)	–	–	720	380	523	–	1,623
Additions	–	2,216	36,788	987	3,426	767	44,184
Disposals	(20,490)	(534)	(948)	(374)	(185)	–	(22,531)
Transfers	–	1,707	–	–	–	(1,707)	–
Depreciation	(234)	(2,479)	(19,899)	(1,520)	(1,249)	–	(25,381)
Exchange differences	–	273	5,168	79	134	40	5,694
Closing net book amount	–	7,927	162,167	5,109	6,270	400	181,873
At 31 March 2012							
Cost	–	13,208	323,142	16,143	24,693	400	377,586
Accumulated depreciation	–	(5,281)	(160,975)	(11,034)	(18,423)	–	(195,713)
Net book amount	–	7,927	162,167	5,109	6,270	400	181,873
Year ended 31 March 2013							
Opening net book amount	**–**	**7,927**	**162,167**	**5,109**	**6,270**	**400**	**181,873**
Additions	**28,204**	**6,301**	**57,092**	**1,671**	**2,711**	**1,642**	**97,621**
Disposals	**(26,003)**	**–**	**(674)**	**(710)**	**(165)**	**–**	**(27,552)**
Transfers	**–**	**–**	**127**	**–**	**9**	**(136)**	**–**
Depreciation charges	**(33)**	**(3,258)**	**(23,746)**	**(1,238)**	**(1,517)**	**–**	**(29,792)**
Exchange differences	**–**	**113**	**1,717**	**20**	**58**	**28**	**1,936**
Closing net book amount	**2,168**	**11,083**	**196,683**	**4,852**	**7,366**	**1,934**	**224,086**
At 31 March 2013							
Cost	**2,201**	**19,716**	**380,812**	**15,457**	**27,286**	**1,934**	**447,406**
Accumulated depreciation	**(33)**	**(8,633)**	**(184,129)**	**(10,605)**	**(19,920)**	**–**	**(223,320)**
Net book amount	**2,168**	**11,083**	**196,683**	**4,852**	**7,366**	**1,934**	**224,086**

5 Property, Plant and Equipment (Continued)

Notes:

(a) Depreciation expenses were charged to the consolidated statement of comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Cost of sales	**22,416**	18,257
General and administrative expenses	**7,376**	7,124
	29,792	25,381

(b) The Group's interest in aforementioned leasehold land and buildings represents leasehold land and buildings located in Hong Kong with remaining lease period of 34 years as at 31 March 2013.

6 Intangible Asset and Goodwill

	2013		2012	
	Goodwill HK$'000	**Contractual customer relationships HK$'000**	Goodwill HK$'000	Contractual customer relationships HK$'000
As at 1 April	**24,540**	**15,074**	–	–
Acquisition of business (note 27)	**–**	**–**	24,540	15,074
Amortisation	**–**	**(3,769)**	–	–
As at 31 March	**24,540**	**11,305**	24,540	15,074

Goodwill is allocated to the Group's product assembly business, which is considered as a separate CGU.

For the purpose of impairment test, the recoverable amount of the product assembly business unit is determined based on value-in-use calculation. The calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using zero growth rate. Discount rate of 14% (2012: 14%), which reflects the specific risks relating to the product assembly business, was used in the value-in-use calculation.

Management does not foresee any significant change in the key assumptions used in the value-in-use calculation that will cause the recoverable amount of goodwill be less than its carrying amount.

7 Investment in and Amounts due from Subsidiaries – Company

	Company 2013 HK$'000	Company 2012 HK$'000
Unlisted shares, at cost	**100**	–
Amounts due from subsidiaries (note 9)	**100,433**	–

The following is a list of the principal subsidiaries directly or indirectly held by the Company at 31 March 2013:

Company name	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Percentage of equity interest attributable to the Company 2013 Direct	2013 Indirect	2012 Direct	2012 Indirect	Principal activities
KFM Group Limited (KFM集團有限公司)	British Virgin Islands ("BVI"), limited liability company	US$1,000	100%	–	100%	–	Investment holding
Kingdom Fine Metal Limited (金德精密五金有限公司)	Hong Kong, limited liability company	HK$1,000,000	–	100%	–	100%	Sale of fine metal products in Hong Kong and the PRC
Kingdom (Reliance) Precision Parts Manufactory Limited (金德(利賚)五金零件制品有限公司)	Hong Kong, limited liability company	HK$5,000,000	–	100%	–	100%	Sale of fine metal products in Hong Kong and the PRC
Kingdom (Reliance) Precision Parts (Shenzhen) Manufactory Limited (德利賚精密五金制品(深圳)有限公司)	Shenzhen, the PRC, wholly foreign-owned enterprise	US$8,500,000	–	100%	–	100%	Manufacturing and sale of fine metal products in the PRC
Kingdom Precision Product Limited (金德精密配件有限公司)	Hong Kong, limited liability company	HK$10,000	–	100%	–	100%	Sale of fine metal products in Hong Kong and the PRC
Kingdom Precision Product (Suzhou) Company Limited (金德精密配件(蘇州)有限公司))	Suzhou, the PRC, wholly foreign owned enterprise	US$15,570,880	–	100%	–	100%	Manufacturing and sale of fine metal products in the PRC

7 Investments in and Amounts due from Subsidiaries – Company (Continued)

Company name	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			2013		2012		
			Direct	Indirect	Direct	Indirect	
Kingdom Reliance Mechatronic Components (Shanghai) Manufactory Limited (金德利賚精密機電部件(上海)有限公司)	Shanghai, the PRC, wholly foreign-owned enterprise	US$3,530,000	–	100%	–	100%	Manufacturing and sale of fine metal products in the PRC
Kingdom Technology (Shenzhen) Company Limited (金德鑫科技(深圳)有限公司)	Shenzhen, the PRC, wholly foreign owned enterprise	US$9,300,000	–	100%	–	100%	Manufacturing and sale of fine metal products in the PRC
KFM Kingdom Management Limited (金德集團管理有限公司)	Hong Kong, limited liability company	HK$1	–	100%	–	100%	Provision of management services in Hong Kong
KFM Kingdom Investment Limited (金德集團投資有限公司)	Hong Kong, limited liability company	HK$1	–	100%	–	100%	Investment holding
Kingdom Precision Technology (Suzhou) Company Limited (金德精密科技(蘇州)有限公司)	Suzhou, the PRC wholly foreign-owned enterprise	US$4,000,000	–	100%	–	–	Manufacturing and sale of fine metal products in the PRC

8 Inventories

	2013 HK$'000	2012 HK$'000
Raw materials	**31,527**	32,491
Work in progress	**29,824**	21,490
Finished goods	**49,176**	48,977
	110,527	102,958

The Group recognised amounts of HK$634,000 and HK$3,016,000 in respect of the write-down of inventories to their net realisable values for the years ended 31 March 2013 and 2012, respectively. These amounts have been included in the cost of sales in the consolidated statement of comprehensive income.

The cost of inventories recognised as expense and included in cost of sales amounted to HK$640,574,000 and HK$713,902,000 for the years ended 31 March 2013 and 2012, respectively.

9 Trade and Other Receivables

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Trade receivables (note (b) and (d))				
– third parties	**183,502**	171,472	**–**	–
– related company (note (g))	**–**	29	**–**	–
	183,502	171,501	**–**	–
Prepayments, deposits and other receivables	**45,713**	36,111	**–**	–
Amounts due from				
– shareholders (note (e))	**–**	20,028	**–**	–
– ultimate holding company (note (f))	**–**	58	**–**	–
– related companies (note (g))	**–**	22	**–**	–
– subsidiaries (note (h))	**–**	–	**100,433**	–
	229,215	227,720	**100,433**	–

9 Trade and Other Receivables (Continued)

Notes:

(a) The fair values of trade and other receivables approximate their carrying amounts.

(b) The Group normally grants credit periods of 30 to 90 days (2012: 30 to 90 days). The ageing analysis of trade receivables based on invoice dates (including trade receivables from related company) is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Up to 3 months	**174,529**	161,310
3 to 6 months	**6,854**	9,713
6 months to 1 year	**1,151**	394
1 to 2 years	**968**	84
	183,502	171,501

(c) As at 31 March 2013 and 2012, the Group's trade receivables of HK$35,511,000 and HK$27,621,000, respectively, were past due but not impaired. These trade receivables relate to a number of customers for whom there is no recent history of default.

The ageing analysis of trade receivables that were past due but not impaired is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Amounts past due		
Up to 3 months	**32,819**	26,181
3 to 6 months	**1,599**	1,246
6 months to 1 year	**165**	111
1 to 2 years	**928**	83
	35,511	27,621

(d) The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	HK$'000
US$	**119,920**	94,264
RMB	**39,010**	55,191
HK$	**24,572**	22,046
	183,502	171,501

9 Trade and Other Receivables (Continued)

Notes: (Continued)

(e) Details of the amounts due from shareholders are as follows:

Name of shareholders	At beginning of year HK$'000	At end of year HK$'000	Maximum outstanding during the year HK$'000
At 31 March 2013			
Sun Kwok Wah Peter	**5,165**	**–**	**5,165**
Lam Kin Shun	**14,863**	**–**	**14,863**
	20,028	**–**	
At 31 March 2012			
Sun Kwok Wah Peter	8,405	5,165	25,349
Lam Kin Shun	9,412	14,863	14,863
Yung Ching Tak	2,957	–	2,957
	20,774	20,028	

These balances were denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
HK$	**–**	3,057
RMB	**–**	16,971
	–	20,028

The balances were unsecured, non-interest bearing and repayable on demand.

(f) Amount due from the ultimate holding company was denominated in HK$. The amount was unsecured, non-interest bearing and was repayable on demand.

(g) Amounts due from related companies were denominated in HK$. The amounts were unsecured, non-interest bearing and were repayable on demand.

(h) Amounts due from subsidiaries are denominated in HK$. The amounts are unsecured, non-interest bearing and are repayable on demand.

10 Derivative Financial Instrument

Derivative financial instrument represent one RMB/US$ forward foreign exchange contract held by the Group.

As at 31 March 2013, the only unsettled contract represents a hedge against the potential fluctuations in foreign exchange arising from long-term bank loans denominated in RMB, in which its notional amounts and payment schedules match with the long-term bank loans. The effective period of the contract is two years and will expire by August 2013.

The gain or loss from settlement of these contracts are presented in "gain on derivative financial instrument – realised" in "other gains, net" in note 19.

The sensitivity analysis on the potential loss resulting from the fluctuation of the underlying currencies is set out in note 3(a)(i).

11 Cash and Cash Equivalents and Restricted Bank Deposit

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Total bank deposits, bank balances and cash	**265,478**	180,223	**511**	–
Restricted bank deposit included in current assets (note (a))	**(46,800)**	(46,800)	**–**	–
	218,678	133,423	**511**	–
Represented by:				
Cash at bank and on hand	**213,678**	128,463	**511**	–
Short-term bank deposits with original maturity within three months	**5,000**	4,960	**–**	–
	218,678	133,423	**511**	–

Note:

(a) As at 31 March 2013, a bank deposit of HK$46,800,000 (2012: HK$46,800,000) was secured for the Group's borrowings (note 16).

As at 31 March 2013, the Group's short-term bank deposits had an weighted average interest rate of 2.5% (2012: 2.7%). As at 31 March 2013, the weighted average maturity days of these deposits were 60 days (2012: 61 days), respectively.

At 31 March 2013, the Group's cash and cash equivalents and restricted bank deposit included balances of HK$96,557,000 (2012: HK$62,304,000), which were deposits with banks in the PRC. These balances were denominated in HK$, US$, RMB, GBP and Euro. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amounts of the Group's cash and cash equivalents and restricted bank deposit are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**143,375**	76,822	**511**	–
US$	**72,158**	80,219	**–**	–
RMB	**45,217**	23,166	**–**	–
British Pound Sterling ("GBP")	**3,520**	–	**–**	–
Euro	**1,208**	16	**–**	–
	265,478	180,223	**511**	–

12 Share capital

Pursuant to a shareholders' resolution passed on 22 September 2012, the authorised share capital of the Company was increased from HK$100,000 to HK$450,000,000 by the creation of 4,499,000,000 new shares with a par value of HK$0.1 per share.

Issued share capital

	Number of shares	Share capital HK$'000	Share premium HK$'000	Total HK$'000
The Company				
At 1 April 2011	–	–	–	–
Issue of new share (note (a))	1	–	–	–
At 31 March 2012	**1**	**–**	**–**	**–**
Issue of new shares (note (b))	**999,999**	**100**	**–**	**100**
Issue of new shares pursuant to the Global Offering (note (c))	**150,000,000**	**15,000**	**87,000**	**102,000**
Capitalisation of shares (note (c))	**449,000,000**	**44,900**	**(44,900)**	**–**
Share issue expenses	**–**	**–**	**(15,965)**	**(15,965)**
At 31 March 2013	**600,000,000**	**60,000**	**26,135**	**86,135**

Notes:

(a) The Company was incorporated in the Cayman Islands on 13 July 2011 with an authorised share capital of HK$100,000, divided into 1,000,000 shares of HK$0.1 each. After the incorporation, one nil-paid share was issued.

(b) On 13 September 2012, the Company acquired the entire equity interest in KFM Group Limited by (a) issuing and allotting 999,999 new shares to Kingdom International Group Limited ("KIG"), credited as fully paid; and (b) crediting as fully paid at par the one nil-paid share which was then registered in the name of KIG.

(c) The Company's shares were listed on the Stock Exchange on 15 October 2012. The ordinary issued share capital of the Company was increased from 1,000,000 ordinary shares to 600,000,000 ordinary shares. On the same day, 599,000,000 ordinary shares were issued to the underlying controlling shareholders of the Group and the general public. In respect of the 599,000,000 shares newly issued, 150,000,000 ordinary shares were issued pursuant to the global offering and 449,000,000 ordinary shares were issued pursuant to the capitalisation issue. The 150,000,000 ordinary shares issued pursuant to the global offering were issued at HK$0.68 per share. The ordinary shares newly issued ranked pari passu in all respects with the issued shares then existing.

13 Reserves

(a) Group

	Capital reserve HK$'000 (note (a))	Statutory reserve HK$'000 (note (b))	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2011	3,545	14,271	25,662	385,082	428,560
Profit for the year	–	–	–	94,393	94,393
Currency translation differences	–	–	10,797	–	10,797
Transfer of retained profits to statutory reserve (note (b))	–	3,464	–	(3,464)	–
Dividends paid	–	–	–	(85,579)	(85,579)
At 31 March 2012	**3,545**	**17,735**	**36,459**	**390,432**	**448,171**
Profit for the year	**–**	**–**	**–**	**40,155**	**40,155**
Currency translation differences	**–**	**–**	**4,390**	**–**	**4,390**
Issue of share capital	**(100)**	**–**	**–**	**–**	**(100)**
Transfer of retained profits to statutory reserve (note (b))	**–**	**3,339**	**–**	**(3,339)**	**–**
Dividends paid	**–**	**–**	**–**	**(85,228)**	**(85,228)**
At 31 March 2013	**3,445**	**21,074**	**40,849**	**342,020**	**407,388**
Representing:					
– Proposed dividends					**12,000**
– Others					**395,388**
					407,388

13 Reserves (Continued)

(a) Group (Continued)

Notes:

(a) During the year ended 31 March 2012, as part of the Re-organisation, KFM Group Limited ("KFM-BVI") acquired 100% of the issued share capital of Kingdom Fine Metal Limited ("KFM-HK") on 11 October 2011 and KFM HK acquired the issued share capital of 49% and 10% of Kingdom (Reliance) Precision Parts Manufactory Limited ("KRP-HK") and Kingdom Precision Product Limited ("KPP-HK") on 29 November 2011 and 29 December 2011 respectively, by allotting shares of KFM-BVI to each of the respective companies' then shareholders and gains 100% control of the companies. The subscription of new shares of KFM BVI was accounted for by the Group using merger method and approximately HK$3.5 million was recognised in capital reserve which mainly represented 100%, 49% and 10% of the aggregated issued share capital of KFM-HK, KRP-HK and KPP-HK respectively.

On 13 September 2012, the Company acquired the entire equity interest in KFM-BVI by (a) issuing and allotting 999,999 new shares of the Company to Kingdom International Group Limited ("KIG"), credited as fully paid; and (b) crediting as fully paid at par the one nil-paid share which was then registered in the name of KIG. As result of the subscription of new shares of the Company, approximately HK$100,000 was charged to capital reserve.

(b) In accordance with the PRC laws and regulations, the PRC subsidiaries are required to transfer not less than 10% of their net profit as stated in the financial statements prepared under PRC accounting regulations to statutory reserves before the corresponding PRC subsidiaries can distribute any dividend. Such a transfer is not required when the amount of statutory reserves reaches 50% of the corresponding subsidiaries' registered capital. In addition, the PRC subsidiaries may make further contribution to the statutory reserve using its post-tax profits in accordance with resolutions of the Board of Directors.

The statutory reserve shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries. Upon approval of the corresponding subsidiaries' shareholders in general meetings, the subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to the existing owners in proportion to the existing ownership structure.

(b) Company

	Retained profits HK$'000
At 13 July 2011 (date of incorporation)	–
Profit for the period	–
At 31 March 2012	**–**
Profit for the year	**14,909**
At 31 March 2013	**14,909**
Representing:	
– Proposed dividends	**12,000**
– Others	**2,909**
	14,909

14 Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The analysis of deferred income tax assets and liabilities is as follows:

	2013 HK$'000	2012 HK$'000
Deferred income tax assets:		
– to be settled within 12 months	**419**	–
– to be settled after more than 12 months	**5,146**	–
	5,565	–
Deferred income tax liabilities		
– to be settled within 12 months	**(293)**	(1,153)
– to be settled after more than 12 months	**(14,423)**	(11,598)
	(14,716)	(12,751)
Deferred tax liabilities (net)	**(9,151)**	(12,751)

The movements on the net deferred income tax account are as follows:

	2013 HK$'000	2012 HK$'000
Beginning of the year	**(12,751)**	(13,662)
Credited/(charged) to the consolidated statement of comprehensive income (note 23)	**3,600**	(2,519)
Payment of withholding tax upon distribution of dividend	**–**	5,917
Acquisition of business (note 27)	**–**	(2,487)
End of the year	**(9,151)**	(12,751)

14 Deferred Income Tax (Continued)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated accounting depreciation HK$'000
Deferred income tax assets	
At 1 April 2011	57
Charged to the consolidated statement of comprehensive income	(57)
At 31 March 2012	–
Credited to the consolidated statement of comprehensive income	**5,565**
At 31 March 2013	**5,565**

	Accelerated tax depreciation HK$'000	Undistributed profits from subsidiaries HK$'000	Total HK$'000
Deferred income tax liabilities			
At 1 April 2011	(2,115)	(11,604)	(13,719)
Charged to the consolidated statement of comprehensive income	(951)	(1,511)	(2,462)
Payment of withholding tax upon distribution of dividend	–	5,917	5,917
Acquisition of business (note 27)	(2,487)	–	(2,487)
At 31 March 2012	**(5,553)**	**(7,198)**	**(12,751)**
Credited/(charged) to the consolidated statement of comprehensive income	**1,123**	**(3,088)**	**(1,965)**
At 31 March 2013	**(4,430)**	**(10,286)**	**(14,716)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

As at 31 March 2013, the Group has no unrecognised tax losses (2012: HK$3,764,000).

15 Trade and Other Payables

	2013 HK$'000	2012 HK$'000
Trade payables (note (b) and (c))		
– third parties	**100,279**	87,276
– related companies	**801**	1,127
	101,080	88,403
Accrual, deposits and other payables	**30,434**	25,600
Considerations payable for acquisition of business (note (d))	**12,788**	38,750
	144,302	152,753

Notes:

(a) The fair values of trade and other payables approximate their carrying amounts.

(b) The ageing analysis of trade payables at respective balance sheet dates is as follows:

	2013 HK$'000	2012 HK$'000
Up to 3 months	**97,915**	86,395
3 to 6 months	**2,700**	1,943
6 months to 1 year	**358**	13
1 to 2 years	**107**	52
	101,080	88,403

(c) The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
RMB	**49,753**	48,301
US$	**37,315**	23,068
HK$	**10,983**	16,987
Euro	**3,012**	–
Others	**17**	47
	101,080	88,403

(d) On 29 March 2012, the Group acquired the product assembly business from a third party customer. The amount represents the remaining balance of consideration to be paid.

16 Bank Borrowings

	2013 HK$'000	2012 HK$'000
Bank overdrafts	**1,176**	1,411
Short-term bank borrowings	**70,000**	40,000
Portion of long-term bank borrowings due for repayment within one year	**66,742**	46,154
Portion of long-term bank borrowings due for repayment after one year which contain a repayment on demand clause	**73,106**	25,542
	211,024	113,107

The interest-bearing bank borrowings, including the bank borrowings repayable on demand, are carried at amortised cost. None of the portion of bank borrowings due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

The Group's bank borrowings and bank overdrafts are repayable based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause as follows:

	2013 HK$'000	2012 HK$'000
Within 1 year	**137,918**	87,565
Between 1 and 2 years	**47,400**	21,742
Between 2 and 5 years	**25,706**	3,800
	211,024	113,107

The carrying amounts of the Group's bank borrowings and bank overdrafts approximate their fair values.

The carrying amounts of the Group's bank borrowings and bank overdrafts are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
HK$	**195,571**	60,567
RMB	**15,453**	52,540
	211,024	113,107

The effective annual interest rates of the Group's bank borrowings at the balance sheet date are as follows:

	2013	2012
HK$	**3.9%**	2.2%
RMB	**5.0%**	4.7%

As at 31 March 2013, bank borrowings and bank overdrafts of HK$161,024,000 (2012: HK$113,107,000) were secured by bank deposit of HK$46,800,000 (note 11).

17 Revenue

Revenue represents sales of high precision metal products to external parties.

18 Expenses by Nature

	2013 HK$'000	2012 HK$'000
Raw materials and consumables used	**365,347**	419,190
Changes in inventory of finished goods and work in progress	**(8,533)**	1,158
Employee benefit expenses (note 20)	**204,749**	193,166
Processing fees	**60,544**	77,522
Depreciation of property, plant and equipment (note 5)	**29,792**	25,381
Amortisation of intangible asset (note 6)	**3,769**	–
Operating lease rental in respect of buildings	**26,793**	25,132
Research and development costs	**19,719**	20,108
Utilities expenses	**16,833**	17,232
Transportation, postage and courier expenses	**13,186**	16,388
Legal and professional fees		
– incurred for initial public offerings	**11,506**	11,041
– others	**5,019**	4,504
Auditor's remuneration		
– audit services	**2,100**	936
– non-audit services	**3,436**	3,945
Others	**44,728**	44,897
Total cost of sales, distribution and selling expenses and general and administrative expenses	**798,988**	860,600
Represented by:		
Cost of sales	**641,208**	716,918
Distribution and selling expenses	**17,631**	19,391
General and administrative expenses	**140,149**	124,291
	798,988	860,600

19 Other Gains, Net

	2013 HK$'000	2012 HK$'000
Gain on derivative financial instrument		
– realised	–	646
– unrealised	61	329
Gain on disposal of property, plant and equipment		
– leasehold land and buildings (note (a))	9,600	26,136
– other property, plant and equipment	742	237
Net exchange (loss)/gain	(3,750)	432
Others	1,147	1,272
	7,800	29,052

Note:

(a) During the year ended 31 March 2013, the Group completed the disposal of its leasehold land and buildings in Hong Kong, with a carrying value of HK$26,003,000, to a third party buyer, at a consideration of HK$35,724,000. The transaction resulted in a gain on disposal amounted to HK$9,600,000.

During the year ended 31 March 2012, the Group disposed its leasehold land and buildings in Hong Kong, with a carrying value of HK$20,664,000, to Mr. Sun Kwok Wah, one of the controlling shareholders, at a consideration of HK$46,800,000. The transaction resulted in a gain on disposal amounted to HK$26,136,000.

20 Employee Benefit Expenses, Including Directors' Remuneration

	2013 HK$'000	2012 HK$'000
Short-term employee benefits (note (a))	177,267	172,472
Post-employment benefits – defined contribution plans	22,714	16,469
Other long-term benefits	4,768	4,225
	204,749	193,166

Note:

(a) Short-term employee benefits represent salary, wages and bonus paid to employees of the Group, and insurance premium paid to the insurance agent for staff insurance schemes.

21 Directors' and Senior Management's Remuneration

(a) Directors' remuneration

The remuneration of the directors for the years ended 31 March 2013 and 2012 are set out below:

	Directors' fee HK$'000	Short-term employee benefits HK$'000	Post-employment benefits – defined contribution plans HK$'000	Total HK$'000
For the year ended 31 March 2013				
Executive Directors:				
Sun Kwok Wah Peter	**–**	**2,876**	**93**	**2,969**
Wong Chi Kwok	**–**	**158**	**–**	**158**
Lam Kin Shun	**–**	**1,499**	**15**	**1,514**
Chow Suen, Christina	**–**	**1,149**	**57**	**1,206**
Independent Non-Executive Directors:				
Wan Kam To	**105**	**–**	**–**	**105**
Lam Hon Keung Keith	**105**	**–**	**–**	**105**
Chung Chi Ping Roy	**105**	**–**	**–**	**105**
	315	**5,682**	**165**	**6,162**
For the year ended 31 March 2012				
Executive Directors:				
Sun Kwok Wah Peter	–	1,791	82	1,873
Wong Chi Kwok	–	–	–	–
Lam Kin Shun	–	1,167	12	1,179
Chow Suen, Christina	–	996	34	1,030
	–	3,954	128	4,082

21 Directors' and Senior Management's Remuneration (Continued)

(b) Five highest paid individuals

The remuneration of the five highest paid individuals for the years ended 31 March 2013 and 2012 are set out below:

	2013 HK$'000	2012 HK$'000
Short-term employee benefits	**9,940**	7,274
Post-employment benefits – defined contribution plans	**149**	117
	10,089	7,391

The five individuals whose remuneration were the highest in the Group include two directors for the years ended 31 March 2013 and 2012, respectively, whose remuneration are reflected in the analysis presented above.

The remuneration paid to the remaining individuals are as follows:

	2013 HK$'000	2012 HK$'000
Short-term employee benefits	**5,564**	4,316
Post-employment benefits – defined contribution plans	**38**	24
	5,602	4,340

The remuneration fell within the following band:

	Number of individuals	
	2013	2012
Remuneration band		
HK$1,000,001 to HK$2,000,000	**3**	3

(c) For the year ended 31 March 2013, no remuneration were paid by the Group (2012: nil) to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which a director or the five highest paid individuals waived or agreed to waive any of the remuneration.

22 Finance Costs, Net

	2013 HK$'000	2012 HK$'000
Finance income		
Interest income on bank deposits	**297**	470
Finance costs		
Interest expense on bank borrowings wholly repayable within five years	**(6,315)**	(2,883)
Finance costs, net	**(6,018)**	(2,413)

23 Income Tax Expenses

	2013 HK$'000	2012 HK$'000
Current income tax – Hong Kong		
Provision for the year	**5,752**	15,046
(Over)/under-provision in respect of prior years	**(1,689)**	1,522
	4,063	16,568
Current income tax – the PRC		
Provision for the year	**9,920**	4,671
Over-provision in respect of prior years	**(1,237)**	(694)
	8,683	3,977
Deferred income tax		
Origination and reversal of temporary differences (note 14)	**(3,600)**	2,519
	9,146	23,064

Income tax of the Group's entities has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the entities operate.

Below are the major tax jurisdictions that the Group operates in for the years ended 31 March 2013 and 2012.

(a) Hong Kong profits tax

The Group is subject to Hong Kong profits tax which is provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year ended 31 March 2013.

(b) The PRC enterprise income tax (the "PRC EIT")

The PRC EIT is provided on the assessable income of the companies now comprising the Group derived from the PRC, adjusted for those items which are not taxable or deductible for the PRC EIT purpose.

23 Income Tax Expenses (Continued)

(b) The PRC enterprise income tax (the "PRC EIT") (Continued)

The below table summarises the income tax rates applicable to the Group's PRC subsidiaries for the fiscal years ended 31 December 2013, 2012 and 2011.

	2013	2012	2011
KPP SU (note (i))	**15%**	15%	15%
KRP SZ (note (ii))	**25%**	12.5%	12%
KRP SH (note (iii))	**25%**	12.5%	12.5%

Notes:

(i) On 22 September 2009, KPP SU 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%. KPP SU applies for such preferential tax rate starting from 1 January 2010 after the expiry of the 5-Year Tax Concession.

(ii) Kingdom (Reliance) Precision Parts (Shenzhen) Manufactory Limited ("KRP SZ") was incorporated in Shenzhen Special Economic Zone and was entitled to 5-Year Tax Concession. The first year of profitable operation of KRP SZ was the fiscal year ended 31 December 2008.

Pursuant to the PRC EIT Law passed by the Tenth National People's Congress on 16 March 2007 (the "New PRC EIT Law"), the new EIT for domestic and foreign enterprises is unified at 25%, which is effective from 1 January 2008 onwards. The New PRC EIT Law also provides for a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the New PRC EIT Law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. On 26 December 2007, the State Council issued the "Circular to Implementation of the Transitional Preferential Policies for the Enterprise Income Tax". Pursuant to this Circular, the transitional income tax rates of companies established in Shenzhen Special Economic Zone before 31 March 2007 should be 25% for the fiscal years ended 31 December 2013 and 2012.

After promulgation of the New PRC EIT Law, the 5-Year Tax Concession enjoyed by KRP SZ continued to be applied. The first profit making year of KRP SZ after offsetting of cumulative carry-forward losses is 2008, the enacted tax rate applicable to KRP SZ in 2012 is 12.5% (being 50% of the enacted EIT rate for 2011) and 25% (being 100% of the EIT rate for 2013).

(iii) Kingdom Reliance Mechatronic Components (Shanghai) Manufactory Limited ("KRP SH") was incorporated in Shanghai. KRP SH was entitled to 5-Year Tax Concession with their first year of profitable operation commenced on the fiscal year ended 31 December 2008. According to the 5-Year Tax Concession, KRP SH was exempted from the PRC EIT for the fiscal years ended 31 December 2009 and 2008 and enjoyed EIT rate at 12.5% (being 50% of the EIT rate) for 2012 and 25% (being 100% of the EIT rate) for 2013.

23 Income Tax Expenses (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the entities, as follows:

	2013 HK$'000	2012 HK$'000
Profit before income tax	**49,301**	117,457
Tax calculated at the standard tax rate of the respective entities	**12,741**	22,208
Income not subject to tax	**(1,759)**	(5,613)
Expenses not deductible for tax purpose	**5,369**	5,857
Tax concession (note (i))	**(3,105)**	(1,727)
(Over)/under-provision in prior years	**(2,926)**	828
Tax effect arising from transferring certain equipment to a PRC subsidiary	**(3,313)**	–
Withholding income tax on undistributed profits	**3,088**	1,511
Utilisation of previously unrecognised tax loss	**(949)**	–
Income tax expenses	**9,146**	23,064
The effective tax rate	**19%**	20%

Note:

(i) Tax concession represents enterprise income tax waived/reduced under the 5-Year Tax Concession and preferential tax rate as being a "National High and New Technology Enterprises".

24 Earnings per Share

	2013 HK$'000	2012 HK$'000
Profit attributable to the equity holders of the Company (HK$'000)	**40,155**	94,393
Weighted average number of shares in issue ('000)	**600,000**	600,000
Basic and diluted earnings per share (HK cents per share)	**6.69**	15.73

The calculation of the basic earnings per share for the years ended 31 March 2013 and 2012 is based on the profit attributable to the equity holders of the Company of HK$40,155,000 (2012: HK$94,393,000), and on the assumption that 600,000,000 (2012: 600,000,000) ordinary shares, comprising an aggregate of global offering of 150,000,000 ordinary shares and capitalisation issue of 449,000,000 ordinary shares have been in issue throughout the periods.

The Group had no potentially dilutive ordinary share (i.e. share option and warrants) in issue during the years ended 31 March 2013 and 2012.

25 Note to Consolidated Statement of Cash Flows

Reconciliation of profit before income tax to net cash generated from operations:

	2013 HK$'000	2012 HK$'000
Profit before income tax	**49,301**	117,457
Depreciation on property, plant and equipment	**29,792**	25,381
Amortisation of intangible assets	**3,769**	–
Unrealised gain on derivative financial instruments	**(61)**	(329)
Gain on disposal of property, plant and equipment	**(10,342)**	(26,373)
Finance income	**(297)**	(470)
Finance costs	**6,315**	2,883
Operating profit before changes in working capital	**78,477**	118,549
Increase in inventories	**(5,859)**	(1,270)
Increase in trade and other receivables	**(19,738)**	(9,134)
Increase in trade and other payables	**16,078**	12,308
Net cash generated from operations	**68,958**	120,453

26 Dividends

On 2 May 2012 and 26 June 2012, the Group declared dividends of HK$53,646,000 and HK$31,582,000, respectively, to its then shareholders and have been fully paid by the Group.

For the year ended 31 March 2012, dividends totaling to HK$85,579,000 were declared and fully paid.

At a meeting held on 19 June 2013, the Directors proposed a final dividend of HK2.0 cents per share. This proposed dividend is not reflected as dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 March 2014.

27 Business Combination

On 29 March 2012, the Group acquired the product assembly business from a third party customer, who sourced precision metal part products from the Group, for a consideration of US$5,000,000 (equivalent to HK$38,750,000).

As a result of the acquisition, the Group is able to enter into the assembly business of the data storage automation integration business and secure the original orders from the third party customer. The goodwill of HK$24,540,000 arising from the acquisition is attributable to the future economic benefit and economies of scale from incorporating the operations of the product assembly business with the Group. The goodwill and the intangible asset recognised are not expected to be deductible for income tax purposes.

27 Business Combination (Continued)

The following table summarises the consideration paid to the third party customer and the fair value of assets acquired at the acquisition date.

	HK$'000
Total consideration	
At 29 March 2012	
– Cash	38,750
Recognised amounts of identifiable assets and liabilities acquired	
Property, plant and equipment (note 5)	1,623
Contractual customer relationships (note 6)	15,074
Deferred tax liabilities (note 14)	(2,487)
Goodwill (note 6)	24,540
	38,750

Following the acquisition, service fee income would be generated by the Group from the provision of product assembly service presented in the consolidated financial statements as "revenue".

28 Commitments

(a) Capital commitments

	2013 HK$'000	2012 HK$'000
Authorised but not contracted for		
– Plant and machinery	**–**	37,710
Contracted but not provided for		
– Leasehold land and buildings	**63,426**	48,850
– Capital investment	**7,235**	–
	70,661	48,850

(b) Operating lease commitments

The Group acts as lessee under operating leases. The Group had future minimum lease payments under non-cancellable operating leases of land use rights and buildings as follows:

	2013 HK$'000	2012 HK$'000
Within 1 year	**25,655**	27,341
Later than 1 year and not later than 5 years	**84,676**	88,039
Later than 5 years	**11,773**	28,066
	122,104	143,446

These leases typically run for an initial period of one to ten years. Certain of the operating leases contain renewal options which allow the Group to renew.

29 Contingent Liabilities

During the years ended 31 March 2013 and 2012, the Group and the Company had provided guarantee as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings drawn by a related company	**–**	12,500	**–**	–
Bank borrowings draw by subsidiaries of the Company	**–**	–	**211,024**	–

30 Significant Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Name and relationship with related parties

Name	Relationship
EuAuto International Limited	A company in which Sun Kwok Wah Peter is a shareholder.
EuAuto Technology Limited	An entity in which EuAuto International Limited has equity interest.
Gold Joy (HK) Industrial Limited	A related company owned by Chow Suen Christina; Wong Chi Kwok; Yau Lam Chuen; and Yung Ching Tak.
Innotech Advanced Products Limited	A subsidiary of Gold Joy (HK) Industrial Limited.
Kingdom Group Limited	A wholly owned subsidiary of KIG.
Kingdom International Group Limited	A company held by the underlying controlling shareholders before the Reorganisation, and the ultimate holding company of the Group after the Reorganisation.
Sun Kwok Wah Peter	One of the underlying controlling shareholders of the Group.
Kingsway Investment (Group) Limited	A company in which Sun Kwok Wah Peter is a shareholder.
Dongguan Tech-in Electrical & Mechanical Products Limited	A subsidiary of Innotech Advanced Products Limited.

30 Significant Related Party Transactions (Continued)

(b) Sales and purchase of products

During the year, the Group had the following material transactions with related parties, which were entered into at terms mutually agreed.

(i) Continuing transactions:

	2013 HK$'000	2012 HK$'000
Sales of products to a related company:		
Innotech Advanced Products Limited	**43**	114
Purchase of products from related companies:		
Innotech Advanced Products Limited	**3,247**	3,869
Dongguan Tech-in Electrical & Mechanical Products Limited	**1,834**	3,833

(ii) Non-continuing transactions:

Other income from related companies:		
Kingsway Investment (Group) Limited	–	12
EuAuto International Limited	–	33
	–	45

Other income from related companies represents accounting and secretarial cost recharged to related companies.

30 Significant Related Party Transactions (Continued)

(c) Balances with ultimate holding company, fellow subsidiary and related companies

	2013 HK$'000	2012 HK$'000
Trade receivables from a related company		
Innotech Advanced Products Limited	–	29
Other receivables from ultimate holding company, fellow subsidiary and related companies		
EuAuto Technology Limited	–	3
Kingdom Group Limited	–	19
Kingdom International Group Limited	–	58
	–	109
Trade payables to related companies		
Innotech Advanced Products Limited	**(458)**	(800)
Dongguan Tech-in Electrical & Mechanical Products Limited	**(343)**	(327)
	(801)	(1,127)

(d) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	2013 HK$'000	2012 HK$'000
Short-term employee benefits	**10,944**	9,717
Post-employment benefits – defined contribution plans	**214**	130
Other long-term benefits	**16**	25
	11,174	9,872

31 Segment Information

The chief operating decision-maker has been identified as the executive directors and senior management collectively. Prior to the Listing, the chief operating decision-maker has been identified as the shareholders management of the Group. They review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports.

The executive directors and senior management, and the shareholders management considered the nature of the Group's business and determined that the Group has five reportable operating segments as follows:

(i) Office automation

(ii) Medical and test equipment

(iii) Finance equipment

(iv) Consumer electronics

(v) Network and data storage

The executive directors and senior management, and the shareholders management collectively assess the performance of the operating segments based on revenue and gross profit percentage of each segment.

31 Segment Information (Continued)

(a) The segment information provided to the executive directors and senior management collectively for the reportable segments for the year ended 31 March 2013 is as follows:

	Office automation HK$'000	Medical and test equipment HK$'000	Finance equipment HK$'000	Consumer electronics HK$'000	Network and data storage HK$'000	Others HK$'000	Total HK$'000
Segment revenue (all from external customers)	**301,639**	**213,328**	**59,927**	**161,786**	**48,402**	**61,425**	**846,507**
Cost of sales	**(279,476)**	**(149,651)**	**(40,712)**	**(88,590)**	**(31,158)**	**(51,621)**	**(641,208)**
Gross profit	**22,163**	**63,677**	**19,215**	**73,196**	**17,244**	**9,804**	**205,299**
Gross profit %	**7.3%**	**29.8%**	**32.1%**	**45.2%**	**35.6%**	**16.0%**	**24.3%**
Other gains, net							**7,800**
Distribution and selling expenses							**(17,631)**
General and administrative expenses							**(140,149)**
Operating profit							**55,319**
Finance income							**297**
Finance costs							**(6,315)**
Profit before income tax							**49,301**
Income tax expenses							**(9,146)**
Profit for the year							**40,155**

31 Segment Information (Continued)

(b) The segment information provided to the shareholders management for the reportable segments for the year ended 31 March 2012 is as follows:

	Office automation HK$'000	Medical and test equipment HK$'000	Finance equipment HK$'000	Consumer electronics HK$'000	Network and data storage HK$'000	Others HK$'000	Total HK$'000
Segment revenue (all from external customers)	348,702	199,682	55,475	226,553	52,311	68,695	951,418
Cost of sales	(321,729)	(137,911)	(37,307)	(121,218)	(41,215)	(57,538)	(716,918)
Gross profit	26,973	61,771	18,168	105,335	11,096	11,157	234,500
Gross profit %	7.7%	30.9%	32.8%	46.5%	21.2%	16.2%	24.6%
Other gains, net							29,052
Distribution and selling expenses							(19,391)
General and administrative expenses							(124,291)
Operating profit							119,870
Finance income							470
Finance costs							(2,883)
Profit before income tax							117,457
Income tax expenses							(23,064)
Profit for the year							94,393

31 Segment Information (Continued)

(c) Revenue from external customers in the PRC, North America, Europe, Japan, Singapore, Oceania, South America and other Asian countries is as follows:

	2013 HK$'000	2012 HK$'000
The PRC	**576,349**	514,185
North America	**106,834**	100,720
Europe	**68,379**	55,750
Japan	**56,298**	70,389
Singapore	**24,423**	192,330
Oceania	**2,446**	2,607
South America	**465**	494
Other Asian countries excluding the PRC, Singapore and Japan	**11,313**	14,943
	846,507	951,418

(d) The total of non-current assets, other than intangible asset, goodwill and deferred income tax assets of the Group as at 31 March 2013 and 2012 are as follows:

	2013 HK$'000	2012 HK$'000
The PRC	**217,696**	176,832
Hong Kong	**6,390**	5,041
	224,086	181,873

(e) During each of the years ended 31 March 2013 and 2012, revenue derived from one and three customers, respectively, accounted for 10% or more of the Group's total revenue. These customers were in the consumer electronics, medical and test equipment and office automation segments.

The revenue attributed from these customers are as follows:

	2013 HK$'000	2012 HK$'000
Segment of which these customers belong to		
Consumer electronics	**–**	181,919
Medical and test equipment	**–**	97,617
Office automation	**90,478**	108,640
	90,478	388,176

Four Year Financial Summary

Set out below is a summary of the financial information of the Group for the last four financial years.

	Years ended 31 March			
	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Results				
Revenue	**846,507**	951,418	821,062	536,613
Cost of sales	**(641,208)**	(716,918)	(572,418)	(411,079)
Gross profit	**205,299**	234,500	248,644	125,534
Other gains/(losses), net	**7,800**	29,052	2,143	(1,822)
Distribution and selling expenses	**(17,631)**	(19,391)	(12,236)	(9,814)
General and administrative expenses	**(140,149)**	(124,291)	(83,836)	(72,902)
Operating profit	**55,319**	119,870	154,715	40,996
Finance income	**297**	470	222	240
Finance costs	**(6,315)**	(2,883)	(671)	(552)
Profit before income tax	**49,301**	117,457	154,266	40,684
Income tax expenses	**(9,146)**	(23,064)	(28,785)	(7,200)
Profit for the year	**40,155**	94,393	125,481	33,484
Other comprehensive income for the year, net of tax				
Currency translation differences	**4,390**	10,797	9,443	1,119
Total comprehensive income	**44,545**	105,190	134,924	34,603
Profit for the year attributable to:				
Equity holders of the Company	**40,155**	94,393	125,481	33,484
Total comprehensive income attributable to:				
Equity holders of the Company	**44,545**	105,190	134,924	34,603
Earnings per share for profit attributable to equity holders of the Company				
– Basic and diluted (HK cents)	**6.69**	15.73	20.9	5.6
Dividends	**85,228**	85,579	26,790	–

Four Year Financial Summary

	As at 31 March			
	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**871,035**	732,856	616,914	497,403
Total liabilities	**(377,512)**	(284,685)	(188,354)	(161,647)
Net assets	**493,523**	448,171	428,560	335,756

Basis of Presentation

The Reorganisation has been accounted for using merger accounting and, accordingly, the financial information for the years ended 31 March 2013, 2012, 2011 and 2010 as contained in "Four Year Financial Summary" had been prepared as if the structure of the Group resulting from the Reorganisation had been in existence throughout the years.