

# KFM KINGDOM



KFM KINGDOM HOLDINGS LIMITED

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

## INTERIM REPORT 2014



Our goals are far and high  
We cultivate for **TOMORROW**



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# 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

Prof. Chung Chi Ping Roy

## Nomination committee

Mr. Sun Kwok Wah Peter (*Chairman*)

Mr. Lam Hon Keung Keith

Prof. Chung Chi Ping Roy

## Headquarters and principal place of business in Hong Kong

Workshop C, 31/F, TML Tower

3 Hoi Shing Road, Tsuen Wan

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

(from 1 April 2014 to 31 July 2014)

## Legal adviser as to Hong Kong law

Chiu & Partners

## Auditor

PricewaterhouseCoopers

## Principal bankers

DBS Bank (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

# Corporate Information

## **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  
Level 22, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## **Website**

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

## **Stock code**

3816

# Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors” and each a “Director”) of KFM Kingdom Holdings Limited (the “Company” and together with its subsidiaries collectively referred to as the “Group”) is pleased to present the interim results of the Group for the six months ended 30 September 2014 (the “Reporting Period”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), together with the comparative figures for the corresponding period of 2013.

The interim results and the interim condensed consolidated financial information of the Group for the Reporting Period, after being reviewed by the audit committee of the Company (the “Audit Committee”) and by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, were approved by the Board on 18 November 2014.

## Business review

During the Reporting Period, the Group has shown a continued growth momentum.

During the six months ended 30 September 2014, the Group recorded revenue which amounted to approximately HK\$563.4 million, with an increase of approximately HK\$74.9 million, or 15.3% as compared to the corresponding period in 2013. In our traditional precision metal processing business, the growth is mainly caused by an overall increase in demand from our customers in the office automation, medical and test equipment, as well as finance equipment sectors. Such increase in revenue was mainly as a result of an increase in number of orders placed by our customers to us, driven by the introduction of new product models or upgrades of existing product models which induces additional demand for our products or metal processing services. On the other hand, we have also seen continued organic growth in orders placed from our existing customers on existing product models. With nearly 30 years of experience in the industry, the Group has developed long term sustainable relationship with our key customers. Their trust in our ability to provide high quality and reliable precision metal processing services and our total solution to their manufacturing need is the key element for them to continue increasing order from us. In order to diversify our scope of business, the Group has also started engaging in automobile molding business, which has also contributed to our top line growth.

## Management Discussion and Analysis

During the Reporting Period, we have added in additional resources to streamline our operation. As a result of our continued effort in enhancing our production efficiency by restructuring our product portfolio, our gross profit margin has improved from approximately 23.4% during the last comparative period to approximately 24.1% during the Reporting Period. The Group will continue its effort to reduce production costs through various means to further improve profitability.

As part of our strategic development, the Group is also developing its own-branded kiosk products. Differing from the traditional kiosk products in the market, our kiosk products are equipped with more advanced design and transactional functions to suit a wide variety of customers in the retail, hospitality, leisure, telecom, healthcare, education and transport market. During the Reporting Period, the business was still at its start-up phase but we have received orders continuously from customers in Hong Kong and South East Asia. Although it is inevitable that we need to incur startup costs during the Reporting Period, which has an unfavourable effect on our income statement, our Directors considered that such costs may prove to be good investments.

The medical industry is a fast growing sector in the Chinese economy, mainly fueled by the improving living standard and Chinese citizen's increasing concern over health and wellness. During the Reporting Period, the construction work of our new Suzhou production base was under-going well on schedule. Situated at the Suzhou New District, our new Suzhou production base is located in close proximity of industries which are engaged in the medical equipment and test equipment industry. Situated in such strategic location, the Suzhou production base shall become a comprehensive production hub to focus on providing high value-adding medical and test equipment metal processing and assembly businesses to our customers which are engaged in the industry. As at the date of this interim report, the foundation work as well as the construction of the main body was close to completion. Followed by the construction of the relevant supportive facilities and in-house renovation work, we expect phase one of the new Suzhou production base shall commence its operation in 2015. Capitalising on our years of experience in serving world renowned customers in the medical sector, the development of the new Suzhou production base shall bring new growth momentum and promising business potential.

# Management Discussion and Analysis

## Financial review

### Revenue

For the six months ended 30 September 2014, revenue of the Group reached approximately HK\$563.4 million, representing an increase of approximately HK\$74.9 million or 15.3% from approximately HK\$488.5 million for the corresponding period last year. Set out below is a breakdown of our revenue by business segments:

	Six months ended 30 September			
	2014		2013	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Metal Stamping	<b>424,630</b>	<b>75.4</b>	351,912	72.0
Metal Lathing	<b>138,765</b>	<b>24.6</b>	136,584	28.0
	<b>563,395</b>	<b>100.0</b>	488,496	100.0

Metal stamping is the process of bending, forming and cutting a sheet metal into the desired shape and size through the use of a die on a stamping machine. It includes computer numerical control ("CNC") metal plate processing which is also used for producing stamped metal parts. The metal stamping process is usually employed to produce products to customers engaged in various industries, including office automation, medical and test equipment, finance equipment, network and data storage and consumer electronics. Metal lathing includes two categories of metal production processes, namely cam-operated automatic lathing and CNC lathing. It is a metal cutting operation, in which a work piece is fast spinning while the blade is moving on a plane in a linear or curvilinear track, so as to remove excess material from a work piece to produce parts in desired shapes. The process is used to shape the inner and outer cylindrical surface, end surface, cone surface, finished surface and screw thread, etc. The metal lathing process is usually employed to produce products mainly to customers engaged in the consumer electronics and medical and test equipment industries.

Revenue from the metal stamping segment increased by approximately HK\$72.7 million or 20.7% from approximately HK\$351.9 million for the six months ended 30 September 2013 to approximately HK\$424.6 million for the six months ended 30 September 2014. The improvement was mainly due to an increase in revenue from customers who are engaged in the office automation, medical and test equipment and finance equipment industries. Our Group involved in the automotive toolings business during the Reporting Period also contributed to the increase in revenue of the metal stamping segment.

## Management Discussion and Analysis

Revenue from the metal lathing segment increased by approximately HK\$2.2 million or 1.6% from approximately HK\$136.6 million for the six months ended 30 September 2013 to approximately HK\$138.8 million for the six months ended 30 September 2014. The slight improvement was mainly caused by the increased demand from our Ultimate Customer's (as defined in our prospectus for global offering dated 28 September 2012 (the "Prospectus")) products in the market during the Reporting Period.

Geographically, the PRC, North America, Europe and Japan continued to be the major markets of the Group's products. They accounted for approximately 64.0%, 20.7%, 7.7% and 3.6% of our Group's revenue respectively for the six months ended 30 September 2014. Details of revenue generated by different geographical location are set out in Note 6(c) of this interim condensed consolidated financial information.

### Cost of sales

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

	Six months ended 30 September			
	2014		2013	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Direct materials	<b>221,046</b>	<b>51.7</b>	206,580	55.2
Direct labour	<b>93,388</b>	<b>21.8</b>	88,292	23.6
Processing fee	<b>49,902</b>	<b>11.7</b>	39,931	10.7
Other direct overheads	<b>63,142</b>	<b>14.8</b>	39,274	10.5
	<b>427,478</b>	<b>100.0</b>	374,077	100.0

During the six months ended 30 September 2014, cost of sales of the Group increased by approximately 14.3% or HK\$53.4 million as compared to the corresponding period last year. The increase was largely in line with the growth in total revenue. The percentage of cost of sales to the total revenue was approximately 75.9%, representing a decrease of 0.7%, as compared to approximately 76.6% in the corresponding period of last year. This was primarily due to the increase in revenue contributed from the high margin metal parts in which less direct materials were consumed.



# Management Discussion and Analysis

## Gross profit and gross profit margin

During the six months ended 30 September 2014, our gross profit was approximately HK\$135.9 million, representing an increase of approximately 18.8% as compared to the corresponding period in 2013. It was mainly due to an increase in overall sales by approximately 15.3%.

For the Reporting Period, the gross profit margin of the Group was approximately 24.1% which increased by 0.7% as compared to approximately 23.4% in the corresponding period in 2013. This was primarily due to an increase in the selling price of certain metal parts from the metal stamping segment. In terms of the revenue and gross profit margin, the metal stamping segment increased from approximately HK\$351.9 million and 16.2% for the six months ended 30 September 2013 to approximately HK\$424.6 million and 19.5% for the Reporting Period, which in turn contributed to an increase of approximately 3.0% of the Group's overall gross profit margin. Such impact was partly offset by the reduction in gross profit margin of the Group's metal lathing segment from approximately 42.0% for the six months period ended 30 September 2013 to approximately 38.2% for the period ended 30 September 2014. The decrease was mainly attributed to the reduction of the selling price in certain metal parts from the metal lathing segment. This contributed to a decrease of approximately 2.3% of the Group's gross profit margin. For details of the gross profit margin of the Group's two business segments, please refer to Note 6(a) of this interim condensed consolidated financial information.

## Other gains/(losses), net

During the six months ended 30 September 2014, the Group recorded other gains, net which amounted to approximately HK\$1.0 million. In the corresponding period of 2013, the Group recorded other losses, net of approximately HK\$0.6 million. The increase was mainly due to the arising of net foreign exchange gains of approximately HK\$0.5 million being recorded during the Reporting Period. Net exchange losses of approximately HK\$1.5 million was recorded for the six months ended 30 September 2013.

## 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 for the sales and marketing staff, travelling and transportation costs, and marketing expenses. Distribution and selling expenses were approximately HK\$15.8 million and HK\$10.0 million for the six months ended 30 September 2014 and 2013, respectively. The increase in distribution and selling expenses was mainly attributed to the business development cost and additional shipping expenses of approximately HK\$4.7 million incurred in respect of the new business.

# Management Discussion and Analysis

## General and administrative expenses

General and administrative expenses comprised primarily of salaries and related costs for key management, our finance and administration staff, rental expenses, depreciation and professional and related costs incurred by the Group.

The general and administrative expenses of the Group increased from approximately HK\$66.7 million for the six months ended 30 September 2013 to approximately HK\$77.6 million for the six months ended 30 September 2014.

The increase was primarily due to an increase in (i) employment expenses as a result of the increment in statutory minimum wages in the PRC, additional personnel hired to streamline the production process in PRC factories, payment to retired senior management of PRC subsidiaries and performance bonus paid; (ii) additional depreciation made due to the acquisition of the office for the Group's headquarter in Hong Kong; and (iii) additional operational costs was incurred by a newly established subsidiary.

## Finance costs

Our finance costs of approximately HK\$2.3 million during the Reporting Period (for the six months ended 30 September 2013: approximately HK\$4.0 million) represented interest expenses on bank borrowings. Decrease in finance costs were mainly due to the decrease in average balances of bank borrowings during the Reporting Period as compared to corresponding period last year and capitalisation of portion of finance costs.

## Income tax expenses

Our income tax expenses amounted to approximately HK\$11.3 million and HK\$8.2 million, for the six months period ended 30 September 2014 and 2013, respectively. The increase was attributable primarily to the higher taxable profit recorded for the Reporting Period.

Our effective tax rate increased from approximately 24.4% for the six months period ended 30 September 2013 to approximately 27.0% for the six months ended 30 September 2014. The increase of the effective tax rate was mainly due to the fact that there was no reversal of over-provision of corporate income tax for the Reporting Period under review and such reversal was made in the corresponding period last year.

## Profit attributable to equity holders of the Company

For the six months ended 30 September 2014, profit attributable to equity holders of the Company amounted to approximately HK\$30.8 million, representing an increase of 17.5% as compared to the corresponding period in 2013. The increase of net profit was mainly attributable to the increase in revenue during the Reporting Period.

# Management Discussion and Analysis

## Liquidity, financial and capital resources

### Financial resources and liquidity

Our current assets comprise mainly of cash and bank balances, trade and other receivables and inventories. Our total current assets amounted to approximately HK\$505.2 million and HK\$483.7 million as at 30 September 2014 and 31 March 2014 respectively, which represented approximately 54.6% and 56.8% of our total assets as at 30 September 2014 and 31 March 2014, respectively.

### Capital structure

The Group's capital structure is summarised as follows:

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Bank borrowings	157,623	150,450
Bank overdrafts	–	184
Total debts	157,623	150,634
Less: Cash and cash equivalents	(131,433)	(105,390)
Restricted bank deposit	–	(23,400)
Net debt	26,190	21,844
Shareholders' equity	545,424	515,206
Total capitalisation*	571,614	537,050
Gearing ratio		
– Total debt to shareholders' equity <sup>#</sup>	28.9%	29.2%
– Net debt to shareholders' equity <sup>##</sup>	4.8%	4.2%

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

<sup>#</sup> Total debt to shareholders' equity ratio is calculated based on total debts divided by shareholders' equity at the end of the respective periods

<sup>##</sup> Net debt to shareholders' equity ratio is calculated based on net debt divided by shareholders' equity at the end of the respective periods

# Management Discussion and Analysis

The Group's primary sources of funds came from cash generated from operating activities. The Group had recorded net cash inflow from operating activities of approximately HK\$36.6 million and HK\$82.9 million for the six months period ended 30 September 2014 and 2013, respectively.

Details of the Group's bank loans and other borrowings as at 30 September 2014 are set out in Note 21 in this interim condensed consolidated financial information.

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 borrowings. The Directors will review the capital structure regularly. As part of such review, the 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 six months ended 30 September 2014, the Group acquired property, plant and equipment of approximately HK\$72.6 million as compared to the six months ended 30 September 2013 of approximately HK\$106.9 million.

The capital expenditure was mainly for construction costs of approximately HK\$55.2 million for the new production base in Suzhou and other property, plant and equipment of approximately HK\$17.4 million during the normal and ordinary course of our business.

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

## Charges on the Group's assets

As at 30 September 2014, the Group's bank borrowings HK\$16,549,000 were secured by the land and buildings with a carrying amount of HK\$45,796,000. As at 31 March 2014, the Group's bank borrowings and bank overdrafts of HK\$99,956,000 were secured by bank deposits of HK\$23,400,000 and the Group's bank borrowings of HK\$50,678,000 were secured by the land and buildings with a carrying amount of HK\$46,500,000.

## 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 United States dollars.

# Management Discussion and Analysis

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. 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 our Group entities.

## Capital commitments and operating lease commitments

Details of the Group's capital commitments and operating lease commitments as at 30 September 2014 are set out in Note 22(a) and Note 22(b) in this interim condensed consolidated financial information.

## Contingent liabilities

As at 30 September 2014, the Group had no material contingent liabilities.

## Outlook and strategy

In spite of heightened competition within the industry, we are cautiously optimistic towards our overall business outlook.

In our traditional market, we will stick to our principal strategy to commit top product quality and service to our customers in order to distinguish ourselves from our competitors. We shall continue to find out effective measures to reduce production cost and enhance production efficiency. In particular, we will continue our effort in enhancing production efficiency through the use of robotic automation in our production process. While maintaining close relationship with our existing customers and securing continued orders from them, we continue to explore and co-develop high value-added products with our customers, for example, in the medical industry. We are optimistic that, when completed, the Suzhou new production base shall bring us a fresh growth momentum.

With our solid long term relationship with our major customers, our extensive business knowledge in the industry and our core values of commitment to top product quality, we dedicate ourselves to maximise the return to our shareholders.

## Employees and remuneration policy

As at 30 September 2014, the Group had a total number of 2,852 full-time employees (as at 30 September 2013: 2,914). The Group determined the remuneration packages of all employees based on several factors including individual qualifications, contribution to the Group, performance and years of experience of the respective staff.

## Management Discussion and Analysis

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 regards to industry quality and work safety.

The Group maintains good relationships with our employees. We have not had any labour strikes or other labour disturbances that would have interfered with our operations during the Reporting Period.

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

### Use of proceeds from the share offer

The shares of the Company (the “Shares”) were listed on the Main Board of the Stock Exchange on 15 October 2012 and raised net proceeds of approximately HK\$85.6 million. As at 30 September 2014, the unused proceeds of approximately HK\$24.4 million were deposited with licensed banks in Hong Kong and the PRC.

As at 30 September 2014, the net proceeds had been utilised as follows:

	Actual net proceeds HK\$ million	Actual utilisation up to 30 September 2014 HK\$ million	Balance as at 30 September 2014 HK\$ million
For the purchase of a piece of land in Suzhou	58.0	33.6	24.4
For the construction of production facilities in Suzhou	27.6	27.6	–
	85.6	61.2	24.4

### Updates on compliance and regulatory matters as disclosed in the Prospectus

#### Long term relocation plan

As disclosed in 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.

## Management Discussion and Analysis

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") and a leased 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 interim 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.

# Management Discussion and Analysis

## 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 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) 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 interim 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.

## 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.



## Management Discussion and Analysis

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 Reporting Period, no option was granted, exercised, cancelled, lapsed or outstanding under the Share Option Scheme. As at the date of this Interim Report, the total number of Shares available for issue under the Share Option Scheme was 60,000,000, representing 10% of the issued share capital of the Company.

### **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 30 September 2014, 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

## Management Discussion and Analysis

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 (note 6)
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, 6 & 7)	75%
Mr. Wong Chi Kwok ("David Wong")	Company	Interests of Concert Party (note 3)	450,000,000 Shares (L) (note 2, 6 & 7)	75%
Mr. Lam Kin Shun ("Banson Lam")	Company	Interests of Concert Party (note 3)	450,000,000 Shares (L) (note 2, 6 & 7)	75%
Peter Sun	Kingdom International Group Limited ("KIG")	Beneficial owner	4,239 shares (note 4 & 7)	42.39%
David Wong	KIG	Beneficial owner	1,244 shares (note 7)	12.44%
Banson Lam	KIG	Beneficial owner	867 shares (note 7)	8.67%
Ms. Chung Sin Ling	KIG	Interest of controlled corporation (note 5)	35 shares	0.35%

# Management Discussion and Analysis

## Notes:

1. The letter "L" denotes our Directors' long position in the shares of our Company or the relevant associated corporation.
2. As at 30 September 2014, these Shares were held by KIG, which is owned as to 42.39% by Mr. Peter Sun, among the 4,239 shares (representing 42.39% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 135 shares (representing 1.35% 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 12.44% by Mr. David Wong, as to 12.44% by Mr. Yau Lam Chuen, as to 9.12% by Mr. Yung Ching Tak, as to 8.67% by Mr. Banson Lam, as to 6.17% by Mr. Chan Lin On, as to 3.09% by Mr. Yeung Man Chiu.
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"), KRP-Shenzhen, Kingdom Reliance Mechatronic Components (Shanghai) Manufactory Limited ("KRP-Shanghai"), Kingdom Fine Metal Limited ("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. As at 30 September 2014, among the 4,239 shares (representing 42.39% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 135 shares (representing 1.35% of the total issued share capital of KIG) were held by him as trustee on trust for the share award plan of KIG. During the Reporting Period, Mr. Peter Sun reduced the shareholding of KIG held by him from 4,670 shares to 4,239 shares. It was due to Mr. Peter Sun sold 346 shares of KIG to Sunny Nova Limited, a wholly owned company of Mr. He Lin, the nephew-in-law of Mr. Peter Sun and general manager of the Group, and transferred 85 shares in accordance with the share award plan of KIG by the instruction of KIG as stated in note 5 below.
5. During the Reporting Period, KIG awarded 35 shares and 50 shares to 2S Concept Link Limited, a company wholly-owned by Ms. Chung Sin Ling, and Sunny Nova Limited respectively in accordance with the share award plan of KIG.
6. KIG sold 3,825,000 Shares in the market on 7 October 2014. As a result, KIG holds 446,175,000 Shares or 74.36% of the issued Shares as at the date of this report.
7. The share award plan of KIG was terminated on 22 October 2014, and KIG repurchased 85 ordinary shares from Mr. Peter Sun, as the trustee of the share award plan of KIG, on 22 October 2014, while the remaining 50 shares of KIG held by Mr. Peter Sun as trustee for the share award plan of KIG is to be held by Mr. Peter Sun as the new trustee for the new share award plan of KIG adopted on 22 October 2014. As a result, KIG is owned as to approximately 41.90% by Mr. Peter Sun, among the 4,154 shares (representing approximately 41.90% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 50 shares (representing approximately 0.50% of the total issued share capital of KIG) were held by him as trustee on trust for the new share award plan of KIG, as to approximately 12.55% by Mr. David Wong, as to approximately 12.55% by Mr. Yau Lam Chuen, as to approximately 9.20% by Mr. Yung Ching Tak, as to approximately 8.74% by Mr. Banson Lam, as to approximately 6.22% by Mr. Chan Lin On, as to approximately 3.12% by Mr. Yeung Man Chiu as at the date of this report.

# Management Discussion and Analysis

## Substantial shareholders', other persons' interests and short positions in Shares and underlying Shares

As at 30 September 2014, 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 & 11)	Approximate shareholding percentage (Note 11)
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 & 12)	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 & 12)	75%
Ms. Wen Shi Fang (Note 8)	Company	Interest of spouse	450,000,000 Shares (L)	75%
Mr. Chan Lin On	Company	Interest of Concert Party (note 3)	450,000,000 Shares (L) (Note 2 & 12)	75%
Ms. Pang Sau Ying (Note 9)	Company	Interest of spouse	450,000,000 Shares (L)	75%

# Management Discussion and Analysis

Name of Shareholder	Name of Group member/ associated corporation	Capacity/ Nature of Interest	Number and class of securities (Note 1 & 11)	Approximate shareholding percentage (Note 11)
Mr. Yeung Man Chiu	Company	Interest of Concert Party (note 3)	450,000,000 Shares (L) (Note 2 & 12)	75%
Ms. Wan Wing Sze (Note 10)	Company	Interest of spouse	450,000,000 Shares (L)	75%

## Notes:

- The letter "L" denotes the corporation/person's long position in our Shares.
- As at 30 September 2014, these Shares were held by KIG, which is owned as to 42.39% by Mr. Peter Sun, among the 4,239 shares (representing 42.39% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 135 shares (representing 1.35% 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 12.44% by Mr. David Wong, as to 12.44% by Mr. Yau Lam Chuen, as to 9.12% by Mr. Yung Ching Tak, as to 8.67% by Mr. Banson Lam, as to 6.17% by Mr. Chan Lin On, as to 3.09% by Mr. Yeung Man Chiu.
- 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.
- Ms. Kwok Wing Yi is the spouse of Mr. Peter Sun.
- Ms. Mak Kam Fung is the spouse of Mr. David Wong.
- Ms. Lo Ka Wai is the spouse of Mr. Banson Lam.
- Ms. Tsang Mo Jan is the spouse of Mr. Yau Lam Chuen.
- Ms. Wen Shi Fang is the spouse of Mr. Yung Ching Tak.
- Ms. Pang Sau Ying is the spouse of Mr. Chan Lin On.
- Ms. Wan Wing Sze is the spouse of Mr. Yeung Man Chiu.

# Management Discussion and Analysis

11. KIG sold 3,825,000 Shares to independent third parties on 7 October 2014. As a result, KIG holds 446,175,000 Shares or 74.36% of the issued Shares as at the date of this report.
12. The share award plan of KIG was terminated on 22 October 2014, and KIG repurchased 85 ordinary shares from Mr. Peter Sun, as the trustee of the share award plan of KIG, on 22 October 2014, while the remaining 50 shares of KIG held by Mr. Peter Sun as trustee for the share award plan of KIG is to be held by Mr. Peter Sun as the new trustee for the new share award plan of KIG adopted on 22 October 2014. As a result, KIG is owned as to approximately 41.90% by Mr. Peter Sun, among the 4,154 shares (representing approximately 41.90% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 50 shares (representing approximately 0.50% of the total issued share capital of KIG) were held by him as trustee on trust for the new share award plan of KIG, as to approximately 12.55% by Mr. David Wong, as to approximately 12.55% by Mr. Yau Lam Chuen, as to approximately 9.20% by Mr. Yung Ching Tak, as to approximately 8.74% by Mr. Banson Lam, as to approximately 6.22% by Mr. Chan Lin On, as to approximately 3.12% by Mr. Yeung Man Chiu as at the date of this report.

## Corporate governance

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2014.

## Model code for securities transactions by directors

The Company has adopted a code for securities transactions by the Directors on terms equivalent to the required standard of 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 during the six months ended 30 September 2014.

## Interim dividend

The Board declared an interim dividend of HK 1.5 cents per ordinary share for the six months ended 30 September 2014 to eligible shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 9 December 2014. The interim dividends will be payable in cash on or about Thursday, 15 January 2015.

# Management Discussion and Analysis

## Closure of register of members

The register of members of the Company will be closed from Monday, 8 December 2014 to Tuesday, 9 December 2014, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed interim dividend for the six months ended 30 September 2014, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, namely Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 December 2014.

## Subsequent event after the reporting period

The Group has no material subsequent events after the Reporting Period up to the date of this interim report.

## Audit committee

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules with written terms of reference formulated for the committee.

The Audit Committee has reviewed the Group's interim condensed consolidated financial information for the six months ended 30 September 2014 and had discussed the financial information with management and the independent auditor of the Company. The Audit Committee is of the opinion that the preparation of such financial report has complied with the standard and requirements and that adequate disclosures have been made.

## Substantial acquisitions and disposals of subsidiaries and associated corporations

During the six months ended 30 September 2014, the Group did not conduct any substantial acquisitions or disposals for its subsidiaries or associated corporations.

## Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 September 2014.

By order of the Board  
**Sun Kwok Wah Peter**  
*Chairman*

Hong Kong, 18 November 2014

# Report on Review of Interim Condensed Consolidated Financial Information



羅兵咸永道

## **TO THE BOARD OF DIRECTORS OF KFM KINGDOM HOLDINGS LIMITED**

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

### **Introduction**

We have reviewed the interim condensed consolidated financial information set out on pages 25 to 56, which comprises the interim condensed consolidated balance sheet of KFM Kingdom Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2014 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



# Report on Review of Interim Condensed Consolidated Financial Information

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

## **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 18 November 2014

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2014

	Note	Six months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Revenue</b>	6	<b>563,395</b>	488,496
Cost of sales	7	<b>(427,478)</b>	(374,077)
<b>Gross profit</b>		<b>135,917</b>	114,419
Other gains/(losses), net		<b>969</b>	(590)
Distribution and selling expenses	7	<b>(15,816)</b>	(9,982)
General and administrative expenses	7	<b>(77,592)</b>	(66,743)
<b>Operating profit</b>		<b>43,478</b>	37,104
Finance income		<b>595</b>	367
Finance costs		<b>(2,341)</b>	(3,967)
<b>Profit before income tax</b>		<b>41,732</b>	33,504
Income tax expenses	8	<b>(11,254)</b>	(8,186)
<b>Profit for the period</b>		<b>30,478</b>	25,318
<b>Other comprehensive income for the period, net of tax</b>			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<b>2,440</b>	6,581
<b>Total comprehensive income for the period</b>		<b>32,918</b>	31,899
<b>Profit/(loss) for the period attributable to:</b>			
– Equity holders of the Company		<b>30,802</b>	26,211
– Non-controlling interests		<b>(324)</b>	(893)
		<b>30,478</b>	25,318
<b>Total comprehensive income/(loss) attributable to:</b>			
– Equity holders of the Company		<b>33,242</b>	32,792
– Non-controlling interests		<b>(324)</b>	(893)
		<b>32,918</b>	31,899
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
– Basic and diluted (HK cents)	9	<b>5.13</b>	4.37
<b>Dividends</b>	10	<b>9,000</b>	7,800

The notes on pages 32 to 56 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Balance Sheet

As at 30 September 2014

	Note	As at	
		30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>355,286</b>	300,841
Leasehold land and land use right	12	<b>25,991</b>	26,023
Intangible assets	13	<b>9,417</b>	11,771
Goodwill		<b>24,540</b>	24,540
Deferred income tax assets	19	<b>4,653</b>	4,764
<b>Total non-current assets</b>		<b>419,887</b>	367,939
<b>Current assets</b>			
Inventories	14	<b>117,654</b>	138,942
Trade and other receivables	15	<b>255,534</b>	199,560
Current income tax recoverable		<b>573</b>	3,861
Available-for-sale financial assets	16	–	12,500
Restricted bank deposit		–	23,400
Cash and cash equivalents		<b>131,433</b>	105,390
<b>Total current assets</b>		<b>505,194</b>	483,653
<b>Total assets</b>		<b>925,081</b>	851,592

The notes on pages 32 to 56 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Balance Sheet

As at 30 September 2014

	Note	As at	
		30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	17	60,000	60,000
Share premium		26,135	26,135
Reserves			
– Proposed dividends	10	9,000	3,000
– Others		445,567	421,325
<b>Capital and reserves attributable to equity holders of the Company</b>		<b>540,702</b>	510,460
Non-controlling interests		4,722	4,746
<b>Total equity</b>		<b>545,424</b>	515,206
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	19	11,352	10,762
<b>Current liabilities</b>			
Trade and other payables	20	201,114	169,888
Bank borrowings	21	157,623	150,634
Current income tax liabilities		9,568	5,102
<b>Total current liabilities</b>		<b>368,305</b>	325,624
<b>Total liabilities</b>		<b>379,657</b>	336,386
<b>Total equity and liabilities</b>		<b>925,081</b>	851,592
<b>Net current assets</b>		<b>136,889</b>	158,029
<b>Total assets less current liabilities</b>		<b>556,776</b>	525,968

The notes on pages 32 to 56 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

	Note	Attributable to equity holders of the Company							Total equity
		Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Non-controlling interests	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 April 2014</b>		60,000	26,135	3,445	24,009	41,203	355,668	4,746	515,206
<b>Comprehensive income</b>									
Profit/(loss) for the period		-	-	-	-	-	30,802	(324)	30,478
<b>Other comprehensive income</b>									
Currency translation differences		-	-	-	-	2,440	-	-	2,440
<b>Total comprehensive income/(loss) for the period</b>		-	-	-	-	2,440	30,802	(324)	32,918
<b>Transaction with equity holders</b>									
Dividends paid	10	-	-	-	-	-	(3,000)	-	(3,000)
<b>Transfer of retained profits to statutory reserve</b>									
		-	-	-	3,670	-	(3,670)	-	-
<b>Capital injection to a subsidiary</b>									
		-	-	-	-	-	-	300	300
<b>Balance at 30 September 2014 (unaudited)</b>		60,000	26,135	3,445	27,679	43,643	379,800	4,722	545,424

The notes on pages 32 to 56 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

		Attributable to equity holders of the Company						Non-	Total
		Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	controlling interests	equity
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Balance at 1 April 2013</b>	60,000	26,135	3,445	21,074	40,849	342,020	-	493,523
	<b>Comprehensive income</b>								
	Profit/(loss) for the period	-	-	-	-	-	26,211	(893)	25,318
	<b>Other comprehensive income</b>								
	Currency translation differences	-	-	-	-	6,581	-	-	6,581
	<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	6,581	26,211	(893)	31,899
	<b>Transaction with equity holders</b>								
	Dividends paid	10	-	-	-	-	(12,000)	-	(12,000)
	<b>Transfer of retained profits to statutory reserve</b>								
		-	-	-	2,015	-	(2,015)	-	-
	<b>Contribution from non-controlling interests upon the formation of a subsidiary</b>								
		-	-	-	-	-	-	6,117	6,117
	<b>Balance at 30 September 2013 (unaudited)</b>	60,000	26,135	3,445	23,089	47,430	354,216	5,224	519,539

The notes on pages 32 to 56 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

	Note	Six months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Net cash generated from operations		<b>38,839</b>	86,704
Income tax paid		<b>(6,791)</b>	(4,478)
Income tax refunded		<b>3,953</b>	302
Interest received		<b>595</b>	367
Net cash generated from operating activities		<b>36,596</b>	82,895
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		<b>1,714</b>	653
Purchase of property, plant and equipment	11	<b>(48,982)</b>	(106,866)
Acquisition of available-for-sale financial assets	16	<b>(11,970)</b>	–
Proceeds from disposal of available-for-sale financial assets	16	<b>24,570</b>	–
Net cash used in investing activities		<b>(34,668)</b>	(106,213)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		<b>80,000</b>	20,000
Repayment of bank borrowings		<b>(72,827)</b>	(72,487)
Decrease in restricted bank deposit		<b>23,400</b>	23,400
Capital injection by non-controlling interest		<b>300</b>	–
Interest paid		<b>(3,008)</b>	(3,967)
Dividends paid	10	<b>(3,000)</b>	(12,000)
Net cash generated from/(used in) financing activities		<b>24,865</b>	(45,054)
<b>Increase/(decrease) in cash and cash equivalents</b>			
		<b>26,793</b>	(68,372)
Cash and cash equivalents at beginning of the period		<b>105,206</b>	217,502
Currency translation differences		<b>(566)</b>	1,752
<b>Cash and cash equivalents at end of the period</b>		<b>131,433</b>	150,882

The notes on pages 32 to 56 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

	Note	Six months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Analysis of balances of cash and cash equivalents:</b>			
Cash at bank and on hand		<b>131,433</b>	112,904
Short-term bank deposits with original maturity within three months		–	39,157
Bank overdrafts	21	–	(1,179)
		<b>131,433</b>	150,882

The notes on pages 32 to 56 form an integral part of this interim condensed consolidated financial information.



# Notes to the Interim Condensed Consolidated Financial Information

## 1. 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’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) since 15 October 2012 (the “Listing”).

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

This interim condensed consolidated financial information is presented in Hong Kong Dollars (“HK\$”), unless otherwise stated.

This interim condensed consolidated financial information was approved by the Board (the “Board”) for issue on 18 November 2014.

This interim condensed consolidated financial information has not been audited.

## 2. Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 September 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

# Notes to the Interim Condensed Consolidated Financial Information

## 3. Accounting policies

- (a) Amendments and interpretation to existing standards effective in 2014.

The following amendments and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 April 2014:

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Impairment of Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Consolidation for Investment Entities
HK(IFRIC) – Int 21	Levies

The adoption of the above amendments and interpretation to existing standards does not have material impact on the results and financial position of the Group.

# Notes to the Interim Condensed Consolidated Financial Information

## 3. Accounting policies (continued)

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 April 2014 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 16 and HKAS 38 (Amendments)	Classification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contribution	1 July 2014
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKAS 28 and HKFRS 10 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 11 (Amendment)	Accounting for Acquisition of Interest in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvements 2012	Improvements to HKASs and HKFRSs	1 July 2014
Annual Improvements 2013	Improvements to HKASs and HKFRSs	1 July 2014
Annual Improvements 2014	Improvements to HKASs and HKFRSs	1 July 2016

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to existing standards but is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group intends to adopt these new standards and amendments to existing standards when they become effective.

# Notes to the Interim Condensed Consolidated Financial Information

## 4. Estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2014 as described in those consolidated financial statements.

## 5. 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 interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2014.

There have been no changes in the risk management policies of the Group since 31 March 2014.

### (b) Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the interim condensed consolidated balance sheet 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 borrowings 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 borrowings with immediate effect.

# Notes to the Interim Condensed Consolidated Financial Information

## 5. Financial risk management (continued)

### (b) Liquidity risk (continued)

	On demand HK\$'000 (Unaudited)	Less than 1 year HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>At 30 September 2014</b>			
Bank borrowings	163,192	–	163,192
Trade payables	–	144,334	144,334
Other payables	–	56,780	56,780
	<b>163,192</b>	<b>201,114</b>	<b>364,306</b>

	On demand HK\$'000 (Audited)	Less than 1 year HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>At 31 March 2014</b>			
Bank borrowings	155,898	–	155,898
Trade payables	–	115,942	115,942
Other payables	–	53,946	53,946
	<b>155,898</b>	<b>169,888</b>	<b>325,786</b>

### (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).

# Notes to the Interim Condensed Consolidated Financial Information

## 5. Financial risk management (continued)

### (c) Fair value estimation (continued)

As at 30 September and 31 March 2014, the Group did not hold any instruments which are carried at fair value.

The fair values of trade and other receivables, cash and cash equivalents, trade and other payables 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.

## 6. Segment information

The chief operating decision-makers ("CODM") are identified as the executive directors and senior management.

The CODM have assessed the nature of the Group's businesses and determined that the Group has two business segments which are defined by manufacturing processes as follows:

- (i) Manufacturing and sale of precision metal products involving metal stamping and computer numerical control ("CNC") sheet metal processing ("Metal stamping"); and
- (ii) Manufacturing and sale of precision metal products involving lathing, machining and turning processes ("Metal lathing").

The CODM assess the performance of the operating segments based on segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs.

## Notes to the Interim Condensed Consolidated Financial Information

### 6. Segment information (continued)

Segment assets exclude deferred income tax assets, restricted bank deposit, cash and cash equivalents, current income tax recoverable, available-for-sale financial assets, and other unallocated head office and corporate assets as these assets are managed on a Group basis.

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) The segment results are as follows:

(i) Six months ended 30 September 2014

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue</b>			
Sales	424,636	138,768	563,404
Intersegment sales	(6)	(3)	(9)
Sales to external customers	424,630	138,765	563,395
Cost of sales	(341,672)	(85,806)	(427,478)
Gross profit	82,958	52,959	135,917
Unallocated expenses, net			(92,439)
<b>Operating profit</b>			43,478
Finance income			595
Finance costs			(2,341)
<b>Profit before income tax</b>			41,732
Income tax expenses			(11,254)
<b>Profit for the period</b>			30,478

## Notes to the Interim Condensed Consolidated Financial Information

### 6. Segment information (continued)

(a) The segment results are as follows: (continued)

(ii) Six months ended 30 September 2013

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue</b>			
Sales	352,034	136,591	488,625
Intersegment sales	(122)	(7)	(129)
Sales to external customers	351,912	136,584	488,496
Cost of sales	(294,880)	(79,197)	(374,077)
Gross profit	57,032	57,387	114,419
Unallocated expenses, net			(77,315)
<b>Operating profit</b>			37,104
Finance income			367
Finance costs			(3,967)
<b>Profit before income tax</b>			33,504
Income tax expenses			(8,186)
<b>Profit for the period</b>			25,318



## Notes to the Interim Condensed Consolidated Financial Information

### 6. Segment information (continued)

(b) The segment assets are as follows:

(i) As at 30 September 2014

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment assets</b>	<b>462,897</b>	<b>218,619</b>	<b>681,516</b>
<i>Reconciliation</i>			
Corporate and other unallocated assets			
Deferred income tax assets			<b>4,653</b>
Current income tax recoverable			<b>573</b>
Cash and cash equivalents			<b>131,433</b>
Other unallocated head office and corporate assets			<b>106,906</b>
<b>Total assets</b>			<b>925,081</b>

(ii) As at 31 March 2014

	Metal stamping HK\$'000 (Audited)	Metal lathing HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Segment assets</b>	<b>409,017</b>	<b>185,153</b>	<b>594,170</b>
<i>Reconciliation</i>			
Corporate and other unallocated assets			
Deferred income tax assets			<b>4,764</b>
Current income tax recoverable			<b>3,861</b>
Available-for-sale financial assets			<b>12,500</b>
Restricted bank deposit			<b>23,400</b>
Cash and cash equivalents			<b>105,390</b>
Other unallocated head office and corporate assets			<b>107,507</b>
<b>Total assets</b>			<b>851,592</b>

## Notes to the Interim Condensed Consolidated Financial Information

### 6. Segment information (continued)

- (c) Revenue from external customers in the People's Republic of China ("The PRC"), North America, Europe, Japan, Singapore, Oceania, South America and other Asian countries is as follows:

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The PRC	<b>360,536</b>	323,934
North America	<b>116,443</b>	74,648
Europe	<b>43,647</b>	43,206
Japan	<b>20,313</b>	30,320
Singapore	<b>4,647</b>	9,621
Oceania	<b>1,835</b>	988
South America	<b>478</b>	719
Other Asian countries excluding the PRC, Japan and Singapore	<b>15,496</b>	5,060
	<b>563,395</b>	488,496

- (d) The total of non-current assets, other than intangible assets, goodwill and deferred income tax assets of the Group as at 30 September and 31 March 2014 are as follows:

	As at	
	30 September	31 March
	2014	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
The PRC	<b>305,722</b>	250,374
Hong Kong	<b>75,555</b>	76,490
	<b>381,277</b>	326,864

# Notes to the Interim Condensed Consolidated Financial Information

## 7. Expenses by nature

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Raw materials and consumables used	<b>221,046</b>	206,580
Changes in inventory of finished goods and work in progress	<b>15,806</b>	(7,862)
Employee benefit expenses	<b>131,885</b>	118,890
Processing fees	<b>49,902</b>	39,931
Depreciation of property, plant and equipment (Note 11)	<b>18,573</b>	17,206
Amortisation of leasehold land and land use right (Note 12)	<b>238</b>	–
Amortisation of intangible assets (Note 13)	<b>2,354</b>	1,884
Operating lease rental in respect of buildings	<b>14,779</b>	15,193
Research and development costs	<b>10,292</b>	11,168
Utilities expenses	<b>9,524</b>	10,092
Transportation, postage and courier expenses	<b>9,945</b>	6,123
Legal and professional fees	<b>2,035</b>	2,302
Auditor's remuneration	<b>400</b>	478
Others	<b>34,107</b>	28,817
<b>Total cost of sales, distribution and selling expenses and general and administrative expenses</b>	<b>520,886</b>	450,802
Represented by:		
Cost of sales	<b>427,478</b>	374,077
Distribution and selling expenses	<b>15,816</b>	9,982
General and administrative expenses	<b>77,592</b>	66,743
	<b>520,886</b>	450,802

# Notes to the Interim Condensed Consolidated Financial Information

## 8. Income tax expenses

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current income tax		
– Hong Kong	<b>3,708</b>	4,212
– The PRC	<b>6,845</b>	3,908
	<b>10,553</b>	8,120
Deferred income tax (Note 19)	<b>701</b>	66
<b>Total</b>	<b>11,254</b>	8,186

Income tax of the Group's entities has been calculated on the estimated assessable profit for the period 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 six months ended 30 September 2014 and 2013.

### (a) Hong Kong profits tax

Hong Kong profits tax had been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period.

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

The PRC EIT is provided on the assessable income of the Group's PRC subsidiaries, adjusted for items which are not taxable or deductible for the PRC EIT purpose. The PRC EIT tax rates for the six months ended 30 September 2014 and 2013 were 15% to 25%.

# Notes to the Interim Condensed Consolidated Financial Information

## 9. Earnings per share

Basic and diluted earnings per share

	Six months ended 30 September	
	2014 (Unaudited)	2013 (Unaudited)
Profit attributable to the equity holders of the Company (HK\$'000)	<b>30,802</b>	26,211
Weighted average number of shares in issue ('000)	<b>600,000</b>	600,000
Basic and diluted earnings per share (HK cents per share)	<b>5.13</b>	4.37

Basic earnings per share for the six months ended 30 September 2014 and 2013 is calculated by dividing the profit attributable to equity holders of the Company by 600,000,000 ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary share (i.e. share options and warrants) in issue during the six months ended 30 September 2014 and 2013.

## 10. Dividends

The Board proposed an interim dividend of HK1.5 cents per share for the six months ended 30 September 2014. This proposed dividend, amounting to HK\$9,000,000, is not reflected as dividend payable in this interim condensed consolidated financial information, but will be reflected as an appropriation of retained profits for the year ending 31 March 2015.

The final dividend of HK\$3,000,000 for the year ended 31 March 2014 was paid in September 2014.

The final dividend of HK\$12,000,000 for the year ended 31 March 2013 was paid in September 2013.

## 11. Property, plant and equipment

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
At 1 April	<b>300,841</b>	224,086
Additions	<b>72,649</b>	106,866
Disposals	<b>(1,545)</b>	(1,026)
Depreciation	<b>(18,573)</b>	(17,206)
Currency translation differences	<b>1,914</b>	3,089
At 30 September	<b>355,286</b>	315,809

## Notes to the Interim Condensed Consolidated Financial Information

### 12. Leasehold land and land use right

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
At 1 April	26,023	–
Amortisation	(238)	–
Currency translation differences	206	–
At 30 September	25,991	–

### 13. Intangible assets

	2014		
	Contractual customer relationship HK\$'000 (Unaudited)	Design and prototype HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 April	7,536	4,235	11,771
Amortisation	(1,884)	(470)	(2,354)
At 30 September	5,652	3,765	9,417

	2013		
	Contractual customer relationship HK\$'000 (Unaudited)	Design and prototype HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 April	11,305	–	11,305
Addition	–	4,704	4,704
Amortisation	(1,884)	–	(1,884)
At 30 September	9,421	4,704	14,125

# Notes to the Interim Condensed Consolidated Financial Information

## 14. Inventories

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Raw materials	26,115	31,597
Work in progress	32,669	36,102
Finished goods	58,870	71,243
	<b>117,654</b>	138,942

## 15. Trade and other receivables

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Trade receivables (Note (a))	211,751	166,860
Prepayments, deposits and other receivables	43,783	32,700
	<b>255,534</b>	199,560

Note:

- (a) The Group normally grants credit periods of 30 to 90 days (As at 31 March 2014: 30 to 90 days). The ageing analysis of trade receivables based on invoice dates (including trade receivables from related companies) is as follows:

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Up to 3 months	203,452	159,100
3 to 6 months	7,574	5,531
6 months to 1 year	656	2,156
1 to 2 years	69	73
	<b>211,751</b>	166,860

## Notes to the Interim Condensed Consolidated Financial Information

### 16. Available-for-sale financial assets

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
At 1 April	12,500	–
Additions	11,970	–
Disposals	(24,570)	–
Currency translation differences	100	–
At 30 September	–	–

### 17. Share capital

	Number of shares	Share capital HK\$'000
Authorised:		
At 30 September 2014 and 31 March 2014	4,500,000,000	450,000
Issued and fully paid:		
At 30 September 2014 and 31 March 2014	600,000,000	60,000



# Notes to the Interim Condensed Consolidated Financial Information

## 18. Reserves

	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
<b>At 1 April 2014</b>	<b>3,445</b>	<b>24,009</b>	<b>41,203</b>	<b>355,668</b>	<b>4,746</b>	<b>429,071</b>
Profit/(loss) for the period	-	-	-	30,802	(324)	30,478
Currency translation differences	-	-	2,440	-	-	2,440
Transfer of retained profits to statutory reserve (Note a)	-	3,670	-	(3,670)	-	-
Dividends paid	-	-	-	(3,000)	-	(3,000)
Capital injection to a subsidiary (Note b)	-	-	-	-	300	300
<b>At 30 September 2014 (unaudited)</b>	<b>3,445</b>	<b>27,679</b>	<b>43,643</b>	<b>379,800</b>	<b>4,722</b>	<b>459,289</b>
Representing:						
- Proposed dividends				9,000		
- Others				370,800		
				<u>379,800</u>		

# Notes to the Interim Condensed Consolidated Financial Information

## 18. Reserves (continued)

	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
<b>At 1 April 2013</b>	3,445	21,074	40,849	342,020	–	407,388
Profit/(loss) for the period	–	–	–	26,211	(893)	25,318
Currency translation differences	–	–	6,581	–	–	6,581
Transfer of retained profits to statutory reserve (Note a)	–	2,015	–	(2,015)	–	–
Dividends paid	–	–	–	(12,000)	–	(12,000)
Non-controlling interests from formation of a subsidiary	–	–	–	–	6,117	6,117
<b>At 30 September 2013 (Unaudited)</b>	3,445	23,089	47,430	354,216	5,224	433,404
Representing:						
– Proposed dividends				7,800		
– Others				346,416		
				<u>354,216</u>		

### Notes:

- (a) 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) During the six months ended 30 September 2014, the Group formed a subsidiary, iSolution (KFM) Limited, with 90.01% shareholding. The non-controlling interest represent the interest in the subsidiary which is owned by a minority shareholder.

## Notes to the Interim Condensed Consolidated Financial Information

### 19. Deferred income tax

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

Deferred income tax assets:

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
At 1 April	<b>6,396</b>	5,565
Charged to the consolidated statement of comprehensive income (Note 8)	<b>(111)</b>	(28)
At 30 September	<b>6,285</b>	5,537

Deferred income tax liabilities:

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
At 1 April	<b>(12,394)</b>	(14,716)
Charged to the consolidated statement of comprehensive income (Note 8)	<b>(590)</b>	(38)
At 30 September	<b>(12,984)</b>	(14,754)

# Notes to the Interim Condensed Consolidated Financial Information

## 20. Trade and other payables

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Trade payables (Note (a))		
– third parties	<b>142,815</b>	114,694
– related companies (Note 24(c))	<b>1,519</b>	1,248
	<b>144,334</b>	115,942
Accrual, deposits and other payables	<b>56,780</b>	53,946
	<b>201,114</b>	169,888

Notes:

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

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Up to 3 months	<b>138,689</b>	113,339
3 to 6 months	<b>5,518</b>	2,508
6 months to 1 year	<b>80</b>	79
1 to 2 years	<b>47</b>	16
	<b>144,334</b>	115,942

# Notes to the Interim Condensed Consolidated Financial Information

## 21. Bank borrowings

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Bank overdrafts	–	184
Short-term bank borrowings	<b>20,000</b>	60,000
Portion of long-term bank borrowings due for repayment within one year	<b>71,936</b>	49,000
Portion of long-term bank borrowings due for repayment after one year which contain a repayment on demand clause	<b>65,687</b>	41,450
	<b>157,623</b>	150,634

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:

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Within 1 year	<b>91,936</b>	109,184
Between 1 and 2 years	<b>34,088</b>	27,350
Between 2 and 5 years	<b>23,628</b>	5,223
Over 5 years	<b>7,971</b>	8,877
	<b>157,623</b>	150,634

# Notes to the Interim Condensed Consolidated Financial Information

## 22. Commitments

### (a) Capital commitments

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Authorised but not contracted for		
– Construction costs	<b>29,011</b>	48,421
Contracted but not provided for		
– Leasehold land and buildings	<b>11,718</b>	11,625
– Capital investment	<b>1,700</b>	–
– Construction costs	<b>25,142</b>	65,579
	<b>38,560</b>	77,204

### (b) Operating lease commitments

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Within 1 year	<b>26,778</b>	26,824
Later than 1 year and not later than 5 years	<b>73,789</b>	86,139
Later than 5 years	<b>441</b>	1,312
	<b>101,008</b>	114,275

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.

# Notes to the Interim Condensed Consolidated Financial Information

## 23. Contingent liabilities

As at 30 September and 31 March 2014, the Group had no material contingent liabilities.

## 24. 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

<b>Name</b>	<b>Relationship</b>
Kingdom International Group Limited	The ultimate holding company of the Group.
Peter Sun	One of the underlying controlling shareholders of the Group.
Gold Joy (HK) Industrial Limited	A related company owned by Chow Suen Christina; David Wong; Yau Lam Chuen; and Yung Ching Tak.
Innotech Advanced Products Limited	A subsidiary of Gold Joy (HK) Industrial Limited.
Dongguan Tech-in Electrical & Mechanical Products Limited	A subsidiary of Innotech Advanced Products Limited.

## Notes to the Interim Condensed Consolidated Financial Information

### 24. Significant related party transactions (continued)

#### (b) Sales and purchase of products

During the six months ended 30 September 2014 and 2013, the Group had the following material transactions with related parties, which were entered into at terms mutually agreed.

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Purchase of products from related companies:</b>		
Innotech Advanced Products Limited	1,937	1,686
Dongguan Tech-in Electrical & Mechanical Products Limited	968	1,298
	<b>2,905</b>	<b>2,984</b>

#### (c) Balances with ultimate holding company and related companies

	As at	
	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
<b>Other receivable from ultimate holding company</b>		
Kingdom International Group Limited (Note (i))	2,800	–
<b>Trade payables to related companies</b>		
Innotech Advanced Product Limited (Note (ii))	(936)	(595)
Dongguan Tech-in Electrical & Mechanical Products Limited (Note (ii))	(583)	(653)
	<b>(1,519)</b>	<b>(1,248)</b>

Note:

- (i) The amount is interest free, unsecured and has been repaid subsequently after 30 September 2014.
- (ii) The amounts are interest free, unsecured and repayable on demand.



## Notes to the Interim Condensed Consolidated Financial Information

### 24. Significant related party transactions (continued)

#### (d) Key management compensation

Key management personnel comprise the chairman, directors and senior managements.

Key management compensation amounted to HK\$6,077,000 for the six months ended 30 September 2014 (2013: HK\$6,479,000).

### 25. Subsequent event

The Group has no material subsequent events up to the date of this interim report.