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KFM KINGDOM HOLDINGS LIMITED

KFM金德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3816)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2016**

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of KFM Kingdom Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 March 2016 prepared in accordance with 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 year ended 31 March 2015.

For and on behalf of
KFM KINGDOM HOLDINGS LIMITED
ZHANG YONGDONG
Chairman

Hong Kong, 28 June 2016

As at the date of this announcement, the executive Directors are Mr. Sun Kwok Wah Peter and Mr. Wong Chi Kwok; the non-executive Director is Mr. Zhang Yongdong (Chairman); and the independent non-executive Directors are Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

| | <i>Note</i> | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-----------------------------------------------------------------------------------------------------|-------------|--------------------------------|-------------------------|
| Revenue | 4 | 852,620 | 1,038,211 |
| Cost of sales | 6 | <u>(674,359)</u> | <u>(788,657)</u> |
| Gross profit | | 178,261 | 249,554 |
| Other gains, net | 5 | 15,128 | 101 |
| Distribution and selling expenses | 6 | (25,260) | (30,764) |
| General and administrative expenses | 6 | <u>(197,452)</u> | <u>(167,314)</u> |
| Operating (loss)/profit | | (29,323) | 51,577 |
| Finance income | | 677 | 847 |
| Finance costs | | (4,331) | (4,125) |
| Share of loss of an associated entity | | (3,453) | – |
| Provision for impairment of interest in an associated entity | | <u>(3,867)</u> | <u>–</u> |
| (Loss)/profit before income tax | | (40,297) | 48,299 |
| Income tax expenses | 7 | <u>(9,534)</u> | <u>(19,174)</u> |
| (Loss)/profit for the year | | (49,831) | 29,125 |
| Other comprehensive loss for the year, net of tax | | | |
| <i>Item that may be reclassified to profit or loss</i> | | | |
| Currency translation differences | | <u>(24,334)</u> | <u>(974)</u> |
| Total comprehensive (loss)/income for the year | | <u>(74,165)</u> | <u>28,151</u> |
| (Loss)/profit for the year attributable to: | | | |
| – Equity holders of the Company | | (45,827) | 31,473 |
| – Non-controlling interests | | <u>(4,004)</u> | <u>(2,348)</u> |
| | | <u>(49,831)</u> | <u>29,125</u> |
| Total comprehensive (loss)/income attributable to: | | | |
| – Equity holders of the Company | | (70,161) | 30,499 |
| – Non-controlling interests | | <u>(4,004)</u> | <u>(2,348)</u> |
| | | <u>(74,165)</u> | <u>28,151</u> |
| (Loss)/earning per share for (loss)/profit attributable to equity holders of the Company | | | |
| – Basic and diluted (HK cents) | 8 | <u>(7.64)</u> | <u>5.25</u> |
| Dividends | 9 | <u>–</u> | <u>12,000</u> |

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2016

| | <i>Note</i> | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---------------------------------------------------------------------------|-------------|---------------------------------------------|---------------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | <i>10</i> | 396,324 | 387,900 |
| Leasehold land and land use rights | <i>11</i> | 24,067 | 25,546 |
| Intangible assets | | 2,525 | 7,273 |
| Goodwill | | 10,362 | 22,502 |
| Interest in an associated entity | | – | – |
| Deferred income tax assets | | 4,355 | 5,502 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 437,633 | 448,723 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Current assets | | | |
| Inventories | <i>12</i> | 102,303 | 118,066 |
| Trade and other receivables | <i>13</i> | 205,033 | 220,504 |
| Current income tax recoverable | | 1,223 | 676 |
| Cash and cash equivalents | | 106,360 | 158,627 |
| | | <hr/> | <hr/> |
| Total current assets | | 414,919 | 497,873 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| Total assets | | 852,552 | 946,596 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | <i>14</i> | 60,000 | 60,000 |
| Share premium | | 26,135 | 26,135 |
| Reserves | | 373,232 | 442,824 |
| | | <hr/> | <hr/> |
| Capital and reserves attributable to equity holders of the Company | | 459,367 | 528,959 |
| Non-controlling interests | | 2,387 | 6,998 |
| | | <hr/> | <hr/> |
| Total equity | | 461,754 | 535,957 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2016

| | <i>Note</i> | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|----------------------------------------------|-------------|--------------------------------|-------------------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 12,003 | 12,746 |
| Current liabilities | | | |
| Trade and other payables | <i>15</i> | 155,748 | 188,818 |
| Bank borrowings | <i>16</i> | 216,895 | 197,782 |
| Derivative financial liabilities | | 2,113 | 3,922 |
| Current income tax liabilities | | 4,039 | 7,371 |
| Total current liabilities | | 378,795 | 397,893 |
| Total liabilities | | 390,798 | 410,639 |
| Total equity and liabilities | | 852,552 | 946,596 |
| Net current assets | | 36,124 | 99,980 |
| Total assets less current liabilities | | 473,757 | 548,703 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

| | Attributable to equity holders of the Company | | | | | | | Non- controlling interests | Total equity |
|---------------------------------------------------------------------------------------|-----------------------------------------------|------------------|--------------------|----------------------|---------------------|---------------------|----------------------------------|----------------------------------|-----------------|
| | Share capital | Share premium | Capital reserve | Statutory reserve | Exchange reserve | Retained profits | HK\$'000 | | |
| Note | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Balance at 1 April 2015 | 60,000 | 26,135 | 3,445 | 28,615 | 40,229 | 370,535 | 6,998 | 535,957 | |
| Comprehensive income | | | | | | | | | |
| Loss for the year | - | - | - | - | - | (45,827) | (4,004) | (49,831) | |
| Other comprehensive loss | | | | | | | | | |
| Currency translation differences | - | - | - | - | (24,334) | - | - | (24,334) | |
| Total comprehensive loss for the year | - | - | - | - | (24,334) | (45,827) | (4,004) | (74,165) | |
| Transfer of retained profits to statutory reserve | - | - | - | 5,105 | - | (5,105) | - | - | |
| Acquisition of additional interests in subsidiaries | - | - | - | - | - | 569 | (669) | (100) | |
| Contribution from non- controlling interests upon the formation of a subsidiary | - | - | - | - | - | - | 62 | 62 | |
| Balance at 31 March 2016 | 60,000 | 26,135 | 3,445 | 33,720 | 15,895 | 320,172 | 2,387 | 461,754 | |
| | Attributable to equity holders of the Company | | | | | | | | |
| | Share capital | Share premium | Capital reserve | Statutory reserve | Exchange reserve | Retained profits | Non- controlling interests | Total equity | |
| Note | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Balance at 1 April 2014 | 60,000 | 26,135 | 3,445 | 24,009 | 41,203 | 355,668 | 4,746 | 515,206 | |
| Comprehensive income | | | | | | | | | |
| Profit/(loss) for the year | - | - | - | - | - | 31,473 | (2,348) | 29,125 | |
| Other comprehensive loss | | | | | | | | | |
| Currency translation differences | - | - | - | - | (974) | - | - | (974) | |
| Total comprehensive (loss)/ income for the year | - | - | - | - | (974) | 31,473 | (2,348) | 28,151 | |
| Transactions with equity holders | | | | | | | | | |
| Dividends paid | - | - | - | - | - | (12,000) | - | (12,000) | |
| Transfer of retained profits to statutory reserve | - | - | - | 4,606 | - | (4,606) | - | - | |
| Contribution from non- controlling interests upon the formation of subsidiaries | - | - | - | - | - | - | 4,600 | 4,600 | |
| Balance at 31 March 2015 | 60,000 | 26,135 | 3,445 | 28,615 | 40,229 | 370,535 | 6,998 | 535,957 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**”).

2. 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 (the “**Listing Rules**”) on the Stock Exchange. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial liabilities, 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.

These 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 (the “**Board**”) on 28 June 2016.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of these consolidated financial statements are consistent with those of the annual consolidated financial statements for the year ended 31 March 2015, as described in those annual financial statements.

(i) Amendments to existing standards adopted by the Group:

The following amendments to existing standards are mandatory for the first time for the financial year beginning on or after 1 April 2015 and relevant to the Group.

| | |
|--------------------------|-----------------------------------------------|
| Amendments to HKAS 19 | Defined benefit plans: employee contributions |
| Annual improvements 2012 | Annual Improvement 2010-2012 Cycle |
| Annual improvements 2013 | Annual Improvement 2011-2013 Cycle |

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

(ii) New standards and amendments to existing standards that have been issued but are not yet effective for the financial year beginning 1 April 2015 and that have not been early adopted:

| | | Effective for accounting periods beginning on or after |
|----------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| Amendments to HKAS 1 | Disclosure initiative | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: bearer plants | 1 January 2016 |
| Amendments to HKAS 27 | Equity method in separate financial statements | 1 January 2016 |
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: applying the consolidation exception | 1 January 2016 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | Date to be determined |
| Amendment to HKFRS 11 | Accounting for acquisitions of interests in joint operations | 1 January 2016 |
| HKFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |
| Annual improvements 2014 | Annual Improvement 2012–2014 Cycle | 1 January 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.

(iii) **New Hong Kong Companies Ordinance (Cap. 622)**

In addition the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

4. 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.

Segment assets exclude deferred income tax assets, cash and cash equivalents, current income tax recoverable and other unallocated head office and corporate assets as these assets are managed on a Group basis.

Segment liabilities exclude deferred income tax liabilities, bank borrowings, derivative financial liabilities, current income tax liabilities and other unallocated head office and corporate liabilities.

Capital expenditures comprise of additions to property, plant and equipment.

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 information provided to the executive directors and senior management collectively for the reportable segments is as follows:

(i) For the year ended 31 March 2016:

| | Metal stamping HK\$'000 | Metal lathing HK\$'000 | Total HK\$'000 |
|-----------------------------------------------------------------|----------------------------------------|---------------------------------------|---------------------------|
| Segment revenue | | | |
| Sales | 693,072 | 160,121 | 853,193 |
| Intersegment sales | (221) | (352) | (573) |
| | <hr/> | <hr/> | <hr/> |
| Sales to external customers | 692,851 | 159,769 | 852,620 |
| Cost of sales | (542,266) | (132,093) | (674,359) |
| | <hr/> | <hr/> | <hr/> |
| Gross profit | 150,585 | 27,676 | 178,261 |
| Unallocated expenses, net | | | (207,584) |
| | | | <hr/> |
| Operating loss | | | (29,323) |
| Finance income | | | 677 |
| Finance costs | | | (4,331) |
| Share of loss of an associated entity | | | (3,453) |
| Provision for impairment of interest in an associated entity | | | (3,867) |
| | | | <hr/> |
| Loss before income tax | | | (40,297) |
| Income tax expenses | | | (9,534) |
| | | | <hr/> |
| Loss for the year | | | (49,831) |
| | | | <hr/> |
| Segment depreciation | 19,508 | 16,473 | 35,981 |
| Unallocated depreciation | | | 5,103 |
| | | | <hr/> |
| | | | 41,084 |
| | | | <hr/> |
| Segment amortisation | 1,445 | – | 1,445 |
| Unallocated amortisation | | | 3,768 |
| | | | <hr/> |
| | | | 5,213 |
| | | | <hr/> |
| Impairment charge on goodwill | 12,140 | – | 12,140 |
| | | | <hr/> |

- (a) The segment information provided to the executive directors and senior management collectively for the reportable segments is as follows: (continued)

(ii) For the year ended 31 March 2015:

| | Metal stamping <i>HK\$'000</i> | Metal lathing <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------------|--------------------------------------|-------------------------------------|--------------------------|
| Segment revenue | | | |
| Sales | 783,860 | 254,391 | 1,038,251 |
| Intersegment sales | (31) | (9) | (40) |
| | <hr/> | <hr/> | <hr/> |
| Sales to external customers | 783,829 | 254,382 | 1,038,211 |
| Cost of sales | (626,048) | (162,609) | (788,657) |
| | <hr/> | <hr/> | <hr/> |
| Gross profit | 157,781 | 91,773 | 249,554 |
| Unallocated expenses, net | | | (197,977) |
| | | | <hr/> |
| Operating profit | | | 51,577 |
| Finance income | | | 847 |
| Finance costs | | | (4,125) |
| | | | <hr/> |
| Profit before income tax | | | 48,299 |
| Income tax expenses | | | (19,174) |
| | | | <hr/> |
| Profit for the year | | | 29,125 |
| | | | <hr/> |
| Segment depreciation | 16,942 | 18,929 | 35,871 |
| Unallocated depreciation | | | 4,561 |
| | | | <hr/> |
| | | | 40,432 |
| | | | <hr/> |
| Segment amortisation | 1,420 | – | 1,420 |
| Unallocated amortisation | | | 3,769 |
| | | | <hr/> |
| | | | 5,189 |
| | | | <hr/> |
| Impairment charge on goodwill | 2,038 | – | 2,038 |
| | | | <hr/> |

(b) The segment assets and liabilities are as follows:

(i) As at 31 March 2016:

| | Metal stamping HK\$'000 | Metal lathing HK\$'000 | Total HK\$'000 |
|---------------------------------------------------------------------|----------------------------------------|---------------------------------------|---------------------------|
| Segment assets | 484,746 | 168,525 | 653,271 |
| <i>Reconciliation</i> | | | |
| Corporate and other unallocated assets | | | |
| Deferred income tax assets | | | 4,355 |
| Current income tax recoverable | | | 1,223 |
| Cash and cash equivalents | | | 106,360 |
| Other unallocated head office and corporate assets | | | <u>87,343</u> |
| Total assets | | | <u>852,552</u> |
| Segment liabilities | 129,381 | 23,150 | 152,531 |
| <i>Reconciliation</i> | | | |
| Corporate and other unallocated liabilities | | | |
| Deferred income tax liabilities | | | 12,003 |
| Bank borrowings | | | 216,895 |
| Derivative financial liabilities | | | 2,113 |
| Current income tax liabilities | | | 4,039 |
| Other unallocated head office and corporate liabilities | | | <u>3,217</u> |
| Total liabilities | | | <u>390,798</u> |
| Segmental capital expenditures | 44,095 | 15,390 | 59,485 |
| <i>Reconciliation</i> | | | |
| Other unallocated head office and corporate capital expenditures | | | <u>6,198</u> |
| Total capital expenditures | | | <u>65,683</u> |

(b) The segment assets and liabilities are as follows: (continued)

(ii) As at 31 March 2015:

| | Metal stamping <i>HK\$'000</i> | Metal lathing <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------------------------------------------------|--------------------------------------|-------------------------------------|--------------------------|
| Segment assets | 503,520 | 174,875 | 678,395 |
| <i>Reconciliation</i> | | | |
| Corporate and other unallocated assets | | | |
| Deferred income tax assets | | | 5,502 |
| Current income tax recoverable | | | 676 |
| Cash and cash equivalents | | | 158,627 |
| Other unallocated head office and corporate assets | | | <u>103,396</u> |
| Total assets | | | <u>946,596</u> |
| Segment liabilities | 164,407 | 22,426 | 186,833 |
| <i>Reconciliation</i> | | | |
| Corporate and other unallocated liabilities | | | |
| Deferred income tax liabilities | | | 12,746 |
| Bank borrowings | | | 197,782 |
| Derivative financial liabilities | | | 3,922 |
| Current income tax liabilities | | | 7,371 |
| Other unallocated head office and corporate liabilities | | | <u>1,985</u> |
| Total liabilities | | | <u>410,639</u> |
| Segmental capital expenditures | 112,819 | 14,934 | 127,753 |
| <i>Reconciliation</i> | | | |
| Other unallocated head office and corporate capital expenditures | | | <u>2,842</u> |
| Total capital expenditures | | | <u>130,595</u> |

(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:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--------------------------------------------------------------|-------------------------|-------------------------|
| The PRC | 566,846 | 681,851 |
| North America | 161,912 | 200,201 |
| Europe | 68,000 | 83,033 |
| Japan | 26,306 | 36,433 |
| Singapore | 14,177 | 19,114 |
| Oceania | 1,877 | 3,339 |
| South America | 233 | 821 |
| Other Asian countries excluding the PRC, Singapore and Japan | <u>13,269</u> | <u>13,419</u> |
| | <u>852,620</u> | <u>1,038,211</u> |

- (d) The total of non-current assets, other than intangible assets, goodwill and deferred income tax assets of the Group as at 31 March 2016 and 2015 are as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-----------|--------------------------------|-------------------------|
| The PRC | 346,241 | 340,462 |
| Hong Kong | 74,150 | 72,984 |
| | <u>420,391</u> | <u>413,446</u> |

- (e) During each of the years ended 31 March 2016 and 2015, revenue derived from two and one customers, respectively, accounted for 10% or more of the Group's total revenue. Those/this customer(s) were/was in the metal stamping segment.

The revenue attributed from those/this customer(s) are/is as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|----------------------------------------------------------|--------------------------------|-------------------------|
| Segment of which those/this customer(s) belong to | | |
| Metal stamping | <u>187,053</u> | <u>114,337</u> |

5. OTHER GAINS, NET

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|----------------------------------------------------------|--------------------------------|-------------------------|
| (Loss)/gain on derivative financial instrument | | |
| – realised | (1,945) | (72) |
| – unrealised | 603 | (3,922) |
| Gain/(loss) on disposal of property, plant and equipment | | |
| – leasehold land and buildings | 1,183 | – |
| – other property, plant and equipment | (407) | (474) |
| Net exchange gain | 13,539 | 2,504 |
| Others | 2,155 | 2,065 |
| | <u>15,128</u> | <u>101</u> |

6. EXPENSES BY NATURE

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Raw materials and consumables used | 350,744 | 412,074 |
| Changes in inventory of finished goods and work in progress | 6,590 | 20,202 |
| Employee benefit expenses | 238,117 | 253,838 |
| Processing fees | 85,888 | 89,871 |
| Depreciation of property, plant and equipment (<i>note 10</i>) | 41,084 | 40,432 |
| Provision for impairment of other receivables (<i>note 13</i>) | 4,794 | – |
| Impairment charge on goodwill | 12,140 | 2,038 |
| Amortisation of leasehold land and land use rights (<i>note 11</i>) | 465 | 477 |
| Amortisation of intangible assets | 4,748 | 4,712 |
| Operating lease rental in respect of buildings | 29,005 | 30,969 |
| Research and development costs | 39,012 | 25,533 |
| Utilities expenses | 15,373 | 17,228 |
| Transportation, postage and courier expenses | 14,678 | 16,958 |
| Legal and professional fees | 8,332 | 7,040 |
| Auditor's remuneration | | |
| – audit services | 2,000 | 2,000 |
| – non-audit services | 2,449 | 1,115 |
| Others | 41,652 | 62,248 |
| | <u>897,071</u> | <u>986,735</u> |
| Total cost of sales, distribution and selling expenses and general and administrative expenses | | |
| Represented by: | | |
| Cost of sales | 674,359 | 788,657 |
| Distribution and selling expenses | 25,260 | 30,764 |
| General and administrative expenses | 197,452 | 167,314 |
| | <u>897,071</u> | <u>986,735</u> |

7. INCOME TAX EXPENSES

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-----------------------------------------------------|-------------------------|-------------------------|
| Current income tax | | |
| – Hong Kong | 3,520 | 6,411 |
| – The PRC | 8,670 | 11,546 |
| Adjustments in respect of prior years | | |
| – Over-provision in respect of prior year | (3,060) | (29) |
| | <u>9,130</u> | <u>17,928</u> |
| Deferred income tax | | |
| – Origination and reversal of temporary differences | 404 | 1,246 |
| | <u>9,534</u> | <u>19,174</u> |

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 2016 and 2015.

(a) Hong Kong profits tax

The Group is subject to Hong Kong profits tax which is provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year ended 31 March 2016.

(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 years ended 31 March 2016 and 2015 were 15% and 25%.

8. (LOSS)/EARNING PER SHARE

Basic and diluted (loss)/earning per share

| | 2016 | 2015 |
|----------------------------------------------------------------------------|----------------------|-------------|
| (Loss)/profit attributable to the equity holders of the Company (HK\$'000) | (45,827) | 31,473 |
| Weighted average number of shares in issue ('000) | 600,000 | 600,000 |
| Basic and diluted (loss)/earning per share (HK cents per share) | <u>(7.64)</u> | <u>5.25</u> |

Basic (loss)/earning per share for the years ended 31 March 2016 and 2015 is calculated by dividing the (loss)/profit attributable to equity holders of the Company by 600,000,000 ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary share (i.e. share options and warrants) in issue during the years ended 31 March 2016 and 2015.

9. DIVIDENDS

The Board does not recommend payment of any final dividend for the year ended 31 March 2016 (2015: Nil).

No interim dividend was paid during the year (2015: HK1.5 cents).

10. PROPERTY, PLANT AND EQUIPMENT

| | 2016 | 2015 |
|----------------------------------|-----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| At 1 April | 387,900 | 300,841 |
| Additions (<i>note</i>) | 65,683 | 130,595 |
| Disposals | (3,640) | (3,104) |
| Depreciation | (41,084) | (40,432) |
| Currency translation differences | (12,535) | – |
| At 31 March | <u>396,324</u> | <u>387,900</u> |

Note: Property, plant and equipment addition was net of a government grant of approximately HK\$9,552,000 received in respect of the acquisition of the building in the PRC.

11. LEASEHOLD LAND AND LAND USE RIGHTS

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| In the PRC, held on: | | |
| Land use rights of 50 years | <u>24,067</u> | <u>25,546</u> |

The Group's interest in leasehold land and land use rights represents prepaid operating lease payments and its net book value is analysed as follow:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| At 1 April | 25,546 | 26,023 |
| Amortisation | (465) | (477) |
| Currency translation differences | <u>(1,014)</u> | <u>–</u> |
| At 31 March | <u>24,067</u> | <u>25,546</u> |

12. INVENTORIES

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|------------------|-------------------------|-------------------------|
| Raw materials | 21,750 | 30,923 |
| Work in progress | 23,853 | 36,271 |
| Finished goods | <u>56,700</u> | <u>50,872</u> |
| | <u>102,303</u> | <u>118,066</u> |

13. TRADE AND OTHER RECEIVABLES

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-----------------------------------------------|-------------------------|-------------------------|
| Trade receivables (<i>note (a)</i>) | 162,975 | 164,061 |
| Prepayments, deposits and other receivables | 41,784 | 52,143 |
| Amount due from an associated entity | 706 | – |
| Amounts due from non-controlling shareholders | <u>4,362</u> | <u>4,300</u> |
| | 209,827 | 220,504 |
| Less: Provision for impairment | <u>(4,794)</u> | <u>–</u> |
| | <u>205,033</u> | <u>220,504</u> |

Note:

- (a) The Group normally grants credit periods of 30 to 90 days (2015: 30 to 90 days). The ageing analysis of trade receivables based on invoice dates is as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--------------------|--------------------------------|-------------------------|
| Up to 3 months | 157,582 | 158,082 |
| 3 to 6 months | 3,859 | 5,212 |
| 6 months to 1 year | 1,154 | 740 |
| 1 to 2 years | 380 | 27 |
| | 162,975 | 164,061 |

14. SHARE CAPITAL

Ordinary shares, issued and fully paid

| | Number of shares | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------|---------------------|-------------------------------------|-------------------------------------|--------------------------|
| At 31 March 2016 and 2015 | <u>600,000,000</u> | <u>60,000</u> | <u>26,135</u> | <u>86,135</u> |

15. TRADE AND OTHER PAYABLES

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| Trade payables (<i>note (a)</i>) | | |
| – third parties | 86,174 | 112,868 |
| – related companies | 3,114 | 865 |
| | 89,288 | 113,733 |
| Accrual, deposits and other payables | 66,460 | 75,085 |
| | 155,748 | 188,818 |

Note:

- (a) The ageing analysis of trade payables at respective balance sheet dates (including trade payables from related companies) is as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--------------------|--------------------------------|-------------------------|
| Up to 3 months | 85,950 | 110,645 |
| 3 to 6 months | 2,631 | 2,397 |
| 6 months to 1 year | 500 | 613 |
| 1 to 2 years | 207 | 78 |
| | 89,288 | 113,733 |

16. BANK BORROWINGS

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------|
| Short-term bank borrowings | 60,000 | 37,013 |
| Portion of long-term bank borrowings due for repayment within one year | 82,333 | 74,704 |
| Portion of long-term bank borrowings due for repayment after one year which contain a repayment on demand clause | 74,562 | 86,065 |
| | 216,895 | 197,782 |

The interest-bearing bank borrowings, including the bank borrowings repayable on demand, are carried at amortised cost. Certain portion of bank borrowings due for repayment after one year which contain a repayment on demand clause (As at 31 March 2016: HK\$74,562,000, 31 March 2015: HK\$86,065,000) and that is classified as current liability, and is expected to be settled within one year.

The Group's bank borrowings 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:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-----------------------|--------------------------------|-------------------------|
| Within 1 year | 142,333 | 111,717 |
| Between 1 and 2 years | 59,708 | 49,042 |
| Between 2 and 5 years | 9,550 | 30,050 |
| Over 5 years | 5,304 | 6,973 |
| | 216,895 | 197,782 |

As at 31 March 2016, the Group's bank borrowing of HK\$14,062,000 (2015: HK\$15,730,000) were secured by leasehold land and buildings with a carrying amount of HK\$43,682,000 (2015: HK\$45,091,000).

In view of the loss for the year, the Group expected to face tighter access to new banking facility or refinance the existing bank borrowings. As such, a standby facility of HK\$140 million was granted by Kingdom International Group Limited ("KIG"), the former controlling shareholder of the Company and a related party to the Group during the year. Subsequent to the year end, another standby facility of HK\$130 million was granted by KIG.

Pursuant to the loan agreements entered into between the Group and KIG, KIG agreed to charge an interest to the Group with the interest rate of 5.25% per annum which was determined after arm's length negotiations between the parties by reference to the best lending interest rate of a bank in Hong Kong.

17. COMMITMENTS

(a) Capital commitments

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-----------------------------------|--------------------------------|-------------------------|
| Authorised but not contracted for | | |
| – Construction cost | – | 14,373 |
| Contracted but not provided for | | |
| – Leasehold land and buildings | 11,160 | 11,625 |
| – Construction cost | – | 24,822 |
| – Plant and machinery | 5,143 | 1,563 |
| – Capital investment | 10,695 | 16,430 |
| | 26,998 | 54,440 |

(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:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|----------------------------------------------|--------------------------------|-------------------------|
| Within 1 year | 24,526 | 30,583 |
| Later than 1 year and not later than 5 years | 32,690 | 73,119 |
| Later than 5 years | 2,421 | 5,580 |
| | 59,637 | 109,282 |

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.

18. SUBSEQUENT EVENT

Save as disclosed in note 16, the Group has no material subsequent events up to the date of this result announcement.

BUSINESS REVIEW

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2016, revenue of the Group reached approximately HK\$852.6 million, representing a decrease of approximately HK\$185.6 million or 17.9% from approximately HK\$1,038.2 million for the corresponding period last year. Set out below is a breakdown of the Group's revenue by business segments:

| | 2016 | | 2015 | |
|----------------|-----------------|--------------|-----------------|----------|
| | HK\$'000 | % | HK\$'000 | % |
| Metal Stamping | 692,851 | 81.3 | 783,829 | 75.5 |
| Metal Lathing | 159,769 | 18.7 | 254,382 | 24.5 |
| | 852,620 | 100.0 | 1,038,211 | 100.0 |

Revenue derived from the metal stamping segment decreased by approximately HK\$90.9 million or 11.6% from approximately HK\$783.8 million for the year ended 31 March 2015 to approximately HK\$692.9 million for the year ended 31 March 2016. The drop was mainly due to a decrease in revenue generated from customers who are engaged in the office automation, medical and test equipment, automotive toolings and finance equipment industries during the year ended 31 March 2016.

Revenue derived from the metal lathing segment decreased by approximately HK\$94.7 million or 37.2% from approximately HK\$254.4 million for the year ended 31 March 2015 to approximately HK\$159.7 million for the year ended 31 March 2016. The downturn was mainly attributed by a decrease in revenue generated from subcontractors of consumer electronics manufacturers.

Geographically, the People's Republic of China (the "PRC"), North America, Europe and Japan continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 66.5%, 19.0%, 8.0% and 3.1% of the Group's revenue respectively for the year ended 31 March 2016. Details of revenue generated by different geographical location are set out in Note 4(c) of this annual results announcement.

Cost of sales

Cost of sales primarily comprises of the direct costs associated with the manufacturing of the Group's products. It 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 | | | |
|------------------------|---------------------|--------------|----------------|--------------|
| | 2016 | | 2015 | |
| | HK\$'000 | % | HK\$'000 | % |
| Direct materials | 350,744 | 52.0 | 412,074 | 52.2 |
| Direct labour | 162,890 | 24.2 | 176,420 | 22.4 |
| Processing fee | 85,888 | 12.7 | 89,871 | 11.4 |
| Other direct overheads | 74,837 | 11.1 | 110,292 | 14.0 |
| | <u>674,359</u> | <u>100.0</u> | <u>788,657</u> | <u>100.0</u> |

During the year ended 31 March 2016, cost of sales of the Group decreased by approximately 14.5% or HK\$114.3 million as compared to the corresponding period last year. The decrease was primarily due to the drop in the Group's total revenue. The percentage of cost of sales to the total revenue during the current year was approximately 79.1%, representing an increase of approximately 3.1%, as compared to approximately 76.0% in the corresponding period last year. This was primarily due to the decrease in revenue contributed from the metal lathing segment, and the increase in the percentage of the revenue contributed from the metal stamping segment of the Group.

Gross profit and gross profit margin

During the year ended 31 March 2016, the Group's gross profit was approximately HK\$178.3 million, representing a decrease of approximately 28.6% as compared to the corresponding period in 2015. It was mainly due to the decrease in the Group's total revenue by approximately 17.9%.

For the year ended 31 March 2016, the gross profit margin of the Group was approximately 20.9%, which decreased by approximately 3.1% as compared to approximately 24.0% in the corresponding period in 2015. This was primarily due to (i) the revenue of the Group has experienced an approximately 17.9% drop as compared to the same period last year; (ii) the production efficiency decreased as the production volume was reduced; (iii) there was a decrease in revenue contributed from the high profit margin metal parts from the metal lathing segment; and (iv) the change of the product mix. For details of the gross profit margin of the Group's two business segments, please refer to Note 4(a) of this annual results announcement.

Other gains, net

During the year ended 31 March 2016, the Group recorded other gains, net which amounted to approximately HK\$15.1 million. In the corresponding period of 2015, the Group recorded other gains, net of approximately HK\$0.1 million. The increase was mainly due to the increase in net foreign exchange gains of approximately HK\$13.7 million, after taking into account the result of foreign exchange derivative contracts, and a one-off gain of approximately HK\$1.2 million from the disposal of certain leasehold land and buildings in Hong Kong.

Distribution and selling expenses

Distribution and selling expenses relate to the expenses incurred for the promotion and selling of the Group's products. It mainly comprised 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\$25.3 million and HK\$30.8 million for the years ended 31 March 2016 and 2015, respectively. The decrease in distribution and selling expenses was mainly attributed to the decrease in the Group's total revenue.

General and administrative expenses

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

The general and administrative expenses of the Group increased from approximately HK\$167.3 million for the year ended 31 March 2015 to approximately HK\$197.5 million for the year ended 31 March 2016.

The increase was primarily due to an increase in (i) legal and professional fees in respect of the Group's corporate action; (ii) provision for impairment of other receivables; (iii) research and development costs; and (iv) an impairment charge on goodwill.

Provision for impairment of other receivables

The provision for impairment of other receivable was mainly made in respect of the amounts due from certain non-controlling shareholders regarding their capital commitment in non-wholly owned subsidiaries which the Group is uncertain of their recoverability.

Provision for impairment of goodwill

During the year, the Group reassessed the recovery amount of the goodwill stated at a carrying value of HK\$24.5 million which was arising from the acquisition of the assembly business of data storage equipment from a customer in Germany in 2012. As a result, an impairment amounting to approximately HK\$12.1 million (2015: approximately HK\$2.0 million) was recognised in the current year. In arriving at the impairment amount, due consideration has been taken into account the business prospect of the metal stamping segment, the assembly operation, and the latest business arrangement with the German customer.

Share of loss from an associated entity and provision for impairment of interest in an associated entity

During the year, the Group invested approximately HK\$7.3 million for 25% shareholding in an associated entity which engages in the automated equipment industry, such investment is a strategic investment to facilitate the Group's strategy on downstream expansion into the blooming automated production equipment market. During the year ended 31 March 2016, the Group shared losses amounted to approximately HK\$3.5 million from such associated entity. The Group expected that such associated entity will continue to record loss in the foreseeable future considering the fact that its business is at the start-up phase and the Group recognised impairment of interest in the associated entity amounted to approximately HK\$3.9 million during the current accounting period.

Finance costs

The Group's finance costs, representing interest expenses on bank borrowings, amounted to approximately HK\$4.3 million for the year ended 31 March 2016, which was comparable to that in 2015. During the current year, finance costs of approximately HK\$3.0 million (2015: approximately HK\$1.6 million) was capitalised, which was related to bank borrowing used to fund the construction of new Suzhou production base. Before such capitalisation, the increase in interest expenses were mainly due to the increase in average balances of bank borrowings during the year ended 31 March 2016, as compared to corresponding period last year.

Income tax expenses

The Group's income tax expenses amounted to approximately HK\$9.5 million and HK\$19.2 million for the years ended 31 March 2016 and 2015. The decrease was attributable primarily to the lower taxable profit recorded for the year ended 31 March 2016.

During the year ended 31 March 2016, the Group did not recognise deferred tax effect on tax loss arising from most of the Group's loss making companies. Excluding the effect of such tax loss arising from the loss making companies, and the effect of over-provision for taxation in respect of the prior year, the adjusted effective tax rate during the current year would have been approximately 20.3%, while the same for the corresponding period last year would have been approximately 20.2%.

(Loss)/profit attributable to equity holders of the Company

For the year ended 31 March 2016, loss attributable to equity holders of the Company amounted to approximately HK\$45.8 million, among which losses of approximately HK\$13.3 million (2015: losses of approximately HK\$7.3 million) were attributable to the new business units which were established in the recent years, as compared with the profit attributable to equity holders of the Company of approximately HK\$31.5 million for the corresponding period in 2015. The decrease of net profit was mainly attributable to the decrease in revenue and gross profit margin, increase in general and administrative expenses, in particular the research and development costs, provision for impairment of other receivables, goodwill impairment charge and interests in an associated entity.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources and liquidity

The Group's current assets comprise mainly of cash and bank balances, trade and other receivables, and inventories. The Group's total current assets amounted to approximately HK\$414.9 million and HK\$497.9 million as at 31 March 2016 and 31 March 2015 respectively, which represented approximately 48.7% and 52.6% of the Group's total assets as at 31 March 2016 and 31 March 2015, respectively.

Capital structure

The Group's capital structure is summarised as follow:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---------------------------------------------------------|--------------------------------|-------------------------|
| Bank borrowings | <u>216,895</u> | <u>197,782</u> |
| Total debts | 216,895 | 197,782 |
| Less: Cash and cash equivalent | <u>(106,360)</u> | <u>(158,627)</u> |
| Net debt | 110,535 | 39,155 |
| Shareholders' equity | <u>461,754</u> | <u>535,957</u> |
| Total capitalisation* | <u>572,289</u> | <u>575,112</u> |
| Gearing ratio | | |
| – Total debt to shareholders' equity ratio [#] | <u>47.0%</u> | <u>36.9%</u> |
| – Net debt to shareholders' equity ratio ^{##} | <u>23.9%</u> | <u>7.3%</u> |

* 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 respectively year

^{##} Net debt to equity ratio is calculated based on net debt divided by shareholders' equity at the end of the respectively year

The Group had recorded net cash inflow from operating activities of approximately HK\$9.3 million and HK\$84.8 million for the years ended 31 March 2016 and 2015, respectively.

Details of the Group's bank loans and other borrowings as at 31 March 2016 are set out in Note 16 of this annual results announcement.

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 year ended 31 March 2016, the Group acquired property, plant and equipment of approximately HK\$65.7 million, as compared to the year ended 31 March 2015 of approximately HK\$130.6 million.

During the year ended 31 March 2016, approximately HK\$23.9 million was incurred for the construction of the new production base in Suzhou, while other property, plant and equipment of approximately HK\$41.8 million were acquired during the normal and ordinary course of the Group's business.

The Group financed its capital expenditure through cash flows generated from operating activities, initial public offering proceeds and bank borrowings.

Charges on the Group's assets

As at 31 March 2016, the Group's bank borrowings amounted to approximately HK\$14,062,000 (2015: approximately HK\$15,730,000) were secured by the leasehold land and buildings with a carrying value of approximately HK\$43,682,000 (2015: approximately HK\$45,091,000).

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.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. During the year ended 31 March 2016, the Group had two foreign exchange derivative contracts to manage part of the foreign currency exposure between United States dollars and Renminbi. One of the foreign exchange derivative contracts expired in October 2015 and the remaining one will expire in October 2016. This unexpired contract is accounted for on the Group's consolidated balance sheet at fair value.

Capital commitments and operating lease commitments

Details of the Group's capital commitments and operating lease commitments as at 31 March 2016 are set out in Note 17(a) and Note 17(b) of this annual results announcement.

Contingent liabilities

As at 31 March 2016, the Group had no material contingent liabilities.

BUSINESS REVIEW

During the current financial year, the macroeconomic environment remained challenging to the Group. The slowing down of the economic growth in the PRC, interest rate hike in the United States of America, fragile recovery in Europe and Japan have set a difficult landscape for manufacturers.

The Group recorded a revenue amounted to approximately HK\$852.6 million for the year ended 31 March 2016, with a decline by approximately 17.9% as compared to the corresponding period in 2015. The drop of revenue occurred in both metal stamping and metal lathing business segments. As compared to the corresponding period last year, the revenue derived from external customers of metal stamping business decreased by approximately 11.6%, to approximately HK\$692.9 million. The metal stamping business continued to be affected by the sustained relocation of the Group's customers from China to other lower cost regions in South East Asia. In addition, the automotive toolings business (part of metal stamping business), which has a project-by-project nature, also generated less revenue than the same period last year.

As compared to the corresponding period last year, the Group's revenue derived from external customers of metal lathing segment also recorded a decline by approximately 37.2% as to approximately HK\$159.7 million during the current year. This was mainly attributable to the weakened demand from the Group's customers which engaged in consumer electronic industry.

As a result of the decline in revenue, particularly in the metal lathing segment which historically yielded a relatively higher gross margin, the overall gross profit of the Group during the year ended 31 March 2016 decreased by approximately 28.6% from the same period last year to approximately HK\$178.3 million.

Apart from the decline in revenue and gross profit, the performance was also hindered by the increase in general and administration expenses on some non-recurring items, such as professional fees which is attributable to the corporation action, the provision for impairment of certain other receivables, share of loss and impairment of interest in an associated entity, and impairment charge on goodwill. As a result, the Group recorded a loss during the current financial year of approximately HK\$49.8 million.

Outlook and Strategy

In light of the continual and challenging circumstances in the wider economic and business environment, the Group is cautious on the outlook of the business. The Group foresees that the customers' cessation of operations in the PRC is expected to continue. The ever-increasing operation costs in the PRC have been driving the relocation of the customers' production plants to the lower cost regions in South East Asia. The Group is facing the tightening demand from the customers, the soaring production cost arising from the increasing statutory minimum wages and the rising material cost. This trend continues to exert pressures on the metal manufacturing business, especially the thin margin segment of metal stamping.

The metal lathing segment was contracting during the current year. The Group has noted that the metal lathing business had gradually improved in the end of the current financial year end. However, the metal lathing segment business is unlikely to reach its previous position in terms of both pricing and quantity. As such, the Group continues to improve the lathing product portfolio and is seeking to diversify its product portfolio and spanning the product spectrum to include metal parts for laptop computers, camera units and household electronics, in addition to the existing products. The Group is also expanding new product lines, such as sensor business during the year ended 31 March 2016 to further diversify its business.

In respect of the metal stamping segment, the Group will focus on the production of the products which offer relatively higher profit margin, and continue its effort in enhancing cost efficiency, in order to improve the overall profit margin.

The Group is also taking various measures to strengthen the customer relationship and to build wider customer network. It aims to take stronger effort in exploring more business opportunities with new customers by increasing resources in research and development of new products and improving production processes. The Group consistently attaches importance to its expertise in precision metal processing technologies and is also taking steps to reduce reliance on labour in the production process by using more automations to increase the production efficiency.

With the continuous effort to broaden business opportunities and the dedication to enhance product quality at high production efficiency, the Group believes that the said measures and efforts will maintain the Group's established competitiveness in the precision metal engineering industry.

In addition, the Group understands that the controlling shareholder of the Group is in the process of conducting a detailed review of the existing operations of the Group. Feasible business strategies will be formulated by the Group with a view to develop a sustainable corporate strategy to broaden its income-stream, which may include re-balancing the resources of the Group, should appropriate opportunities arise. The Group believes that such assessment is beneficial to the development of the Group in the long term.

CHANGE IN CONTROLLING SHAREHOLDER

Immediately after completion of the acquisition of shares of the Company (“**Shares**”) pursuant to a sale and purchase agreement dated 28 August 2015 (as amended by the first amendment deed dated 23 September 2015, the second amendment deed dated 23 October 2015 and the third amendment deed dated 14 December 2015) on 4 January 2016, Massive Force Limited (the “**Offeror**”) became interested in an aggregate of 444,600,000 Shares, representing approximately 74.1% of the entire issued share capital of the Company as at the date of completion of the acquisition of shares. Accordingly, Haitong International Securities Company Limited, on behalf of the Offeror, made a mandatory unconditional cash offer (the “**Offer**”) for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer was closed on 3 February 2016.

Details of above were disclosed in the Company's announcement dated 23 December 2015, 4 January 2016 and the composite document dated 13 January 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2016, the Group had a total number of 2,465 full-time employees (2015: 2,629). 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 the Group's 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 the Group's employees. The Group did not have any labour strikes or other labour disturbances that would have interfered with the Group's operations during the year ended 31 March 2016.

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

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 disclosed in the announcement of the Company published on 25 June 2015, in order to (i) increase the Company's flexibility in its financial and treasury management; and (ii) cope with the continuing development of the Group's business in the near future, the Board resolved to change the proposed use of net proceeds. The unused net proceeds of approximately HK\$24.4 million, which was originally designated for purchasing land use rights, was reallocated for construction of the production facilities in Suzhou. As at 31 March 2016, the proceeds was utilised in full for construction of the production facilities in Suzhou.

As at 31 March 2016, the net proceeds had been utilised as follows:

| | Actual net proceeds <i>HK\$ million</i> | Actual utilisation up to 31 March 2016 <i>HK\$ million</i> | Balance as at 31 March 2016 <i>HK\$ million</i> |
|------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| For the purchase of a piece of land in Suzhou | 33.6 | 33.6 | – |
| For the construction of production facilities in Suzhou | 52.0 | 52.0 | – |
| | <u>85.6</u> | <u>85.6</u> | <u>–</u> |

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 March 2016 (2015: Nil).

No interim dividend was paid during the year (2015: HK1.5 cents).

CLOSURE OF REGISTER OF MEMBER

For the purpose of ascertaining Shareholders' right to attend and vote at the annual general meeting of the Company to be held on 24 August 2016 (the "AGM"), the register of members of the Company will be closed from Friday, 19 August 2016 to Wednesday, 24 August 2016, both days inclusive, during which period no transfer of Shares 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 18 August 2016.

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 on the Stock Exchange during the year ended 31 March 2016 with the following deviations:

Upon the retirement of Prof. Chung Chi Ping Roy as an independent non-executive Director on 27 August 2015, the Board comprised of 5 members with 3 executive Directors and 2 independent non-executive Directors. As a result, (i) the number of independent non-executive Directors had fallen below the minimum number of 3 as required under Rule 3.10 of the Listing Rule; (ii) the number of members of the audit committee of the Board was reduced to 2 which was below the minimum number prescribed under Rule 3.21 of the Listing Rules. Upon the appointment of Mr. Yeung Chi Tat as an independent non-executive Director on 7 September 2015, the Company has since then re-complied with the requirements pursuant to Rules 3.10 and 3.21 of the Listing Rules.

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 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 during the year ended 31 March 2016 and up to the date of this annual results announcement.

REVIEW OF ACCOUNTS

The Company's audit committee has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2016.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OF REDEMPTIONS OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2016.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.kingdom.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2016 annual report containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and available on the said websites in due course.