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 2017

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 2017 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 2016.

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

Hong Kong, 26 June 2017

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 Haifeng (Chairman); and the independent non-executive Directors are Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	4	**879,478**	852,620
Cost of sales		**(669,649)**	(674,359)
Gross profit		**209,829**	178,261
Other gains, net	5	**16,040**	15,128
Distribution and selling expenses		**(20,140)**	(25,260)
General and administrative expenses		**(193,698)**	(197,452)
Finance income		**207**	677
Finance costs		**(16,654)**	(4,331)
Share of loss of an associated entity		**—**	(3,453)
Provision for impairment of interest in an associated entity		**—**	(3,867)
Loss before tax	6	**(4,416)**	(40,297)
Income tax expenses	7	**(12,638)**	(9,534)
Loss for the year		**(17,054)**	(49,831)
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(30,288)**	(24,334)
Total comprehensive expense for the year		**(47,342)**	(74,165)
Loss for the year attributable to:			
— Owners of the Company		**(15,481)**	(45,827)
— Non-controlling interests		**(1,573)**	(4,004)
		(17,054)	(49,831)
Total comprehensive expense attributable to:			
— Owners of the Company		**(45,769)**	(70,161)
— Non-controlling interests		**(1,573)**	(4,004)
		(47,342)	(74,165)
LOSS PER SHARE	8		
— Basic and diluted *(HK cents)*		**(2.58)**	(7.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**351,803**	396,324
Leasehold land and land use rights	*11*	**22,233**	24,067
Intangible assets		**—**	2,525
Goodwill		**—**	10,362
Interest in an associated entity		**—**	—
Deferred income tax assets		**5,083**	4,355
Total non-current assets		**379,119**	437,633
Current assets			
Inventories	*12*	**80,807**	102,303
Trade and other receivables	*13*	**220,760**	205,033
Current income tax recoverable		**1,515**	1,223
Cash and cash equivalents		**219,008**	106,360
Total current assets		**522,090**	414,919
Total assets		**901,209**	852,552

	Notes	**2017**	2016
		HK$'000	*HK$'000*
EQUITY			
Capital and reserves			
Share capital	*14*	**60,000**	60,000
Share premium		**26,135**	26,135
Reserves		**325,800**	373,232
Capital and reserves attributable to owners of the Company		**411,935**	459,367
Non-controlling interests		**2,477**	2,387
Total equity		**414,412**	461,754
LIABILITIES			
Non-current liabilities			
Obligation under a finance lease		**145**	—
Deferred income tax liabilities		**13,958**	12,003
		14,103	12,003
Current liabilities			
Trade and other payables	*15*	**151,937**	155,748
Bank borrowings	*16*	**45,200**	216,895
Obligation under a finance lease		**436**	—
Unsecured borrowings from a related company	*17*	**270,000**	—
Derivative financial liability		**—**	2,113
Current income tax liabilities		**5,121**	4,039
Total current liabilities		**472,694**	378,795
Total liabilities		**486,797**	390,798
Total equity and liabilities		**901,209**	852,552
Net current assets		**49,396**	36,124
Total assets less current liabilities		**428,515**	473,757

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'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	528,959	6,998	535,957
Loss for the year	—	—	—	—	—	(45,827)	(45,827)	(4,004)	(49,831)
Other comprehensive expense for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	(24,334)	—	(24,334)	—	(24,334)
Total comprehensive expense for the year	—	—	—	—	(24,334)	(45,827)	(70,161)	(4,004)	(74,165)
Transfer of retained profits to statutory reserve	—	—	—	5,105	—	(5,105)	—	—	—
Acquisition of additional interests in subsidiaries	—	—	—	—	—	569	569	(669)	(100)
Contribution from non-controlling shareholder 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	459,367	2,387	461,754

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Exchange reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Balance at 1 April 2016	**60,000**	**26,135**	**3,445**	**33,720**	**15,895**	**320,172**	**459,367**	**2,387**	**461,754**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(15,481)**	**(15,481)**	**(1,573)**	**(17,054)**
Other comprehensive expense for the year:									
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**(30,288)**	**—**	**(30,288)**	**—**	**(30,288)**
Total comprehensive expense for the year	**—**	**—**	**—**	**—**	**(30,288)**	**(15,481)**	**(45,769)**	**(1,573)**	**(47,342)**
Transfer of retained profits to statutory reserve	**—**	**—**	**—**	**4,804**	**—**	**(4,804)**	**—**	**—**	**—**
Acquisitions of additional interests in subsidiaries	**—**	**—**	**—**	**—**	**—**	**(1,663)**	**(1,663)**	**1,663**	**—**
Balance at 31 March 2017	**60,000**	**26,135**	**3,445**	**38,524**	**(14,393)**	**298,224**	**411,935**	**2,477**	**414,412**

NOTES

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 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 address of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The immediate holding company and controlling shareholder of the Company is Massive Force Limited, a company incorporated in the British Virgins Islands (the "**BVI**").

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in the manufacturing and sales of precision metal stamping and metal lathing products.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**") and amendments and interpretation ("**Int**") issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[2]

[1] Effective for annual periods beginning on or after 1 January 2017.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
[4] Effective for annual periods beginning on or after 1 January 2019.
[5] Effective date not yet been determined.

The Directors are in the process of accessing the impacts of the adoption of HKFRS 9 (2014), HKFRS 15 and HKFRS 16 and expect the above mentioned new and revised HKFRSs as disclosed above, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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, computer numerical control ("**CNC**") sheet metal processing and products assembling ("**Metal stamping**"); and

(ii) Manufacturing and sale of precision metal products involving lathing, machining and turning processes ("**Metal lathing**").

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment gross profit represents the gross profit from each segment without allocation of distribution and selling expenses, general and administrative expenses, finance income, finance costs, share of loss of an associated entity and provision for impairment of interest in an associated entity. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets exclude interest in an associated entity, 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, unsecured borrowings from a related company, obligation under a finance lease, derivative financial liability, current income tax liabilities and other unallocated head office and corporate liabilities.

Capital expenditures comprise 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 CODM for the reportable segments is as follows:

(i) For the year ended 31 March 2017:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment revenue			
Sales	**672,054**	**208,107**	**880,161**
Intersegment sales	**(209)**	**(474)**	**(683)**
Sales to external customers	**671,845**	**207,633**	**879,478**
Cost of sales	**(511,587)**	**(158,062)**	**(669,649)**
Segment gross profit	**160,258**	**49,571**	**209,829**
Unallocated expenses, net			**(197,798)**
Finance income			**207**
Finance costs			**(16,654)**
Loss before tax			**(4,416)**
Income tax expenses			**(12,638)**
Loss for the year			**(17,054)**
Segment depreciation	**23,469**	**15,740**	**39,209**
Unallocated depreciation			**5,557**
			44,766
Segment amortisation	**921**	**—**	**921**
Provision for impairment of goodwill	**10,362**	**—**	**10,362**
Provision for impairment of intangible assets	**2,045**	**—**	**2,045**
Provision for impairment of property, plant and equipment	**2,739**	**4,971**	**7,710**
Write-down of inventories	**814**	**884**	**1,698**
Write-off of property, plant and equipment	**—**	**—**	**1,589**

(ii) 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)
Sales to external customers	692,851	159,769	852,620
Cost of sales	(542,266)	(132,093)	(674,359)
Segment gross profit	150,585	27,676	178,261
Unallocated expenses, net			(207,584)
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)
Loss before tax			(40,297)
Income tax expenses			(9,534)
Loss for the year			(49,831)
Segment depreciation	19,508	16,473	35,981
Unallocated depreciation			5,103
			41,084
Segment amortisation	5,213	—	5,213
Provision for impairment of goodwill	12,140	—	12,140
Provision for impairment of other receivables	—	—	4,794
Write-down of inventories	788	86	874

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

(i) As at 31 March 2017:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment assets	**425,212**	**181,619**	**606,831**
Reconciliation			
Corporate and other unallocated assets			
Deferred income tax assets			**5,083**
Current income tax recoverable			**1,515**
Cash and cash equivalents			**219,008**
Other unallocated head office and corporate assets			**68,772**
Total assets			**901,209**
Segment liabilities	**111,772**	**35,760**	**147,532**
Reconciliation			
Corporate and other unallocated liabilities			
Deferred income tax liabilities			**13,958**
Bank borrowings			**45,200**
Obligation under a finance lease			**581**
Unsecured borrowings from a related company			**270,000**
Current income tax liabilities			**5,121**
Other unallocated head office and corporate liabilities			**4,405**
Total liabilities			**486,797**
Segmental capital expenditures	**8,757**	**19,197**	**27,954**
Reconciliation			
Other unallocated head office and corporate capital expenditures			**1,629**
Total capital expenditures			**29,583**

(ii) As at 31 March 2016:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment assets	497,633	168,525	666,158
Reconciliation			
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			74,456
Total assets			852,552
Segment liabilities	129,381	23,150	152,531
Reconciliation			
Corporate and other unallocated liabilities			
Deferred income tax liabilities			12,003
Bank borrowings			216,895
Derivative financial liability			2,113
Current income tax liabilities			4,039
Other unallocated head office and corporate liabilities			3,217
Total liabilities			390,798
Segmental capital expenditures	44,095	15,390	59,485
Reconciliation			
Other unallocated head office and corporate capital expenditures			6,198
Total capital expenditures			65,683

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

	2017 ***HK$'000***	2016 *HK$'000*
The PRC	**572,771**	566,846
North America	**184,193**	161,912
Europe	**78,575**	68,000
Japan	**20,811**	26,306
Singapore	**11,152**	14,177
Others	**11,976**	15,379
	879,478	852,620

(d) The total of non-current assets, other than intangible assets, goodwill and deferred income tax assets of the Group as at 31 March 2017 and 2016 are as follows:

	2017	2016
	HK$'000	*HK$'000*
The PRC	**305,863**	346,241
Hong Kong	**68,173**	74,150
	374,036	420,391

(e) Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A[1]	**98,116**	100,334
Customer B[1]	**N/A[2]**	86,719

[1] Revenue from metal stamping

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year

5. OTHER GAINS, NET

	2017	2016
	HK$'000	*HK$'000*
(Loss)/gain on derivative financial instrument		
— realised	**(1,082)**	(1,945)
— unrealised	**—**	603
(Loss)/gain on disposal of property, plant and equipment	**(407)**	776
Net exchange gain	**13,763**	13,539
Others	**3,766**	2,155
	16,040	15,128

6. LOSS BEFORE TAX

Loss for the year has been arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Staff costs		
Directors' emoluments	**4,931**	7,636
Other staff:		
— salaries and other allowances	**221,061**	223,360
— retirement benefits scheme contributions (excluding Directors)	**6,355**	7,121
	232,347	238,117
Auditors' remuneration		
— audit services	**1,200**	2,000
— non-audit services	**200**	2,449
Cost of inventories sold	**667,951**	673,485
Depreciation of property, plant and equipment	**44,766**	41,084
Provision for impairment of other receivables	**—**	4,794
Provision for impairment of property, plant and equipment	**7,710**	—
Provision for impairment of goodwill	**10,362**	12,140
Provision for impairment of intangible assets	**2,045**	—
Write-off of property, plant and equipment	**1,589**	—
Amortisation of leasehold land and land use rights	**441**	465
Amortisation of intangible assets	**480**	4,748
Minimum lease payment paid under operating lease rentals in respect of rented premises	**21,203**	29,005
Research and development expenses *(note (b))*	**37,550**	39,012

Notes:

(a) Included in cost of sales was write-down of inventories of approximately HK$1,698,000 (2016: approximately HK$874,000).

(b) Included in research and development expenses was staff cost of approximately HK$15,018,000 (2016: approximately HK$15,946,000).

7. INCOME TAX EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong	**762**	3,520
— The PRC	**13,099**	8,670
Adjustments in respect of		
— Over-provision in prior years	**(2,450)**	(3,060)
	11,411	9,130
Deferred income tax	**1,227**	404
	12,638	9,534

Income tax of the Group's entities has been calculated on the estimated assessable profits 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 2017 and 2016.

(a) Hong Kong profits tax

The Group is subject to Hong Kong profits tax which is provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 March 2017.

(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 statutory PRC EIT tax rates for the year ended 31 March 2017 is provided at the rate of 25% (2016: 25%).

Certain PRC subsidiaries were recognised by the PRC government as "High and New Technology Enterprise" and were eligible to a preferential tax rate of 15% from 1 January 2015 to 31 December 2017 and from 1 January 2016 to 31 December 2018.

8. LOSS PER SHARE

Basic and diluted loss per share

	2017	2016
Loss attributable to owners of the Company *(HK$'000)*	**(15,481)**	(45,827)
Weighted average number of shares in issue *('000)*	**600,000**	600,000
Basic and diluted loss per share *(HK cents per share)*	**(2.58)**	(7.64)

Basic loss per share for the years ended 31 March 2017 and 2016 is calculated by dividing the loss attributable to owners of the Company by 600,000,000 ordinary shares in issue during the years ended 31 March 2017 and 2016.

Diluted loss per share is same as basic loss per share as the Company had no potentially dilutive ordinary share in issue during the years ended 31 March 2017 and 2016.

9. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

10. PROPERTY, PLANT AND EQUIPMENT

	2017 ***HK$'000***	2016 *HK$'000*
At 1 April	**396,324**	387,900
Additions	**29,583**	65,683
Disposals	**(2,475)**	(3,640)
Depreciation	**(44,766)**	(41,084)
Write-off	**(1,589)**	—
Impairment charge	**(7,710)**	—
Exchange differences	**(17,564)**	(12,535)
At 31 March	**351,803**	396,324

11. LEASEHOLD LAND AND LAND USE RIGHTS

	2017	2016
	HK$'000	*HK$'000*
Land use rights in the PRC	**22,233**	24,067

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

	2017	2016
	HK$'000	*HK$'000*
At 1 April	**24,067**	25,546
Amortisation	**(441)**	(465)
Exchange differences	**(1,393)**	(1,014)
At 31 March	**22,233**	24,067

12. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**21,909**	21,750
Work in progress	**24,753**	23,853
Finished goods	**34,145**	56,700
	80,807	102,303

13. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables *(note)*	**184,961**	162,975
Prepayments, deposits and other receivables	**36,099**	41,784
Amount due from an associated entity	**432**	706
Amounts due from non-controlling shareholders	**4,062**	4,362
	225,554	209,827
Less: Provision for impairment	**(4,794)**	(4,794)
	220,760	205,033

Note: The Group normally grants credit periods of 30 to 90 days (2016: 30 to 90 days). The ageing analysis of trade receivables based on invoice dates, which approximate the revenue recognition date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Up to 3 months	**178,583**	157,582
3 to 6 months	**5,650**	3,859
6 months to 1 year	**693**	1,154
1 to 2 years	**35**	380
	184,961	162,975

14. SHARE CAPITAL

Ordinary shares of HK$0.1 each

	Number of shares	**Share capital**	**Share premium**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
Authorised				
At 31 March 2016 and 2017	4,500,000,000	450,000		
Issued and fully paid				
At 31 March 2016 and 2017	600,000,000	60,000	26,135	86,135

15. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables *(note)*		
— third parties	**98,096**	86,174
— related companies	**386**	3,114
	98,482	89,288
Accruals, deposits and other payables	**53,455**	66,460
	151,937	155,748

Note: The ageing analysis of trade payables at the end of the reporting period (including trade payables from related companies) based on invoice dates is as follows:

	2017	2016
	HK$'000	*HK$'000*
Up to 3 months	**95,992**	85,950
3 to 6 months	**2,035**	2,631
6 months to 1 year	**188**	500
1 to 2 years	**267**	207
	98,482	89,288

16. BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Short-term bank borrowings	**45,200**	60,000
Portion of long-term bank borrowings due for repayment within one year	**—**	82,333
Portion of long-term bank borrowings due for repayment after one year which contain a repayment on demand clause	**—**	74,562
	45,200	216,895

The interest-bearing bank borrowings, including the bank borrowings repayable on demand, are carried at amortised cost. As at 31 March 2016, bank borrowings of approximately HK$74,562,000 were due for repayment after one year which contain a repayment on demand clause (2017: nil) and that was classified as current liability, and is expected to be settled within one year.

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 year	**45,200**	142,333
Between 1 and 2 years	**—**	59,708
Between 2 and 5 years	**—**	9,550
Over 5 years	**—**	5,304
	45,200	216,895

As at 31 March 2017, the whole balance of bank borrowings were unsecured (2016: approximately HK$202,833,000). As at 31 March 2016, the Group has secured bank borrowings of approximately HK$14,062,000 which was secured by the leasehold land and buildings with a carrying value of approximately HK$43,682,000.

17. UNSECURED BORROWINGS FROM A RELATED COMPANY

	2017	2016
	HK$'000	*HK$'000*
Unsecured, interest-bearing at prime rate adopted by Standard Chartered Bank (Hong Kong) Limited per annum and due for repayment after 1 year but within 2 years which contains a repayable on demand clause	**270,000**	—

During the year ended 31 March 2017, unsecured borrowings of HK$270,000,000 (2016: nil) has been advanced from Kingdom International Group Limited ("**KIG**"), a company in which two Directors have beneficial interest in, and are due for repayment after two years from its respective drawdown dates. The unsecured borrowings of HK$270,000,000 (2016: nil) contains a repayment on demand clause and is classified as current liabilities.

The Group's unsecured borrowings from a related company are repayable after 1 year but within 2 years after the end of the reporting period based on the scheduled repayment dates set out in the loan agreements. The effective interest rate of the unsecured borrowings from a related company is 5.25% per annum.

Subsequent to the end of the reporting period on 26 May 2017, certain portion of the unsecured borrowings from a related company of HK$100,000,000 was renewed with the removal of the repayable on demand clause and extended the maturity date from 26 May 2018 to 26 May 2019.

18. COMMITMENTS

(a) Capital commitments

	2017	2016
	HK$'000	*HK$'000*
Authorised or contracted but not provided:		
— Leasehold land and buildings	**—**	11,160
— Plant and machinery	**28,635**	5,143
— Capital investment	**9,533**	10,695
	38,168	26,998

(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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 year	**25,812**	24,526
Later than 1 year and not later than 5 years	**35,501**	32,690
Later than 5 years	**5,067**	2,421
	66,380	59,637

These leases typically run for an initial period of two to ten years (2016: one to ten years). Certain of the operating leases contain renewal options which allow the Group to renew.

19. COMPARATIVE FIGURES

Certain comparative figures in the note to the consolidated results of the Group have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed in 2016.

20. SUBSEQUENT EVENT

Save as disclosed in note 17, the Group has no material subsequent events up to the date of this annual results announcement.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2017, revenue of the Group reached approximately HK$879.5 million, representing an increase of approximately HK$26.9 million or 3.2% from approximately HK$852.6 million for the corresponding period last year. Set out below is a breakdown of the Group's revenue by business segments:

	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Metal stamping	**671,845**	**76.4**	692,851	81.3
Metal lathing	**207,633**	**23.6**	159,769	18.7
	879,478	**100.0**	852,620	100.0

Revenue derived from the metal stamping segment decreased by approximately HK$21.1 million or 3.0% from approximately HK$692.9 million for the year ended 31 March 2016 to approximately HK$671.8 million for the year ended 31 March 2017. The decrease was mainly due to a decline in revenue generated from customers who were engaged in the office automation, medical and test equipment and finance equipment industries during the year ended 31 March 2017.

Revenue derived from the metal lathing segment increased by approximately HK$47.9 million or 30.0% from approximately HK$159.7 million for the year ended 31 March 2016 to approximately HK$207.6 million for the year ended 31 March 2017. The increase was mainly attributed to an increase in revenue generated from subcontractors of consumer electronics manufacturers.

Geographically, 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 65.1%, 20.9%, 8.9% and 2.4% of the Group's revenue respectively for the year ended 31 March 2017. Details of revenue generated by different geographical locations 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			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Direct materials	**327,506**	**48.9**	350,744	52.0
Direct labour	**154,962**	**23.1**	162,890	24.2
Processing fee	**96,780**	**14.5**	85,888	12.7
Other direct overheads	**90,401**	**13.5**	74,837	11.1
	669,649	**100.0**	674,359	100.0

During the year ended 31 March 2017, cost of sales of the Group decreased by approximately HK$4.8 million or 0.7% as compared to the corresponding period last year. The decrease was primarily due to the drop in sales of the metal stamping business of the Group as well as the change in product mix. Due to the improvement in gross profit margins of the Group's business, the percentage of cost of sales to the total revenue during the current year was approximately 76.1%, representing a decrease of approximately 3.0%, as compared to approximately 79.1% in the corresponding period last year.

Gross profit and gross profit margin

During the year ended 31 March 2017, the Group's gross profit was approximately HK$209.8 million, representing an increase of approximately 17.7% as compared to the corresponding period in 2016. The improvement in gross profit was mainly attributable to the change in product mix and an improvement in gross profit margin of the Group's two business segments.

In respect of the Group's metal stamping segment, gross profit margin has improved from approximately 21.7% in the correspondent period last year to approximately 23.9% for the year ended 31 March 2017. Such increase was mainly due to a reduction in operating lease expense incurred by the Group, as the Group's self-owned Suzhou production facilities had come into full operation, and a reduction in payroll cost during the year.

In respect of the Group's metal lathing segment, gross profit margin has improved from approximately 17.3% for the year ended 31 March 2016 to approximately 23.9% for the year ended 31 March 2017. Such increase was due to the increase in revenue derived from customers who were engaged in the consumer electronics industry during the year, which led to an improvement in the overall gross profit margin of such business segment.

Other gains, net

During the year ended 31 March 2017, the Group recorded other gains, net which amounted to approximately HK$16.0 million. In the corresponding period of 2016, the Group recorded other gains, net of approximately HK$15.1 million. The increase was mainly due to the increase in net foreign exchange gains of approximately HK$0.3 million.

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 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$20.1 million and approximately HK$25.3 million for the years ended 31 March 2017 and 2016, respectively. The decrease in distribution and selling expenses was mainly attributed to the cost control implemented by the Group on reduction in headcount and warehouse space during the year.

General and administrative expenses

General and administrative expenses comprise of primarily 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 decreased from approximately HK$197.5 million for the year ended 31 March 2016 to approximately HK$193.7 million for the year ended 31 March 2017.

The decrease was primarily due to a decrease in (i) legal and professional fees in respect of the Group's corporate action; (ii) operating lease rental in respect of buildings; and (iii) utilities expenses. It is partly offset by the impairment of fixed assets of approximately HK$7.7 million.

Provision for impairment of goodwill

During the year, the Group re-assessed the recoverable amount of the goodwill which arose 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$10.4 million (2016: approximately HK$12.1 million) was recognised in the current year. In arriving at the impairment amount, due consideration of the business prospect of the metal stamping segment, the assembly operation and the latest business arrangement with the German customer has been taken into account.

Finance costs

The Group's finance costs represented interest expenses on bank borrowings and unsecured borrowings from a related company. During the year ended 31 March 2017, the Group's finance costs was approximately HK$16.7 million, as compared to approximately HK$4.3 million for the corresponding period of 2016. Increase in finance costs was mainly due to an increase in unsecured borrowings from a related party which accounted for approximately HK$13.0 million interest expense, and the fact that the Group ceased capitalising the relevant portion of interest expense after the completion of the construction of the Group's Suzhou production facilities.

Income tax expenses

The Group's income tax expenses amounted to approximately HK$12.6 million and approximately HK$9.5 million for the years ended 31 March 2017 and 2016 respectively. The increase was attributable primarily to the higher taxable profit recorded in the PRC's subsidiaries for the year ended 31 March 2017.

During the year ended 31 March 2017, the Group did not recognise deferred tax effect on certain 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 23.1%, while the same for the corresponding period last year would have been approximately 20.3%.

Loss attributable to owners of the Company

For the year ended 31 March 2017, loss attributable to owners of the Company amounted to approximately HK$15.5 million, as compared with the loss attributable to owners of the Company of approximately HK$45.8 million for the corresponding period in 2016. The decrease in net loss was mainly attributable to the increase in revenue and gross profit margin, decrease in general and administrative expenses, in particular the legal and professional fees, operating lease rental in respect of buildings and utilities expenses.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources and liquidity

The Group's current assets comprise mainly of cash and cash equivalents, trade and other receivables, and inventories. The Group's total current assets amounted to approximately HK$522.1 million and approximately HK$414.9 million as at 31 March 2017 and 2016 respectively, which represented approximately 57.9% and approximately 48.7% of the Group's total assets as at 31 March 2017 and 2016, respectively.

Capital structure

The Group's capital structure is summarised as follow:

	2017	2016
	HK$'000	*HK$'000*
Bank borrowings	**45,200**	216,895
Unsecured borrowings from a related company	**270,000**	—
Total debts	**315,200**	216,895
Shareholders' equity	**414,412**	461,754
Gearing ratio		
— Total debts to shareholders' equity ratio#	**76.1%**	47.0%

Total debts to shareholders' equity ratio is calculated based on total debts divided by shareholders' equity at the end of the respective year

The Group had recorded net cash inflow from operating activities of approximately HK$61.3 million and approximately HK$7.3 million for the years ended 31 March 2017 and 2016, respectively.

Details of the Group's bank borrowings and unsecured borrowings from a related company as at 31 March 2017 are set out in notes 16 and 17 of this annual results announcement respectively.

The capital structure of the Group consists of equity attributable to the equity holders of the Company (comprising issued share capital and reserves), bank borrowings and unsecured borrowings from a related company. 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 owners.

Capital expenditure

During the year ended 31 March 2017, the Group acquired property, plant and equipment of approximately HK$29.6 million, as compared to the year ended 31 March 2016 of approximately HK$65.7 million.

During the year ended 31 March 2017, property, plant and equipment of approximately HK$29.6 million was 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, and unsecured borrowings from a related company.

Charges on the Group's assets

As at 31 March 2017, there were no Group's bank borrowings secured by the leasehold land and buildings. As at 31 March 2016, the Group's bank borrowings amounted to approximately HK$14.1 million were secured by the leasehold land and buildings with a carrying value of approximately HK$43.7 million.

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 2017, the Group had one foreign exchange derivative contract to manage part of the foreign currency exposure between United States dollars and Renminbi. The foreign exchange derivative contract expired in October 2016.

Capital commitments and operating lease commitments

Details of the Group's capital commitments and operating lease commitments as at 31 March 2017 are set out in note 18(a) and note 18(b) of this annual results announcement.

Contingent liabilities

As at 31 March 2017, the Group had no material contingent liabilities.

BUSINESS REVIEW

During the year, the macro-economic environment remained challenging to the Group and China's economic growth was stable with a relatively lower GDP growth rate with the beginning of the "Thirteenth Five-year Plan". The globally volatilities, such as interest rate hike in the United States of America, Brexit, foreign exchange volatility, also posed difficult situations for manufacturing industry. The Group's performance was under pressure from this challenging environment.

For the financial year ended 31 March 2017, the Group realised a revenue of approximately HK$879.5 million, representing an increase of approximately HK$26.9 million or 3.2% against the financial year ended 31 March 2016, and net loss of approximately HK$17.1 million, representing a year-to-year decrease of approximately HK$32.7 million or 65.7%. The slightly revenue increase was mainly due to the revenue increase in metal lathing segment while partially offset by the decrease in metal stamping segment. The net loss decrease mainly attributed to the improvement in metal lathing segment business.

For segment based performance, there was an increase in the revenue derived from metal lathing segment and decrease in the revenue derived from metal stamping segment. Specifically, the revenue derived from metal lathing segment increased by approximately HK$47.9 million or 30.0% as compared with last year. The improvement was mainly driven by the increasing orders from consumer electronic industry and partially offset by the decrease in orders from finance equipment industry. Meanwhile, the revenue derived from metal stamping segment decreased by approximately HK$21.1 million or 3.0% as compared with the financial year ended 31 March 2016. The decrease was mainly attributed to the decrease in order from office automation industry due to the lower market demand for equipment replacement and customer relocation of their businesses to South East Asia.

Due to the increase in both revenue and gross margin in metal lathing segment, the overall gross profit of the Group increased from approximately HK$178.3 million for the year ended 31 March 2016 to approximately HK$209.8 million for the year ended 31 March 2017 or 17.7% as compared with last year. In respect of distribution and selling expenses, general and administration expenses, the Group also implemented effective cost controls and decreased the costs by approximately HK$9.0 million. However, such effect were offset by the increase in finance costs of approximately HK$12.4 million for the year.

Overall, the Group recorded a net loss of approximately HK$17.1 million (2016: approximately HK$49.8 million) during the year, which improved significantly as compared with the same period of last year.

Outlook and strategy

Although the Group's results was improved during the year, the increasing uncertainties in macro-economic and international politics will add more difficulties and challenges to the precision metal manufacturing industry in the coming financial year. It is expected that the customers will continue to relocate their business to lower cost regions in South East Asia and the Group would be required to spend more efforts on new customer development. The increasing labour cost is another pressure in front of the Group. Given the operating cost is increasing continuously, the coming year will be challenging and the Group note with cautious on the trend.

The metal stamping segment was evidenced slightly deterioration as compared with last year. The Group has noted that there was a decrease in the revenue derived from the office automation, medical and test equipment and finance equipment industries. With the customers' continuing relocation, the Group will take different measures to explore new potential customers and diversify the Group's product portfolio to decrease the Group's business risk.

The metal lathing segment improved significantly for the current financial year. The contribution mainly comes from the revenue increase from consumer electronics industry. The Group will continue to exert more efforts in this area and enhance our competitiveness.

At the same time, the Group will continue to maintain good relationships with the Group's customers and also put more focus on new customers development. The Group's wide customer network relies on the Group's good reputation which comes from the Group's excellent product quality and customer services.

The Group will also put more resources in research and development activities to expand new products and improve production efficiency. In face of labour cost increasing pressure, the Group will introduce more advanced machines to reduce the cost risk and increase product quality. These measures are helpful to maintain the Group's established competitiveness.

Besides, the controlling shareholder is still in the process of conducting a detailed review of the current businesses and searching potential opportunities to diversify the Group's income streams. The Group will adhere to the Group's belief and cope with the challenges in order to create better returns for the Group's customers, shareholders (the "**Shareholders**") and investors.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group had a total number of 2,448 full-time employees (2016: 2,465). 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 2017.

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

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 March 2017 (2016: nil).

No interim dividend was paid during the year (2016: nil).

CLOSURE OF REGISTER OF MEMBERS

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 2017 (the "**AGM**"), the register of members of the Company will be closed from Monday, 21 August 2017 to Thursday, 24 August 2017, 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 Friday, 18 August 2017.

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 Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange during the year ended 31 March 2017 with the following deviations:

CG Code provision A.2.1

According to A.2.1 of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules, amongst others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 15 July 2016, the chairman of the Board, Mr. Zhang Yongdong, submitted his resignation to the Board. After resignation, he would no longer hold any other position in the Company. Whereas the Company was in the course of identifying a suitable candidate to fill the vacancy, all Directors recommended Mr. Sun Kwok Wah Peter, an executive Director and the chief executive officer of the Company, to chair meeting(s) of the Board during such period till the new chairman was elected. As Mr. Zhang

Haifeng was subsequently appointed as a non-executive Director and the chairman of the Board on 13 October 2016 in order to replace the vacancy, such deviation from CG code provision A.2.1 was rectified.

CG Code provision A.5.1

CG Code provision A.5.1 stipulates that the Company should establish a nomination committee which is chaired by the chairman of the Board or an independent non-executive director. During the period between 15 July 2016 and 12 October 2016, due to the resignation of a non-executive Director and chairman of the nomination committee, namely Mr. Zhang Yongdong, on 15 July 2016, the nomination committee of the Company then no longer had a chairman. As Mr. Zhang Haifeng was subsequently appointed as a non-executive Director and the chairman of the nomination committee on 13 October 2016 in order to replace the vacancy, such deviation from CG Code provision A.5.1 was rectified.

Except for the above deviation from CG Code, the Board is of the view that the Company has complied with the CG Code for the year ended 31 March 2017. The Company reviews its corporate governance practices regularly to ensure compliance with the CG code.

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 2017 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 2017.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited 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 SHINEWING (HK) CPA Limited on this annual results 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 2017.

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 2017 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.