

KFM KINGDOM



KFM KINGDOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKEx Stock Code: 3816)

▶ Annual Report 2018

OUR GOALS ARE **FAR AND HIGH**
WE CULTIVATE FOR **TOMORROW**



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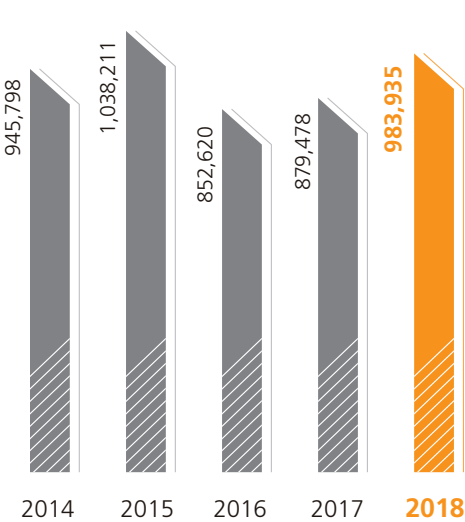
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Financial Highlights

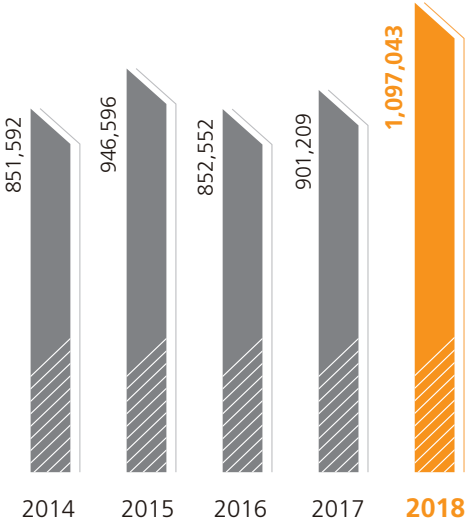
Revenue

Year ended 31 March (HK\$'000)



Total Assets

As at 31 March (HK\$'000)



Non-executive Director

Mr. Zhang Haifeng (Chairman)

Executive Directors

Mr. Sun Kwok Wah Peter (Chief Executive Officer)

Mr. Wong Chi Kwok

Independent non-executive Directors and audit committee

Mr. Wan Kam To (Chairman)

Ms. Zhao Yue

Mr. Shen Zheqing

Remuneration committee

Ms. Zhao Yue (Chairman)

Mr. Zhang Haifeng

Mr. Wan Kam To

Nomination committee

Mr. Zhang Haifeng (Chairman)

Mr. Sun Kwok Wah Peter

Mr. Wan Kam To

Ms. Zhao Yue

Mr. Shen Zheqing

Headquarters and principal place of business in Hong Kong

Workshop C, 31/F

TML Tower, 3 Hoi Shing Road, Tsuen Wan

New Territories, Hong Kong

Principal place of business in the PRC

Block A, No. 1301 Guanguang Road, Dabu Lane

Guanlan Street, Baoan District, Shenzhen, the PRC

Registered office

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive P.O. Box 2681

Grand Cayman KY1-1111, Cayman Islands

Company secretary

Mr. Kwok For Chi

Authorised representatives

Mr. Sun Kwok Wah Peter

Mr. Kwok For Chi

Legal advisers as to Hong Kong Law

Chiu & Partners

Auditor

SHINEWING (HK) CPA Limited

Principal bankers

DBS Bank (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

Cayman Islands share registrar and transfer office

SMP Partners (Cayman) Limited

Royal Bank House — 3rd Floor

24 Shedden Road, P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Website

www.kingdom.com.hk

Stock code

3816



Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of KFM Kingdom Holdings Limited (the “**Company**”), I am pleased to present the operating and financial performance of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2018.

During the financial year, the global macro-economic and international business environment continued improving. The unemployment rate in the United States declined. China’s gross domestic product grew by 6.9% to RMB82.7 trillion over last year, which was higher than the target set at the beginning of the year. However, the recent trade disputes have led to the global economy full of challenges and uncertainties.

Financial performance

During the year, the revenue of the Group increased by approximately 11.9% to approximately HK\$983.9 million from HK\$879.5 million of last year. The increase in revenue was mainly attributable to the increase in metal lathing segment and slightly offset by the decrease in revenue derived from metal stamping segment.

For the metal stamping segment, the revenue decreased slightly by approximately 0.7% as compared to the year ended 31 March 2017 to approximately HK\$667.3 million. However, the gross profit margin increased from approximately 23.9% to approximately 29.7%. The main reasons for the increase in gross profit margin were the effective implementation of cost control measures by the Group during the year and more revenue contributed from high gross profit margin products.

For the metal lathing segment, there was significant increase in both revenue and gross profit margin. The revenue increased from approximately HK\$207.6 million of last year to approximately HK\$316.6 million in the current year, representing an increase of approximately 52.5%. Meanwhile, the gross profit margin improved from approximately 23.9% to approximately 31.0%. The increase was mainly attributed to the increase in sale of high margin consumer electronic products.

In respect of overall performance, the Group recorded a net profit of approximately HK\$35.2 million while there was a net loss for the year ended

31 March 2017. The turnaround from loss to profit was mainly attributable to the increase in total revenue, in particular from metal lathing segment, and the improvement in overall gross profit margin.

Outlook

Looking forward, there are full of uncertainties in the global economy, in particular the increasing uncertainties for world trade situation and the interest rate hike in the United States of America.

The difficulties faced by manufacturing industries in the People's Republic of China (the "PRC") is expected to subsist in the foreseeable future. China will put more emphasis on high quality development and supply side structural reform. The enhancing supply side reform, higher environment protection standard as well as higher labour cost will lead to increase in operational cost which will add pressure to our customers to relocate their production base to lower cost regions.

Facing the cautious business and economy environment, the Group will continue to streamline its operation, adopt stringent cost control measures and look for a stronger financial position with light asset operation and lower geared structure, rich of liquidity and better return on assets. At the same time, the Group will explore more potential opportunities to diversify the customer base and product portfolios.

Besides, we are still in the process of conducting a detailed review of the current businesses and searching potential opportunities to diversify our income streams. We will adhere to our belief in order to cope with the challenges and create better returns for our customers, shareholders and investors.

Acknowledgement

The steady development of the Group is owed to the enormous trust and support of our shareholders, investors and business partners, dedicated services of Directors, as well as the loyalty of our employees. I hereby express my sincere gratitude to them.

Zhang Haifeng

Chairman

Hong Kong

26 June 2018

BUSINESS REVIEW



Business Review

During the year ended 31 March 2018, the global and regional economic environment continued improving. In the US, unemployment rate continued to decline at steady pace which evidenced a promising up trend in its economy. While in China a satisfying gross domestic product growth rate was recorded. Overall speaking, the development in the global and regional economy favours domestic and industrial demand and results in a relatively easier environment for many businesses. However, apart from these favourable factors, the increasing operating cost in the manufacturing sector in the PRC, such as the increasing labour cost and appreciation of Renminbi, continued to exert pressure on the Group and its key customers. Further, the emergence of global trade disputes brought extra uncertainty to the general economic environment. As a result, the market demands remained unfavourable. The management of the Group exerted efforts in seeking a broader customer base and product portfolios, and implemented series of measures to minimise operating costs.

Given the various measures implemented by the management, the Group recorded revenue amounted to approximately HK\$983.9 million for the year ended 31 March 2018, with an increase by approximately HK\$104.4 million or 11.9% as compared to the corresponding period last year.

During the year, revenue generated from the Group's metal stamping segment was approximately HK\$667.3 million. As compared to the corresponding period last year, it decreased by approximately HK\$4.5 million or 0.7%. The metal stamping segment continued to be affected by the weakening demand from its customers engaged in office automation industry. However, such impact was partially offset by an increase in number of orders from certain customers engaged in medical and test equipment and finance equipment industries.

Regarding the metal lathing segment, revenue during the year was approximately HK\$316.6 million. As compared to approximately HK\$207.6 million recorded in the corresponding period last year, revenue derived from the metal lathing segment during the year showed an increase by approximately HK\$109.0 million or 52.5%. Such improvement was mainly contributed from an increase in number of orders from customers engaged in the consumer electronics industry.

Due to the changes in product portfolio and higher operating efficiency, the overall gross profit margin of the Group during the year improved from approximately 23.9% in the corresponding period last year to approximately 30.1%. As such, the total gross profit of the Group increased by approximately HK\$86.4 million from approximately HK\$209.8 million during the corresponding period last year to approximately HK\$296.2 million during the year ended 31 March 2018.

As a result of the above, the Group recorded net profit of approximately HK\$35.2 million during the year ended 31 March 2018, which improved significantly as compared with the net loss of approximately HK\$17.1 million of the same period last year.

Outlook and strategy

Along with the recovery of the global economy, there is increasing uncertainty arising from international trade disputes. The Group is closely assessing and monitoring the development in the US-China trade disputes. The Group will take appropriate actions to mitigate those impacts while necessary. Meanwhile, the difficulties faced by manufacturing industries in the PRC is expected to subsist in the foreseeable future. The increasing labour cost and material cost in the PRC will remain the major challenges to the Group. It is also expected that certain of our customers will continue to relocate their businesses to lower cost regions in Southeast Asia and the Group is required to stay flexible and agile to adapt to such changes. Because of the above factors, the Group remains cautious about the business environment in the coming year. To face these challenges, the Group will continue to streamline its operation and adopt stringent cost control policies to strengthen the financial position and improve the return on total assets and net assets.

Even though there was a slight decrease in the revenue of metal stamping segment, there was an encouraging increase in gross profit margin which in turn improved the performance of metal stamping segment. The metal lathing segment experienced significant improvement in both revenue and gross profit margin due to the increasing orders from consumer electronics industries. Nevertheless, the customers' continuing relocation to Southeast Asia creates more uncertainties for the Group. In this difficult situation, the Group will take steps to manage the operating cost, such as the labour cost, materials cost and financing cost, to mitigate the impacts.

In the coming year, the Group will put more efforts in broadening customer base and look for more new customers. Meanwhile, the Group will strive to maintain good relationships with customers and devote more effort in enhancing the overall operational efficiency. The controlling shareholder is still in the process of conducting a detailed review of the current businesses and searching for 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 customers, shareholders and investors.

Financial Review

Revenue

For the year ended 31 March 2018, revenue of the Group reached approximately HK\$983.9 million, representing an increase of approximately HK\$104.4 million or 11.9% from approximately HK\$879.5 million for the corresponding period last year. Set out below is a breakdown of the Group's revenue by business segments:

	2018		2017	
	HK\$'000	%	HK\$'000	%
Metal stamping	667,334	67.8	671,845	76.4
Metal lathing	316,601	32.2	207,633	23.6
	983,935	100.0	879,478	100.0

Revenue derived from the metal stamping segment decreased by approximately HK\$4.5 million or 0.7% from approximately HK\$671.8 million for the year ended 31 March 2017 to approximately HK\$667.3 million for the year ended 31 March 2018. During the year ended 31 March 2018, the Group experienced a decrease in revenue derived from customers who are engaged in the office automation industry, which was partially offset by an increase in orders from certain customers who are engaged in medical and test equipment and finance equipment industries.

Revenue derived from the metal lathing segment increased by approximately HK\$109.0 million or 52.5% from approximately HK\$207.6 million for the year ended 31 March 2017 to approximately HK\$316.6 million for the year ended 31 March 2018. The increase was mainly attributed to an increase in revenue derived from the Group's customers engaged in the consumer electronics industry.

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 69.4%, 19.3%, 6.3% and 2.0% of the Group's revenue respectively for the year ended 31 March 2018. Details of revenue generated by different geographical locations are set out in note 8(c) of this consolidated financial statements.

Cost of sales

Cost of sales primarily comprises 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			
	2018		2017	
	HK\$'000	%	HK\$'000	%
Direct materials	379,710	55.2	327,506	48.9
Direct labour	161,245	23.5	154,962	23.1
Processing fee	94,467	13.7	96,780	14.5
Other direct overheads	52,328	7.6	90,401	13.5
	687,750	100.0	669,649	100.0

During the year ended 31 March 2018, cost of sales of the Group increased by approximately HK\$18.2 million or 2.7% as compared to the corresponding period last year. The increase was primarily due to the combined effect of increase in the Group's total revenue, as well as the change in product mix and the implementation of cost control measures by the Group during the year ended 31 March 2018. 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 69.9%, representing a decrease of approximately 6.2%, as compared to approximately 76.1% in the corresponding period last year.

Gross profit and gross profit margin

During the year ended 31 March 2018, the Group's gross profit was approximately HK\$296.2 million, representing an increase of approximately 41.2% as compared to the corresponding period in 2017. The improvement in gross profit margin was mainly attributable to the increase in sales of high-margin consumer electronics products and cost control measures implemented by the Group during the year.

In respect of the Group's metal stamping segment, gross profit margin has improved from approximately 23.9% in the corresponding period last year to approximately 29.7% for the year ended 31 March 2018. Such increase was mainly attributable to the cost control and streamlining of the operation by the Group during the year.

In respect of the Group's metal lathing segment, gross profit margin has improved from approximately 23.9% for the year ended 31 March 2017 to approximately 31.0% for the year ended 31 March 2018. Such increase was due to the increase in revenue of more profitable products derived from customers who are engaged in the consumer electronics industry during the year, which led to an improvement in the overall gross profit margin.

Other (losses)/gains, net

During the year ended 31 March 2018, the Group recorded other losses, net which amounted to approximately HK\$24.6 million. In the corresponding period of 2017, the Group recorded other gains, net of approximately HK\$16.0 million. Upon the appreciation of Renminbi against United States dollars during the year ended 31 March 2018, the Group recorded net exchange loss of approximately HK\$26.0 million, while during the same period last year the Group recorded net exchange gain of approximately HK\$13.7 million. In addition, the Group recorded loss from disposal of property, plant and equipment amounted to approximately HK\$3.3 million during the year ended 31 March 2018, while the Group only recorded loss from disposal of property, plant and equipment amounted to approximately HK\$0.4 million during the same period last year.

Distribution and selling expenses

Distribution and selling expenses relate to the expenses incurred for the promotion and sale of the Group's products. It mainly comprises, 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\$21.2 million and approximately HK\$20.1 million for the years ended 31 March 2018 and 2017 respectively. The increase in distribution and selling expenses was mainly attributed to the increase in revenue during the year.

General and administrative expenses

General and administrative expenses primarily comprise 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\$193.7 million for the year ended 31 March 2017 to approximately HK\$190.9 million for the year ended 31 March 2018. The decrease was primarily due to no provision for impairment of goodwill and intangible assets being incurred during the year, which was partially offset by an increase in additional costs paid during streamlining of the Group's operation and performance bonus paid to the staff upon improvement of the Group's performance during the year ended 31 March 2018.

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 2018, the Group's finance costs were approximately HK\$20.2 million, as compared to approximately HK\$16.7 million for the corresponding period of 2017. The increase in finance costs was mainly due to an increase in average balances of borrowings as compared to the corresponding period last year.

Income tax expenses

The Group's income tax expenses amounted to approximately HK\$4.2 million and approximately HK\$12.6 million for the years ended 31 March 2018 and 2017 respectively. The decrease was mainly attributable to the reversal of certain deferred tax provision and taken into consideration of other tax effects.

During the year ended 31 March 2018, the Group's effective tax rate was approximately 10.7%. This was mainly a result of the reversal of certain deferred tax provision and taken into consideration of other tax effects. Excluding such factors, the adjusted effective tax rate would have been approximately 20.8% during the year, while the same for the corresponding period last year would have been approximately 23.1%.

Profit/(loss) attributable to owners of the Company

For the year ended 31 March 2018, profit attributable to owners of the Company amounted to approximately HK\$35.1 million, as compared with the loss attributable to owners of the Company of approximately HK\$15.5 million for the corresponding period in 2017. The turnaround from net loss to net profit was mainly attributable to the increase in revenue and gross profit margin, and implementation of cost control measures in streamlining of the Group's operation.

Liquidity, Financial and Capital Resources

Financial resources and liquidity

The Group's current assets mainly comprise cash and cash equivalents, trade and other receivables, and inventories. The Group's total current assets amounted to approximately HK\$686.4 million and approximately HK\$522.1 million as at 31 March 2018 and 2017 respectively, which represented approximately 62.6% and approximately 57.9% of the Group's total assets as at 31 March 2018 and 2017, respectively.

Capital structure

The Group's capital structure is summarised as follow:

	2018 HK\$'000	2017 HK\$'000
Bank borrowings	24,800	45,200
Unsecured borrowings from a related company	370,000	270,000
Total debts	394,800	315,200
Shareholders' equity	501,730	414,412
Gearing ratio		
— Total debts to shareholders' equity [#]	78.7%	76.1%

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\$106.0 million and approximately HK\$61.3 million for the years ended 31 March 2018 and 2017 respectively.

Details of the Group's bank borrowings and unsecured borrowings from a related company as at 31 March 2018 are set out in notes 29 and 31 of the consolidated financial statements 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 2018, the Group acquired property, plant and equipment of approximately HK\$58.7 million during the normal and ordinary course of the Group's business, as compared to the year ended 31 March 2017 of approximately HK\$29.6 million.

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 2018 and 2017, there were no Group's bank borrowings secured by the leasehold land and buildings.

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.

Capital commitments and operating lease commitments

Details of the Group's capital commitments and operating lease commitments as at 31 March 2018 are set out in note 32(a) and note 32(b) of the consolidated financial statements respectively.

Contingent liabilities

As at 31 March 2018, the Group had no material contingent liabilities.

Employees and Remuneration Policy

As at 31 March 2018, the Group had a total number of 2,372 full-time employees (2017: 2,448). 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 2018.

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

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 March 2018.

Corporate Governance Practices

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

The Board is of the view that the Company has complied with the code provision as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the year ended 31 March 2018.

The Board of Directors Responsibilities

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

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

Board Composition

The Board currently comprises six members, consisting of two executive Directors, one non-executive Director and three independent non-executive Directors. The biographical details of the Board members are set out on pages 32 to 34 of this Annual Report. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

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

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

Board Diversity Policy

The Company has adopted a board diversity policy (the “**Policy**”) which sets out the approach to achieve and maintain diversity on the Board in order to enhance the quality of its performance.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender.

The nomination committee of the Board will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption and review the Policy that may be required.

Appointments, Re-election and Removal of Directors

The non-executive Director has entered into an appointment letter with the Company without a specific term commencing from 13 October 2016. Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 September 2012. After the expiry of the current term, the term of service shall be renewed and extended automatically by one year and on the expiry of every successive period of one year thereafter, unless either party has given at least three months' written notice of non-renewal before the expiry of the then existing terms. Mr. Wan Kam To, an independent non-executive Director, has been appointed for an initial term of two years commencing from 22 September 2012 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term appointment, whereas each of Ms. Zhao Yue and Mr. Shen Zheqing, each also an independent non-executive Director, has entered into an appointment letter with the Company without a specific fixed term commencing from 3 February 2016.

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

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

Chairman and chief executive officer

Under CG Code A.2.1, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. For the year ended 31 March 2018, the roles of the Chairman and the chief executive officer have been performed by Mr. Zhang Haifeng and Mr. Sun Kwok Wah Peter respectively.

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

Directors' continuous training and development

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

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

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

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

Name of directors	Type of continuous professional development programmes
Non-executive Director	
Mr. Zhang Haifeng (Chairman)	A,B
Executive Directors	
Mr. Sun Kwok Wah Peter	A,B
Mr. Wong Chi Kwok	A,B
Independent non-executive Directors	
Mr. Wan Kam To	A,B
Ms. Zhao Yue	A,B
Mr. Shen Zheqing	A,B

Notes:

A: attending training/seminars

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

Board and general meetings and attendance

During the year, the Board met regularly to review the financial and operating performance of the Company and to discuss future strategy. Directors may participate either in person or through electronic means of communications.

For the year ended 31 March 2018, the Company has adopted the practice of holding board meetings regularly for at least four times a year in approximately quarterly intervals. At least 14 days' notice is given to all Directors for all regular board meetings and all Directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all Directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept by the company secretary and are available to all Directors for inspection.

At the board meetings, the Board reviewed significant matters including the Company's annual consolidated financial statements and interim consolidated financial information, proposals for final and interim dividends (if any), annual and interim reports, approved material capital expenditure and other corporate actions of the Group.

During the year, the Company has convened five Board meetings and one general meeting. The attendance record for each of the Directors at the board meetings and general meeting are set out below:

Name of Directors	Number of attendance	
	Board meetings	General meeting
Non-executive Directors		
Mr. Zhang Haifeng (Chairman)	5/5	1/1
Executive Directors		
Mr. Sun Kwok Wah Peter	5/5	1/1
Mr. Wong Chi Kwok	5/5	0/1
Independent non-executive Directors		
Mr. Wan Kam To	5/5	1/1
Ms. Zhao Yue	5/5	1/1
Mr. Shen Zheqing	5/5	1/1

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 2018 and up to 26 June 2018, the date of this Annual Report.

Board committees

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

Audit committee

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

The audit committee currently consists of three independent non-executive Directors, namely Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing. The chairman of the audit committee is Mr. Wan Kam To, who has appropriate professional qualifications and experience in accounting matters.

The composition of the audit committee during the year as well as the meeting attendance of the committee members is as follows:

Membership and Attendance of Members	
Members	Attendance/ Number of meetings
Independent Non-executive Directors	
Mr. Wan Kam To (Chairman)	2/2
Ms. Zhao Yue	2/2
Mr. Shen Zheqing	2/2

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2017, interim condensed consolidated financial statements for the six months ended 30 September 2017 and the composition of the Board. The audit committee has discussed the financial information with the management and the external and internal auditors of the Company during the year before submission to the Board for approval and the Group's risk management with the risk management personnels.

Nomination committee

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

The nomination committee currently comprises three independent non-executive Directors, one non-executive Director and one executive Director. The nomination committee is chaired by the chairman of the Board.

The composition of the nomination committee during the year as well as the meeting attendance of the committee members is as follows:

Membership and Attendance of Members	
Members	Attendance/ Number of meeting
Non-executive Director	
Mr. Zhang Haifeng (Chairman)	1/1
Executive Director	
Mr. Sun Kwok Wah Peter	1/1
Independent non-executive Directors	
Mr. Wan Kam To	1/1
Ms. Zhao Yue	1/1
Mr. Shen Zheqing	1/1

One meeting was held during the year in which the nomination committee reviewed the composition of the Board and its committees as well as the background and experiences of the Board members and evaluated the contributions of the Board members to the Group and made recommendations to the Board on the nomination and re-appointment of Directors, and assessed the independence of independent non-executive Directors.

Remuneration committee

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

The remuneration committee currently comprises two independent non-executive Directors and one non-executive Director. The chairman of the remuneration committee is Ms. Zhao Yue, an independent non-executive Director.

The composition of the remuneration committee during the year as well as the meeting attendance of the committee members is as follows:

Membership and Attendance of Members	
Members	Attendance/ Number of meeting
Independent non-executive Directors	
Ms. Zhao Yue (Chairman)	1/1
Mr. Wan Kam To	1/1
Non-executive Director	
Mr. Zhang Haifeng	1/1

One meeting was held during the year in which the remuneration committee reviewed the remuneration policies and approved the salaries and bonuses of the executive Directors and senior management. No Director took part in any discussion about his own remuneration. The remuneration committee has communicated with the chairman of the Board about proposals relating to the remuneration packages of other executive Directors and senior management.

Details of the Directors' emoluments and retirement benefits and remuneration payable to members of senior management are disclosed in the note 12(b) and note 33(d) to the consolidated financial statements respectively.

Corporate Governance Functions

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

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with the relevant legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

Financial Reporting and Audit

Directors' responsibility for financial statements

The Directors acknowledge their responsibility for preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the year end date and of the Group's results and cash flows for the financial year then ended. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to code provision C.1.1 of the CG Code, management would provide such explanation and information to the Board in order to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. As at the date of this report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The consolidated financial statements for the year ended 31 March 2018 are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

The responsibilities of SHINEWING (HK) CPA Limited, the Company's external auditor, on the Group's consolidated financial statements are set out in the section headed "Independent Auditor's Report" in this Annual Report.

Auditor's Remuneration

For the year ended 31 March 2018, the Group's external auditor and its affiliated firm provided the following services to the Group:

	HK\$'000
Audit services	1,250
Non-audit services	
— Interim review services	220
— Taxation (note)	147
	<hr/>
Total	1,617

Note: Services performed by the affiliated firm of SHINEWING (HK) CPA Limited

Risk Management and Internal Control

The Group has in place an internal control system which enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Group adopts a risk management system which manages the risk associated with its business and operations, and the system enables the Group to identify, evaluate and manage significant risks.

The Board is responsible for overseeing the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The risk management and internal audit departments of the Company play a major role in monitoring the risk management and internal control systems of the Group and report directly to the Board. They have full access to review all aspects of the Group's activities, risk management and internal controls. The internal audit of the Group conducted an independent review of the risk management and internal control systems of the Group on a regular basis in order to maintain high standards of corporate governance. The review covers material controls and risk management process to ensure that the systems in place are adequate and effective. The internal audit review plan has been approved by the audit committee.

The Board reviews the adequacy and effectiveness of the Group's risk management and internal control systems. Several areas have been considered during such reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems. These reviews also cover the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's internal audit, risk management and financial reporting functions. For the year ended 31 March 2018, the Board considered such systems effective and adequate throughout the year.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”) and the Listing Rules. In order to enhance the Group’s system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures, which include the access of information being restricted to a limited number of employees on a need-to-know basis, to ensure that proper safeguards exist to prevent possible mishandling of inside information within the Group.

Shareholders’ Right

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

In accordance with Article 64 of the articles of association of the Company, any one or more shareholders (“Requisitionist(s)”) holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice to the Board or the company secretary of the Company by mail at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition. Such EGM shall be held within two months after the deposit of such requisition. If the Directors fail to proceed to convene such meeting within twenty-one (21) days of such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for directing shareholders’ enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company:

The Company Secretary
KFM Kingdom Holdings Limited
Email: comsec@kingdom.com.hk
Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong

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

Procedures for putting forward proposals at general meetings by shareholders

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (“Proposal”) with his/her/its detailed contact information at the Company’s principal place of business at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

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

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

- (a) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;
- (b) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company; and
- (c) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

Communication with Shareholders

The management endeavours to maintain effective communications with the shareholders and potential investors of the Company.

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

Constitutional Documents

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

Updates on Compliance and Regulatory Matters as Disclosed in the Prospectus

Long term relocation plan

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

As a result, the Directors plan to relocate from the Xili Leased Properties should the potential risk regarding the legality and ownership title of the Xili Leased Properties persist (the "**Long Term Relocation Plan**"). During the Reporting Period, the Group's senior management and local management of KRP-Shenzhen have continued the process of locating the appropriate premises for relocation. The factors to consider for locating the appropriate premises include (but not limited to) the size of the factory, availability of work force, proximity to customers, suppliers and the Group's headquarters, standard of life for staff, costs of the relocation, etc. As at the date of this report, no appropriate premises have been located. The Group has renewed the lease agreement of the Xili Leased Properties on 31 October 2016 for a period of five years to ensure that no disruption of the operation in Xili. The Group will continue to seek suitable premises for the Long Term Relocation Plan.

In the event that the Group receive notice for relocation prior to completion of the Long Term Relocation Plan, the production facilities and production lines at the Xili Leased Properties will be relocated to Kingdom Technology (Shenzhen) Company Limited and Dongguan Conform Metal Limited.

As at the date of this report, the Directors confirm that both the lessor and the Group have not received any order from the relevant authorities to vacate the Xili Leased Properties.

Scope of the Report

This Environmental, Social and Governance Report (the “**Report**”) is prepared in adherence to the principles and provisions of the Reporting Guide set out in Appendix 27 to the Listing Rules, covering the plants of the Group located in Shenzhen Guanlan, Shenzhen Xili, Suzhou, Shanghai and Dongguan of the People’s Republic of China (the “**PRC**”). The plants are principally engaged in the manufacturing of precision metal (collectively referred to as “**Business Units**”). The Report covers the financial year ended 31 March 2018 and discloses the Company’s corporate social responsibility approach and performance. This Report has been reviewed and approved by the Board after their discussion with the relevant management of the Group regarding the effectiveness of the corporate social responsibility system.

This Report sets out the strategy of Business Units and its implementation in the subject areas, namely environmental, social and governance. Through this Report, stakeholders including shareholders, employees, customers, suppliers, creditors, regulators and the general public will be given a channel to review the performance of the Group in the environmental and social responsibility aspects.

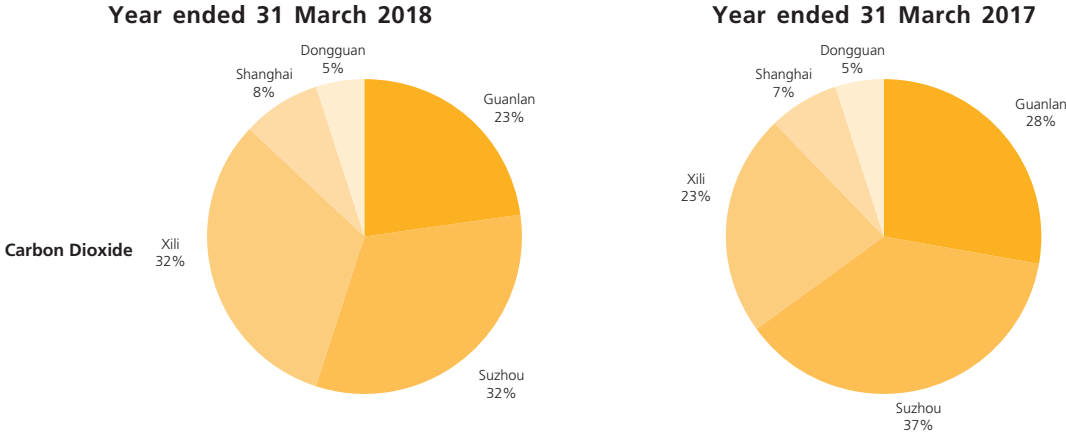
Environmental Protection Emissions

Business Units comply with the following laws promulgated by the Government of the PRC on waste gas, sewage emission and noise pollution:

- Law of the PRC on the Prevention and Control of Atmospheric Pollution
- Water Pollution Prevention and Control law of the PRC
- Law of the PRC on Prevention and Control of Pollution From Environmental Noise

It is the Group’s policy to comply with the relevant laws and regulations which have a direct impact on the business and operation of the Business Units. To maintain an environmental friendly production environment, the pollutants discharged were closely monitored by Business Units. Since 1998, Business Units have obtained the first International Certification of Environmental Management System (ISO 14001). The certificate reflects our effectiveness in environmental controls and it is renewed regularly. For the year ended 31 March 2018, the results of environmental detecting reports of Business Units reflected that the waste emissions generated by our production processes were under good control and abided by the relevant rules and regulations of the PRC.

Business Units are engaged in precision metal processing and assembly business and primarily generate carbon dioxide by consuming electricity, natural gas and diesel oil in the production process. For the year ended 31 March 2018, the overall emission of carbon dioxide by Business Units was approximately 11,479 tonnes, representing an increase of approximately 1,113 tonnes or 10.7% from approximately 10,366 tonnes for the corresponding period last year. Most of carbon dioxide emission was generated by our main energy consumption of electricity. The increase in carbon dioxide emission during the year was derived from the increase of production output. The proportion of overall carbon dioxide emission for the years ended 31 March 2018 and 2017 among Business Units were as follows:



Business Units have installed various measures to save the energy consumed during the production process and thereby reduced the direct emission of greenhouse gas. Solar board and intelligent energy saving on-off switches were introduced to Business Units. Besides, the waste disposal was implemented in compliance with International Certification of Environmental Management System (ISO 14001).

To properly handle non-hazardous and hazardous wastes generated from our production process, Business Units have well established procedures to prevent the occurrence of the adverse impact to the environment. Under the procedures of wastes management, all wastes are systemically classified, stored in separate warehouses, and disposed of or recycled to the companies which are authorised by the PRC government. For the year ended 31 March 2018, the non-hazardous wastes, including metals, wooden boxes, plastics and non-chemical wastes, being disposed of amounted to approximately 4,839 tonnes (2017: approximately 4,718 tonnes) and the hazardous wastes, including electronic items and chemical wastes, being disposed of amounted to approximately 21 tonnes (2017: approximately 30 tonnes). In order to minimise the material wastage, we will continuously improve the production process and increase the use of reusable materials during the production.

Use of Resources

Business Units stress high commitment on energy and water resources saving. Resource reduction was implemented in compliance with International Certification of Environmental Management System (ISO 14001). Production processes are evaluated periodically on the efficiency of energy consumption. We adhere to the principles of maximisation of the utilisation rate per energy consumed.

Certain Plants have set up a closed-loop circulation system for water recycling and to reuse the reclaimed water in the product cleaning process, from which plenty of water resources were recycled for use. Besides, as mentioned in the emission section above, certain devices were installed for energy saving purpose.

The overall consumption of electricity resource by Business Units increased by approximately 1.7 million kilowatt per hour or 10.1% from approximately 16.9 million kilowatt per hour for the year ended 31 March 2017 to approximately 18.6 million kilowatt per hour for the year ended 31 March 2018. The increased consumption of electricity resource in the year was mainly derived from the increase of production output.

For the overall consumption of water resource by Business Units, it decreased by 12.6 thousand tonnes or 8.5% from approximately 148.5 thousand tonnes for the year ended 31 March 2017 to approximately 135.9 thousand tonnes for the year ended 31 March 2018. The enhancement of employee's training and resources control by Business Units in the year resulted in the decrease in consumption of water resource.

The finished goods packaging usually use a lot of paper. In order to save packaging paper, Business Units have designed procedures to reduce paper for finished goods packaging by using recyclable packaging material. It is an option that Business Units provide to customers to use recyclable material for new production orders. The recyclable packaging material including recycled cartons and plastic boxes are re-collected from the customers back to our factories after the delivery of finished goods, and then all boxes will be re-used for next production orders.

For the year ended 31 March 2018, the rate of usage of recyclable packaging material was approximately 20% (2017: approximately 36%) on the sale of total products. The decreased rate of usage of recyclable packaging material was derived from the increase of the sale of total products during the year and those increase in sale was mainly due to the customers did not request for use of recyclable packaging material. According to the Group's policy, we will continuously encourage customers to use the recyclable packaging material for appropriate production orders.

The Environment and Natural Resources

To minimise the environmental impact and reduce resource consumption as stipulated in the Group's policies, a set of environmental controls and measures has been implemented. The controls include replacing the energy-inefficient electrical equipment, employee's training on saving resources, reducing the use of paper by double side printing and wastes separation for recycling. Eventually, a large amount of paper and plastic resources have been reduced, reused or recycled by Business Units.

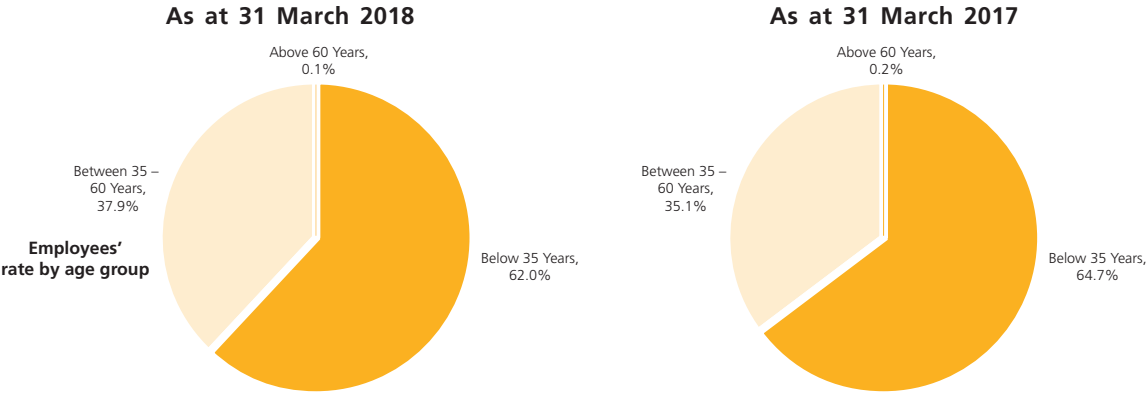
Working Environment

Basic Information

The Group persists in the principle of fair and equal opportunities regardless of age, gender, marital status, ethnicity, nationality, religion or disability on recruitment, and always treats staff as the most important asset and appoints them according to their ability and suitability. The remuneration policy is determined with regard to the employees' qualification, experience and performance on their jobs, and with reference to the current market situation.

An employee representative union had been established to protect employees’ rights and interests. Members of the union represent employees’ interests and help them to discuss with management in relation to the improvement of employees’ welfare. In order to motivate the employees to make continuous improvement in their individual performance and contribution, Business Units continue to enhance the human resource management and improve the appraisal system.

As at 31 March 2018, the Group employed a total of 2,372 employees (2017: 2,448 employees). The employees’ rate by age group as at 31 March 2018 and 2017 were set out below:



Health and Safety

Employees’ health and safety are important to the Group and a set of policies had been adopted to protect employees. The policies include Factory Environment Safety Management and Control, Occupational Disease Prevention Management, and Management of Occupational Health and Safety Monitoring. Some policies have cited the requirements from the relevant laws and regulations of the PRC.

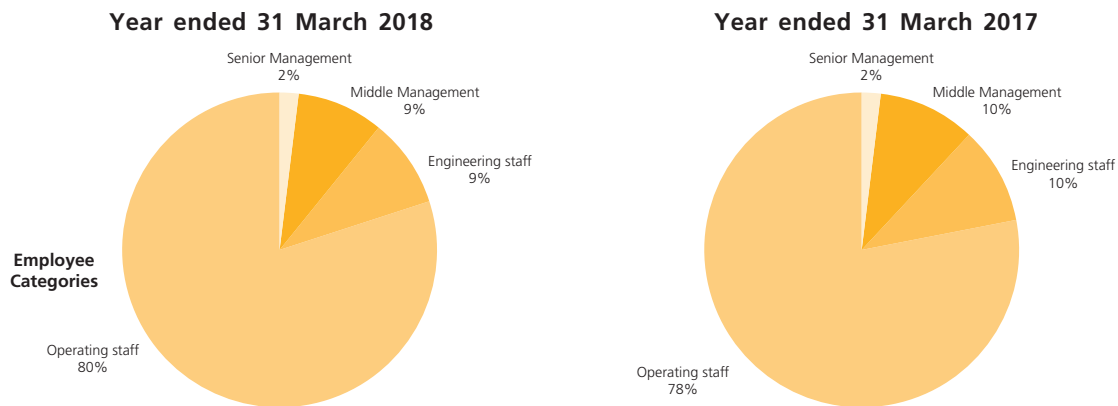
In order to enhance the employees’ awareness of health and safety manners, Business Units took efforts to promote employees’ health and safety conditions and launched a series of regular training activities to ensure the employees’ understanding of relevant laws and regulations. Several specific trainings are provided to employees in risky working positions and help them to properly use the protective equipment and methods. Additionally, in response to the needs of production health and safety, one Business Unit has achieved the International Certification of Occupational Health and Safety Management Systems (OHSAS 18001) since 2007 and the certificate is renewed regularly. For the years ended 31 March 2017 and 2018, Business Units sustained zero fatality due to work-related accident. The health and safety controls will be continuously reviewed and maintained by the management.

Development and Training

Business Units operate in a highly competitive market. In response to the competition, we have implemented a comprehensive training system for employees to ensure our long term competitiveness. The objective of the training is to enhance the employees’ knowledge and skills so as to achieve the Group’s mission. The training courses for employees cover a wide range of working areas such as regulations and policies regarding the jobs, management and controls in the manufacturing industry, product quality, working safety and so on. Some training workshops are provided by external training institutions in specialised areas.

For the year ended 31 March 2018, Business Units have enhanced the employee training system and obtained an “Award of Learning Enterprise 2017” which issued by the Professional Validation Council of Hong Kong Industries (PVCHK). The management will continuously improve the training plan and system to enhance the employees’ working efficiency and competitiveness.

The employee categories involved in regular training for the years ended 31 March 2018 and 2017 were set out below:



Labour Standards

Business Units follow the Group’s policies on a high standard on the labour working conditions. Steps were taken to prevent child and forced labour. All employees working in Business Units must be over 18 years old, and they should follow the free-will principle if they work on overtime duties. For the years ended 31 March 2017 and 2018, no child labour was employed by Business Units. The management will closely monitor the employment practices and relevant control procedures to avoid any child labour in Business Units.

Operating Practices Supply Chain Management

Supply chain management links to the product quality control system, and therefore Business Units implemented strict controls to select suppliers. Our policies require that the suppliers must have passed through a high level scrutiny procedure before they become our qualified suppliers. Based on the scrutiny procedure, suppliers are subject to the assessments and on-site audits on their product quality, environmental friendliness as well as suitability and quality consistency tests conducted by our specialised department. After the suppliers pass the audits and assessments, they are enrolled into the “The List of Qualified Suppliers” and Business Units only place purchasing orders to the suppliers on the said list. The higher opportunity for the suppliers will be given for inclusion into the “The List of Qualified Suppliers” if they achieved the International Quality Certification of The Quality Management System (ISO 9001).

As a regular control, the suppliers on the “The List of Qualified Suppliers” are subject to yearly performance assessment which includes the supplier’s production quality and integrity reviews. The suppliers may be required to carry out some improvements if the assessment result is unqualified.

Product Responsibility

In response to the needs and requirements of customers, Business Units achieved the International Quality Certifications of The Quality Management System (ISO 9001) since 1995 and the certificate is renewed regularly. Our production employees are familiar with the provisions, and strive for compliance with specific requirements in the production process.

According to ISO 9001, the production lines have established a sound quality testing and detecting system. The products rejection rate has remained at a relative low level and the products are in compliance with relevant health and safety regulations. Besides, Business Units applied the strict quality controls over the production process. The controls include making monitoring plans on production procedures, setting process parameters and product testing parameters, and preparing test working guidance for specific products. Apart from on-site testing, the high grade testing instruments in the measuring office are also used to analyze product defects. All testing instruments are regularly calibrated by the measuring office or external calibration institutions.

For the improvement of product quality, in case the management receives a feedback on product quality from customers, we will immediately communicate with relevant customer to resolve the quality problem. If necessary, a technician will be arranged to conduct further on-site investigation in the customer's warehouse. Accordingly, all returned products are taken to necessary defect measurements for our further improvement. For the years ended 31 March 2017 and 2018, products have been delivered to the customers without any significant quality problem in relation to the health and safety issues.

Anti-Corruption

For the purpose of facilitating an integrity environment, the Group has implemented a strict control policy and will continue to improve the internal control system with an aim at strengthening internal supervision and anti-corruption in the Group.

The main regulations of the anti-corruption management are as follows:

1. All employees are prohibited from giving and accepting of bribes, the acceptance of valuables, the embezzlement of funds, extortion, fraud, and money laundering;
2. Travel and entertainment with definite business purposes shall apply the principle of thrifty and necessity. Excessive claim of travel expenses, incompliant dining expenses and reception of unrelated persons at Business Units' expenses are not allowed; and
3. A whistle blowing system has been implemented in Business Units. All employees are allowed to make direct contact to senior management through the whistle blowing system for any reason in regard to the operation of Business Units.

For the years ended 31 March 2017 and 2018, the management applied sound controls to the anti-corruption and maintained an integrity working environment in Business Units.

Community Investment Contribution to Society

Business Units have been playing a positive attitude in taking social responsibilities and promotion of harmonious social development to communities as important directions for our long-term development.

Apart from making cash donation to charitable organisations which is mentioned in the Report of the Directors, the management and employees of Business Units have been taking their own initiatives in helping, supporting and participating the activities of local community and neighbour.

For the year ended 31 March 2018, the following contributions have been organised:

1. Business Units in Shenzhen Guanlan, Shenzhen Xili and Suzhou have been employing disabled residents in Shenzhen and Suzhou as our employees;
2. Business Unit in Suzhou provided an exchange and practice opportunity to Hong Kong young residents to work in the operating departments for a short period to obtain working experience in the PRC;
3. Business Unit in Shenzhen Guanlan has organized employees to participate the Shenzhen Guanlan's Chinese Recitation Game and obtained an "Award of Recitation Creation";
4. Business Unit in Xili has organised an employee's running team to participate the Shenzhen Marathon Game and also organised a cheering team to support our marathon runners during the game;

The Group will continue to identify new opportunities in promoting sustainability through its business operations, as well as to strengthen our partnership with charities and to nurture a culture of giving within the community.

Biographies of Directors and Senior Management

Non-executive Director

Mr. Zhang Haifeng (張海峰), aged 51, was appointed as a non-executive Director and chairman on 13 October 2016. Mr. Zhang Haifeng is currently the vice general manager of 內蒙古坤龍房地產開發有限責任公司 (Inner Mongolia Kun Long Real Estate Development Limited). Prior to his current position at Inner Mongolia Kun Long Real Estate Development Limited, he worked for various positions at 包頭市對外經濟貿易公司 (Baotou Foreign Economic Relations and Trade Limited) from 1988 to 2002.

Executive Directors

Mr. Sun Kwok Wah Peter (孫國華), aged 58, one of the founders at the Group, was appointed as an executive Director and the chief executive officer on 13 July 2011 and 3 February 2016 respectively. He is also a director of certain subsidiaries of the Group. Mr. Sun Kwok Wah Peter has more than 25 years of experience in the metal stamping industry. Since 1981, he participated in his family business in metal kitchenware manufacturing in Hong Kong. He developed his expertise in metal stamping when he first started his metal stamping factory in the name of Kingdom Industrial Company in Kwai Chung in 1987. In 1989, he established Kingdom Fine Metal Limited and established his Shenzhen Shunan Kingdom Contract Processing Factory in 1990. He is responsible for the overall strategic planning and partnership development as well as international key customer relations of the Group.

Mr. Sun Kwok Wah Peter is actively involved in different associations of the industry. He is the honorary chairman of the Hong Kong (SME) Economic and Trade Promotional Association Limited, a member of Innovation and Technology Fund Research Projects Assessment Panel, formerly known as Innovation and Technology Support Programme Assessment Panel, of Innovation and Technology Commission of the Hong Kong SAR Government and a member of the Professional Services Advancement Support Scheme Vetting Committee.

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

Mr. Sun Kwok Wah Peter serves numerous positions in various governmental bodies. He has been a member of both Shenzhen Nanshan District Standing Committee of the Chinese People's Political Consultative Conference (the "CPPCC") from 2006 to 2016 and Anhui Provincial Committee of CPPCC since 2003, respectively. He has also been the vice chairman of Shenzhen Association of Enterprises with Foreign Investment since 2005. He was the vice-president of Shenzhen Nanshan Foreign Enterprise's Chamber of Commerce between 2005 and 2012 and was appointed as the president in February 2012. He has been a member of Hong Kong CPPCC (Provincial) Members Association Limited since 2006.

Mr. Sun Kwok Wah Peter is an active member in different social organisations as well. He is a vice-president of the Hong Kong Young Industrialists Council Foundation Limited. Apart from that, he is involved in charitable organisations by being the founding chairman of Hong Kong Blind Sports Federation Limited, the president of The Asian Foundation for the Prevention of Blindness.

Mr. Sun Kwok Wah Peter holds an MBA degree from the Business School of the European University. In January 2002, Mr. Sun Kwok Wah Peter was awarded associateship (metal industry) by the Professional Validation Council of Hong Kong Industries. He was also appointed as the honorary professor of the 深圳大學工程技術學院 (College of Engineering and Technology of Shenzhen University) in December 2002. Mr. Sun Kwok Wah Peter was conferred as a University Fellow by The Hong Kong Polytechnic University in January 2014.

Mr. Wong Chi Kwok (黃志國), aged 66, was appointed as an executive Director on 22 September 2012. He is also a director of certain subsidiaries of the Group. He is responsible for advising the Board on strategic planning, partnership development and merger and acquisition strategies, but will not involve in day-to-day management of the Group.

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

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

Independent Non-executive Directors

Mr. Wan Kam To (尹錦滔), aged 65, was appointed as our independent non-executive Director on 22 September 2012. Mr. Wan Kam To graduated from Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) in 1975 with a Higher Diploma in Accountancy. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Wan Kam To has been a practicing accountant in Hong Kong for over 30 years and has extensive experience in auditing and advisory work. Mr. Wan was a former partner of PricewaterhouseCoopers Hong Kong.

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

Mr. Wan Kam To is also currently an independent non-executive director of several listed companies, which are listed on the Stock Exchange, namely Fairwood Holdings Limited (stock code: 52), Kerry Logistics Network Limited (stock code: 636), Haitong International Securities Group Limited (stock code: 665) since June 2018, Huaneng Renewables Corporation Limited (stock code: 958), China Resources Land Limited (stock code: 1109), Shanghai Pharmaceuticals Holding Company Limited (stock code: 2607) (“**SPH**”), A-Living Services Co., Ltd (stock code: 3319) Since August 2017, Harbin Bank Co., Ltd. (stock code: 6138), and Target Insurance (Holdings) Limited (stock code: 6161). SPH is also listed on the Shanghai Stock Exchange (the “**SSE**”) with stock code 601607. He has also served as an independent non-executive director of China World Trade Centre Co., Ltd., a company listed on the SSE with stock code 600007, since November 2016.

Mr. Wan has served as an independent non-executive director of S. Culture International Holdings Limited, which is listed on the Stock Exchange (stock code: 1255), from May 2013 to July 2017 and Dalian Port (PDA) Company Limited, which is listed on the Stock Exchange (stock code: 2880) (“**PDA**”) from June 2011 to June 2017 respectively. PDA is also listed on the SSE with stock code 601880.

Ms. Zhao Yue (趙悅), aged 43, was appointed as an independent non-executive Director on 3 February 2016. Ms. Zhao is currently a director of Togni & Zhao Limited, a private company incorporated in Hong Kong which engages in the business of executive search. Ms. Zhao was admitted to the New York State Bar in 2003 and has years of experience in the legal industry. Ms. Zhao had working experiences at Paul, Weiss, Rifkind, Wharton & Garrison and Skadden, Arps, Slate, Meagher & Flom. Ms. Zhao graduated from the University of Bridgeport with a Bachelor of Science degree in Biology, and graduated from the New York University with a Juris Doctor degree.

Mr. Shen Zheqing (沈哲清), aged 38, was appointed as an independent non-executive Director on 3 February 2016. He is currently the director of ZQ Capital Limited. Mr. Shen Zheqing has served as a director of Nu Skin Enterprises (a company listed on New York Stock Exchange: NUS) since July 2016. Mr. Shen Zheqing has years of experience in the financial industry, having worked with Lehman Brothers and the Goldman Sachs Group. He was also Managing Director of the investment banking division of Barclays Capital Asia Limited. Mr. Shen Zheqing graduated from Wesleyan University with a Bachelor of Arts degree in Economics and Mathematics.

Senior Management

Mr. Kwok For Chi (郭科志), aged 48, joined the Group and was appointed as the financial controller of the Company on 15 February 2012. He was subsequently promoted as the chief financial officer of the Company on 1 January 2013. Mr. Kwok For Chi has over 15 years of experience in financial management and auditing. Prior to joining the Group, Mr. Kwok For Chi served as the chief financial officer and company secretary of Xing Yuan Power Holdings Company Limited from December 2010 to February 2012. Prior to that Mr. Kwok For Chi served as the financial controller of 北京華夏創業房地產開發有限公司 (Beijing Huaxia Real Estate Development Company Limited) from October 2006 to December 2008, and served as the group controller of the Finance and Investment Centre of Hopson Development Holdings Limited (stock code: 754), a company listed on the Stock Exchange, from April 2008 to November 2009. Mr. Kwok For Chi also worked with KPMG from August 1994 to October 2006.

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

The Board submit herewith their report and the audited consolidated financial statements of the Group for the year ended 31 March 2018.

Principal Activities

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. Details of the principal activities of the Company’s subsidiaries are set out in note 39 to the consolidated financial statements.

An analysis of the Group’s revenue and operating results by business segments for the year ended 31 March 2018 is set out in note 8 to the consolidated financial statements.

Business Review

A fair review of the Group’s business and its outlook are set out in the Chairman’s Statement on pages 4 to 5, and Business Review section on pages 6 to 13 of this Annual Report. Certain financial information are provided in the section of Five-Year Financial Summary on pages 124 to 125 of this Annual Report.

Corporate Social Responsibility

The Group regards caring and contributing to the community as an important element in the Group’s strategy to achieve sustainable development. The Group places importance in the social wellbeing in the course of conducting its business and takes part in community and charitable activities. During the year, the Group continuously launched, participated and supported a series of charitable functions and had made HK\$258,000 in donations to charitable organisations. The details of the corporate social responsibility can be found in the chapter of Environmental, Social and Governance Report on pages 25 to 31.

Principal Financial Risks

The Group is exposed to a variety of financial risks including foreign exchange risk, interest risk, credit risk and liquidity risk. Details of the aforesaid key risks are set out in note 6 to the consolidated financial statements.

Compliance with Laws and Regulations

The Group’s operations are mainly carried out by the Company’s subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. To the best of the Directors’ knowledge, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group in the mainland China and Hong Kong. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Environment Policies

The Group is committed to promoting an environmentally-friendly corporation and strives to minimise our environmental impact by saving electricity in the way of switching off idle lightings and electrical appliance and encouraging recycle of office supplies and double-sided printing. The Group’s factories in the Mainland China are operated in strict compliance with the relevant environment regulations and rules and possess all necessary permission and approval from the relevant Chinese regulators.

Relationships with Key Stakeholders

Customers

The Group is committed to offer a high-quality products to the customers. It values the opinions and feedback of all customers through various means and channels, including the usage of telephone, direct mail and after-sale return visit. In addition, the Group continues to proactively manage customer relations, expand its customer base and enhance customers' loyalty.

Suppliers

The Group establishes working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The Group's requirements and standards are well-communicated to suppliers before placing orders in order to ensure the deliverance of high-quality raw materials. All key suppliers have a close and long term relationship with the Group.

Results

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

Final Dividend

The Board does not recommend payment of any final dividend for the year ended 31 March 2018 (2017: nil). No interim dividend was paid during the year (2017: nil).

Property, Plant and Equipment

Details of movements in property, plant and equipment during the year are set out in note 17 to the consolidated financial statements.

Borrowings and Finance Costs

Particular of borrowings of the Group as at 31 March 2018 is set out in notes 29 and 31 to the consolidated financial statements.

Finance costs of the Group are set out in note 10 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company are set out in note 25 to the consolidated financial statements.

Reserves

Details of the movement in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 54 of this Annual Report and notes 26 and 38(ii) to the consolidated financial statements respectively.

Distributable Reserves

As at 31 March 2018, the Company's reserves available for distribution to shareholders amounted to approximately HK\$89.9 million, comprising retained profit of approximately HK\$63.8 million and share premium of approximately HK\$26.1 million. Under Cayman Islands law, a company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

Retirement Benefits Schemes

Details of retirement benefits schemes of the Group are set out in note 12 to the consolidated financial statements.

Donations

Donation made by the Group during the year amounted to approximately HK\$258,000 (2017: approximately HK\$50,000).

Financial Summary

A summary of the results and total assets and liabilities of the Group for the last five financial years is set out on pages 124 to 125 of this Annual Report.

Directors

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

Non-executive Director:

Mr. Zhang Haifeng (Chairman)

Executive Directors:

Mr. Sun Kwok Wah Peter

Mr. Wong Chi Kwok

Independent non-executive Directors:

Mr. Wan Kam To

Ms. Zhao Yue

Mr. Shen Zheqing

At the AGM held on 24 August 2017, Mr. Sun Kwok Wah Peter, Mr. Zhang Haifeng and Mr. Wan Kam To were re-elected as Directors.

In accordance with the Company's articles of association, Mr. Wong Chi Kwok and Mr. Shen Zheqing shall retire from office and, being eligible, offer themselves for re-election at the forthcoming AGM.

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

Biographical details of Directors are set out on pages 32 to 34 of this Annual Report.

Independence Confirmation

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

Directors' Remuneration

The remuneration of the Directors is determined with reference to the Director's duties, responsibilities, performance and the results of the Group. Details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2018.

Directors' Service Contracts

Mr. Zhang Haifeng, a non-executive Director, has entered into an appointment letter with the Company without a specific fixed term. This appointment letter commenced from 13 October 2016.

Each of the executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for a term of three years commencing from 22 September 2012 until terminated by not less than three months' notice in writing served by either party. After the expiry of the current term, the term of service shall be renewed and extended automatically by one year and on the expiry of every successive period of one year thereafter, unless either party has given at least three months' written notice of non-renewal before the expiry of the then existing terms.

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

Each of Ms. Zhao Yue and Mr. Shen Zheqing, independent non-executive Directors, has entered into an appointment letter with the Company without a specific fixed term. All letters of appointment commenced from 3 February 2016.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout this year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Interests in Contracts of Significance

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

Arrangement for Directors to Acquire Shares or Debentures

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

Directors' Interests in Competing Business

During the year ended 31 March 2018 and up to the date of this report, none of the Directors are considered to have direct or indirect interests in businesses which compete or are likely to compete with businesses of the Group pursuant to the Listing Rules.

Share Option Scheme

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

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

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

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

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

During the year ended 31 March 2018, no option was granted, exercised cancelled, lapsed or outstanding under the Share Option Scheme. As at the date of this Annual Report, the total number of shares available for issue under the Share Option Scheme was 60,000,000, representing 10% of the issued share capital of the Company.

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

As at 31 March 2018, no Directors or chief executive of the Company had any interest or short position in the shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules.

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

As at 31 March 2018, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Name of group member/ associated corporation	Capacity/Nature of Interest	Number and class of securities (note 1)	Approximate shareholding percentage
Massive Force Limited	Company	Beneficial owner	449,999,012 Shares (L) (note 2)	75%

Notes:

- 1 The letter “L” denotes the corporation/person’s long position in our Shares.
- 2 These shares were held by Massive Force Limited, which is owned as to 40% by Mr. Zhang Yongdong.

Continuing Connected Transactions

On 31 March 2018, the Group has entered into several new continuing connected transactions agreements with certain connected person of the Company under the Listing Rules. Pursuant to these agreements, the Group shall conduct continuing connected transactions with those parties in the course of conducting the Group’s business.

During the year ended 31 March 2018, the details of such transactions, which also constitutes related party transactions set out in note 33 to the consolidated financial statements, are set out as follows:

Tooling Master Agreement

Date: 31 March 2015

Parties: (1) Innotech Advanced Products Limited ("**Innotech**") and its subsidiaries (collectively, the "**Innotech Group**") as supplier (Innotech was indirectly owned as to 51% by Gold Joy (HK) Industrial Limited ("**Gold Joy**") that was wholly owned by Mrs. Chow Suen Christina). As Mrs. Chow Suen Christina, a connected person, wholly owned the share capital of Gold Joy, Gold Joy is a connected person under Rule 14A 11(4) of the Listing Rules

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

Terms: the Group agreed to purchase tooling and moulding products from the Innotech Group during the term of the Tooling Master Agreement from 1 April 2015 to 31 March 2018

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

Caps: Annual cap not exceeding HK\$1.0 million for each of the three years ending 31 March 2018

For the year ended 31 March 2018, transactions of HK\$117,527 (2017: HK\$460,578) were entered under the Tooling Master Agreement.

Products Master Agreement

- Date: 31 March 2015
- Parties: (1) Innotech Group
- (2) KFM Group Limited
- Terms: (a) the Group agreed to purchase metal and plastic components and parts from the Innotech Group during the term of the Products Master Agreement from 1 April 2015 to 31 March 2018
- (b) the Innotech Group agreed to purchase spare metal parts from KFM Group Limited during the term of the Products Master Agreement from 1 April 2015 to 31 March 2018
- Price: Negotiated with reference to the then prevailing market prices of the raw materials and accessories required for the manufacturing of metal and plastic components and parts and the spare metal parts concerned, as well as, where applicable, prevailing market prices of similar products, and in good faith
- Caps: (a) Annual cap not exceeding HK\$5.6 million for each of the three years ending 31 March 2018
- (b) Annual cap not exceeding HK\$114,400 for each of the three years ending 31 March 2018

Under the Products Master Agreement, transactions of HK\$2,288,909 (2017: HK\$2,094,878) under the above subclass (a) and transactions of HK\$3,280 (2017: HK\$2,008) under the above subclass (b) were conducted for the year ended 31 March 2018.

Further details are set out in note 33(b) to the consolidated financial statements. These continuing connected transactions are subject to, and the Company confirms that it has complied with the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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

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

- nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;
- nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap amounts value as disclosed in the Company's announcement dated 31 March 2015.

On 1 April 2018, KFM Group Limited and Innotech Group entered into a new Tooling Master Agreement and a new Product Master Agreement with aggregate annual limit of HK\$3 million for three years. The transactions are fully exempted under Listing Rules 14A.76.

Purchase, Sale or Redemption 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 2018.

Pre-emptive Rights

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

Tax Relief

The Company is not aware of any relief from taxation available to the shareholders by reason of their holdings in the Shares.

Emolument Policy

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

Equity-linked Agreements

Save for the share option plan as set out above in the section of "Share Option Scheme", no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result the Company issuing shares were entered into by the Company during the year, or subsisted at the end of the year.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report as required by the Listing Rules.

Major Customers and Suppliers

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

Percentage of the Group's total

Sales

The largest customer	10.8%
Five largest customers in aggregate	40.5%

Purchases

The largest supplier	5.8%
Five largest suppliers in aggregate	20.8%

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

Closure of Register of Members

For the purpose of ascertaining Shareholders' right to attend and vote at the AGM to be held on 22 August 2018, the register of members of the Company will be closed from Friday, 17 August 2018 to Wednesday, 22 August 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, namely Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 August 2018.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 14 to 24.

Audit Committee

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2018.

Auditors

PricewaterhouseCoopers resigned as the auditor of the Company with effect from 14 September 2016 and SHINEWING (HK) CPA Limited has been appointed as the auditor of the Company with effect from the same date to fill the casual vacancy following the resignation of PricewaterhouseCoopers. The consolidated financial statements for the year ended 31 March 2018 have been audited by SHINEWING (HK) CPA Limited. SHINEWING (HK) CPA Limited will retire and, being eligible, offer themselves for re- appointment at the forthcoming AGM. A resolution will be submitted to the forthcoming AGM to reappoint SHINEWING (HK) CPA Limited as the auditor of the Company.

On behalf of the Board

KFM Kingdom Holdings Limited

Zhang Haifeng

Chairman

Hong Kong, 26 June 2018

Independent Auditor's Report



SHINEWING (HK) CPA Limited
43/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF KFM KINGDOM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of KFM Kingdom Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 51 to 123, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “**Code**”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 72 and 77.

The key audit matter

As at 31 March 2018, the carrying amount of the Group's property, plant and equipment was approximately HK\$382,247,000. The directors of the Company identified impairment indication of the property, plant and equipment in view of continuously declining performance of manufacture and sale of certain metal stamping products. The directors of the Company performed impairment testing on the abovementioned assets with reference to higher of fair value less cost of disposal and value-in-use calculations and recognised impairment loss on property, plant and equipment of approximately HK\$9,475,000.

We have identified the impairment assessment of property, plant and equipment as a key audit matter because of their significance to the consolidated financial statements and the involvement of significant degree of judgements and estimates made by the management when performing impairment assessment.

How the matter was addressed in our audit

Our procedures were designed to review the management's assessment process, including the identification of indication of possible impairment and the reasonableness of the judgements and estimates used by the management in determining the recoverable amount.

We have discussed the indication of possible impairment with the management and, where such indicators were identified by the management, assessed the impairment testing performed by the management. We tested the profit forecasts and cash flow projections on whether they were agreed to the budgets approved by the directors of the Company and compared with actual results available up to the report date. We also challenged the reasonableness of the management judgements and estimates used in the profit forecasts and cash flow projections, including the forecasted sales and gross profit margins, against latest available information. We also challenged the discount rates adopted in the value-in-use calculations by reviewing its basis of calculations and comparing the input data to market sources.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Tang Kwan Lai.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Tang Kwan Lai

Practising Certificate Number: P05299

Hong Kong
26 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	7	983,935	879,478
Cost of sales		(687,750)	(669,649)
Gross profit		296,185	209,829
Other (losses)/gains, net	9	(24,646)	16,040
Distribution and selling expenses		(21,228)	(20,140)
General and administrative expenses		(190,875)	(193,698)
Finance income	10	136	207
Finance costs	10	(20,156)	(16,654)
Profit/(loss) before tax	11	39,416	(4,416)
Income tax expenses	14	(4,212)	(12,638)
Profit/(loss) for the year		35,204	(17,054)
Other comprehensive income/(expense): <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		52,114	(30,288)
Total comprehensive income/(expense) for the year		87,318	(47,342)
Profit/(loss) for the year attributable to:			
— Owners of the Company		35,064	(15,481)
— Non-controlling interests		140	(1,573)
		35,204	(17,054)
Total comprehensive income/(expense) attributable to:			
— Owners of the Company		87,178	(45,769)
— Non-controlling interests		140	(1,573)
		87,318	(47,342)
Earnings/(loss) per share	15		
— Basic and diluted (HK cents)		5.84	(2.58)

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	382,247	351,803
Leasehold land and land use rights	18	23,925	22,233
Intangible assets	19	—	—
Goodwill	20	—	—
Interest in an associated entity	21	—	—
Deferred income tax assets	27	4,503	5,083
Total non-current assets		410,675	379,119
Current assets			
Inventories	22	103,161	80,807
Trade and other receivables	23	235,242	220,760
Current income tax recoverable		1,926	1,515
Cash and cash equivalents	24	346,039	219,008
Total current assets		686,368	522,090
Total assets		1,097,043	901,209
EQUITY			
Capital and reserves			
Share capital	25	60,000	60,000
Share premium	25	26,135	26,135
Reserves	26	412,978	325,800
Capital and reserves attributable to owners of the Company		499,113	411,935
Non-controlling interests		2,617	2,477
Total equity		501,730	414,412
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	30	3,112	145
Deferred income tax liabilities	27	4,774	13,958
Unsecured borrowings from a related company	31	100,000	—
Total non-current liabilities		107,886	14,103

Consolidated Statement of Financial Position (Continued)

At 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Current liabilities			
Trade and other payables	28	188,041	151,937
Bank borrowings	29	24,800	45,200
Obligations under finance leases	30	3,059	436
Unsecured borrowings from a related company	31	270,000	270,000
Current income tax liabilities		1,527	5,121
Total current liabilities		487,427	472,694
Total liabilities		595,313	486,797
Total equity and liabilities		1,097,043	901,209
Net current assets		198,941	49,396
Total assets less current liabilities		609,616	428,515

The consolidated financial statements on pages 51 to 123 were approved and authorised for issue by the Board of Directors on 26 June 2018 and are signed on its behalf by:

Zhang Haifeng
Director

Sun Kwok Wah Peter
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000 (note 26(a))	HK\$'000 (note 26(b))	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 (note 35)	—	—	—	—	—	(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

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000 (note 26(a))	HK\$'000 (note 26(b))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2017	60,000	26,135	3,445	38,524	(14,393)	298,224	411,935	2,477	414,412
Profit for the year	—	—	—	—	—	35,064	35,064	140	35,204
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	52,114	—	52,114	—	52,114
Total comprehensive income for the year	—	—	—	—	52,114	35,064	87,178	140	87,318
Transfer of retained profits to statutory reserve	—	—	—	7,797	—	(7,797)	—	—	—
Balance at 31 March 2018	60,000	26,135	3,445	46,321	37,721	325,491	499,113	2,617	501,730

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
OPERATING ACTIVITIES		
Profit/(loss) before tax	39,416	(4,416)
Adjustments for:		
Depreciation of property, plant and equipment	42,313	44,766
Amortisation of leasehold land and land use rights	446	441
Amortisation of intangible assets	—	480
Write-down on inventories	3,901	1,698
Loss on derivative financial instrument	—	1,082
Loss on disposal of property, plant and equipment	3,293	407
Provision for impairment of property, plant and equipment	9,475	7,710
Write-off of property, plant and equipment	—	1,589
Provision for impairment of goodwill	—	10,362
Provision for impairment of intangible assets	—	2,045
Finance income	(136)	(207)
Finance costs	20,156	16,654
Government subsidies	(3,463)	(2,874)
Operating cash flows before movements in working capital	115,401	79,737
(Increase)/decrease in inventories	(17,724)	14,787
Decrease/(increase) in trade and other receivables	2,620	(23,237)
Increase in trade and other payables	22,516	628
Net cash generated from operations	122,813	71,915
Income tax paid, net	(16,821)	(10,630)
NET CASH FROM OPERATING ACTIVITIES	105,992	61,285

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	342	2,068
Purchase of property, plant and equipment	(50,482)	(28,711)
Interest received	136	207
NET CASH USED IN INVESTING ACTIVITIES	(50,004)	(26,436)
FINANCING ACTIVITIES		
New bank borrowings raised	23,400	46,400
New unsecured borrowings from a related company raised	100,000	270,000
Receipts from government subsidies	3,463	2,874
Repayment of obligations under finance leases	(2,999)	(291)
Repayment of bank borrowings	(46,800)	(216,895)
Interest paid	(13,540)	(16,654)
NET CASH FROM FINANCING ACTIVITIES	63,524	85,434
NET INCREASE IN CASH AND CASH EQUIVALENTS	119,512	120,283
CASH AND CASH EQUIVALENTS AT 1 APRIL	219,008	106,360
Currency translation difference	7,519	(7,635)
CASH AND CASH EQUIVALENTS AT 31 MARCH	346,039	219,008

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 disclosed in the Corporate Information section to the Company’s annual report. 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. Details of the subsidiaries of the Company are set out in note 39.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

2. Application of New and Revised Hong Kong Financial Reporting Standards (“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, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as disclosed below, 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.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group’s financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note 34. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note 34, the directors of the Company considered that these amendments have had no impact on the Group’s consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

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 ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 19	Employee Benefits ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

The directors of the Company (“**Directors**”) anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- HKFRS 9 (2014) introduces a new model which more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors have performed a preliminary analysis of the Group's financial instruments as at 31 March 2018 based on the fact and circumstances existing at that date. The Directors have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The Directors expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The Directors anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The Directors expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The Directors will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the Directors expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

For the year ended 31 March 2018

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with a customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major source of revenue of the Group is sales of goods. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 *Revenue*. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 March 2018.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

For the year ended 31 March 2018

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 16 Leases (Continued)

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK\$151,619,000 as disclosed in note 32(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The Directors are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The Directors expect that the adoption of HKFRS 16 may not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial liability that is measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

3. Significant Accounting Policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group has the power over entity, and is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the carrying amount of net assets of the subsidiary attributable to non-controlling interests is recorded directly in retained profits and attributed to owners of the Company.

For the year ended 31 March 2018

3. Significant Accounting Policies (Continued) Associated entity

An associated entity is an entity over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Interest in an associated entity is accounted for using the equity method of accounting. Under the equity method, the interest is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's interest in an associated entity includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associated entity, any difference between the cost of the associated entity and the Group's share of the net fair value of the associated entity's identifiable assets and liabilities is accounted for as goodwill and included in the carrying amount of the interest in an associated entity.

If the ownership interest in an associated entity is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

If an associated entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associated entity's accounting policies conform to those of the Group when the associated entity's financial statements are used by the Group.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of loss of an associated entity equals or exceeds its interest in the associated entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated entity.

The Group determines at each reporting date whether there is any objective evidence that the interest in an associated entity is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated entity and its carrying value and recognises the amount adjacent to "provision for impairment of interest in an associated entity" in the consolidated statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated entity are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associated entity. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Gain or losses on dilution of equity interest in an associated entity are recognised in the consolidated statement of profit or loss and other comprehensive income.

3. Significant Accounting Policies (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns, and value added taxes.

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

Sales of goods

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

Provision of product assembly service

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

Interest income

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments made under operating leases including leasehold land and land use rights (net of any incentives received from the lessor), are charged to profit or loss on a straight-line basis over the period of the lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

For the year ended 31 March 2018

3. Significant Accounting Policies (Continued) Leasing (Continued)

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as leasehold land and land use rights in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

3. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associated entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associated entities that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs that are not related to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

3. Significant Accounting Policies (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Employee benefits

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Pension obligations

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to owners of the Company after certain adjustments. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

3. Significant Accounting Policies (Continued)

Taxation

The tax expense for the year comprise current and deferred income tax. Tax is recognised in the profit or loss.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income, excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associated entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Offsetting

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

3. Significant Accounting Policies (Continued) Property, plant and equipment

Leasehold land and buildings comprise mainly of office. Leasehold land and buildings classified as finance lease and all other property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

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

Construction-in-progress, representing plant and machinery on which machinery pending installation, is stated at historical cost, which includes construction expenditures incurred, cost of machinery, and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. No depreciation is provided in respect of construction-in-progress until the installation work is completed. On completion, construction-in-progress is transferred to appropriate categories of property, plant and equipment.

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

3. Significant Accounting Policies (Continued)

Prepaid lease payments

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to profit or loss over the period of the rights using the straight-line method.

Intangible assets

Goodwill

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

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. If the recoverable amount of the CGUs is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation and subsequent impairment, if any. Amortisation is calculated using the straight-line method over the expected life of the customer relationships of four years.

Design and prototype

Design and prototype are initially recognised at fair value. The design and prototype have a finite useful life and are carried at cost less accumulated amortisation and subsequent impairment, if any. Amortisation is calculated using the straight-line method over the expected life of the design and prototype of five years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

3. Significant Accounting Policies (Continued)

Inventories

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

Cash and cash equivalents

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" with exclusion of prepayments and "cash and cash equivalents" in the consolidated financial statements.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment loss on financial assets

Assets carried amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “**loss event**”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the provision for the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including trade and other payables, unsecured borrowings from a related company and bank borrowings, are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on tangible assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value except for the Group's leasing transaction, net realisable value of inventories and value-in-use of the CGU to which goodwill has been allocated for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

3. Significant Accounting Policies (Continued)

Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. Critical Judgements

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

Critical judgements in applying accounting policies

Classification of leasehold land and buildings

When a lease includes both land and building elements, the Directors assess the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risk and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

As at 31 March 2018, the Directors determine that the lease payments of leasehold land and buildings of approximately HK\$171,956,000 (2017: approximately HK\$168,439,000) cannot be allocated reliably between the land and buildings elements due to infeasibility of the allocation of purchase price between the leasehold land and buildings. The total amount has been classified as a finance lease under the property, plant and equipment.

5. Critical Accounting Estimates

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

Key sources of estimation uncertainty

Depreciation and useful lives of property, plant and equipment

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

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

As at 31 March 2018, there is no revision of the estimated useful lives, residual values and the related depreciation charges of the property, plant and equipment with carrying amount of approximately HK\$382,247,000 (2017: approximately HK\$351,803,000).

Impairment of property, plant and equipment

At the end of the reporting period, the Group's management reviews the carrying amount of the Group's property, plant and equipment of approximately HK\$382,247,000 (2017: approximately HK\$351,803,000) and identified if there is any indication of possible impairment. If any such indication exists, the recoverable amount of the CGUs in which the assets belonged, which is determined based on the higher of fair value less cost of disposal and value in use, is estimated in order to determine the extent of the impairment loss. The value in use calculations of the CGUs require the use of assumptions such as cash flows projections and discount rate. Based on the estimated recoverable amounts, impairment loss of property, plant and equipment of approximately HK\$9,475,000 (2017: approximately HK\$7,710,000) have been recognised for the year ended 31 March 2018.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

5. Critical Accounting Estimates (Continued)

Key sources of estimation uncertainty (Continued)

Net realisable value of inventories

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

As at 31 March 2018, the carrying amount of inventories is approximately HK\$103,161,000 (2017: approximately HK\$80,807,000), net of accumulated provision of write-down of approximately HK\$11,663,000 (2017: approximately HK\$7,762,000). Write-down of inventories of approximately HK\$3,901,000 (2017: approximately HK\$1,698,000) has been made for the year ended 31 March 2018.

Impairment of trade and other receivables

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

As at 31 March 2018, the carrying amount of trade and other receivables are approximately HK\$235,242,000 (2017: approximately HK\$220,760,000), net of accumulated provision for impairment of trade and other receivables of approximately HK\$4,794,000 (2017: approximately HK\$4,794,000). No further provision for impairment of trade and other receivables has been made for the year ended 31 March 2018 and 2017.

5. Critical Accounting Estimates (Continued)

Key sources of estimation uncertainty (Continued)

Income taxes

As at 31 March 2018, a deferred income tax asset of approximately HK\$8,388,000 (2017: approximately HK\$8,968,000) has been recognised in the Group's consolidated financial statements in relation to deductible temporary differences of (i) accelerated accounting depreciation of property, plant and equipment and (ii) unutilised tax losses. No deferred income tax asset has been recognised on the remaining unutilised tax losses of approximately HK\$175,482,000 (2017: approximately HK\$160,697,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

6. Financial Instruments

Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Loans and receivables (including bank balances and cash)	568,311	425,849
Financial liabilities		
Financial liabilities at amortised cost	582,841	467,137

The Group's major financial instruments include trade receivables, other receivables and deposits, cash and cash equivalents, bank borrowings, obligations under finance leases, unsecured borrowings from a related company and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Financial risk factors

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

(i) Foreign exchange risk

Each individual group entity has its own functional currency. Foreign exchange risk to each individual group entity arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group operates mainly in Hong Kong and the People's Republic of China (the "PRC"). The Group is mainly exposed to foreign exchange risk mainly arising from United States dollars ("US\$") and Euro.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

6. Financial Instruments (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Euro	1,302	479	—	—
US\$	186,501	154,701	17,899	12,938

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

As at 31 March 2018, if the functional currencies of the Group's entities had strengthened/weakened by 5% against Euro and US\$ with all other variables held constant, the profit/(loss) before tax for the year ended 31 March 2018 would increase/decrease by approximately HK\$8,495,000 (2017: decrease/increase by HK\$7,112,000), respectively, mainly as a result of foreign exchange gain/(loss) on translation of Euro and US\$ denominated financial assets and liabilities.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the obligation under a finance lease. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposure to cash flow interest rates is mainly attributable to its variable rate unsecured borrowings from a related company, bank borrowings, short-term bank deposits and bank balances. The Group's variable interest rate borrowings as at 31 March 2018 and 2017, are as follows:

	2018 HK\$'000	2017 HK\$'000
Variable interest rate borrowings	394,800	315,200

6. Financial Instruments (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk (Continued)

Other than short-term bank deposits and bank balances included in cash and cash equivalents, obligations under finance leases, unsecured borrowings from a related company and bank borrowings, the Group does not have significant interest-bearing assets or liabilities. The Group's exposure to cash flow interest rate risk associated with the effects of fluctuations in the prevailing levels of the market interest rates on its cash flows is not deemed to be substantial in the view of management based on the nature of the assets and liabilities.

As at 31 March 2018, if the interest rates had been 50 basis-points higher/lower, with all other variables held constant, the net effect on the profit/(loss) before tax for the year would have been HK\$244,000 higher/lower (2017: HK\$481,000 higher/lower).

(iii) Credit risk

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

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit histories and the Group performs regular credit evaluations of its major customers.

The majority of the Group's trade receivables are due for maturity of 30 to 90 days (2017: 30 to 90 days) and largely comprise amounts receivable from business customers. Management does not expect any significant losses from non-performance by these counterparties.

The Group has concentration of credit risk as over 10% and 32% (2017: 8% and 32%) of total trade receivables were due from the Group's largest and top five customers respectively as at 31 March 2018. No significant collectability issues have been identified in the past.

The credit risk on liquid funds is limited because the counterparties are banks in Hong Kong with high credit ratings assigned by international credit-ratings agencies or authorised banks in the PRC with high credit ratings.

None of the Group's financial assets are secured by collateral or other credit enhancements.

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

6. Financial Instruments (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

As at 31 March 2018, the Group had unsecured borrowings from a related company of HK\$370,000,000, of which HK\$270,000,000 contained a repayment on demand clause. Nevertheless, in the opinion of the Directors, the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from the end of the reporting period and the Group is expected to generate adequate cash flows to maintain its operation.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayable on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. Financial Instruments (Continued)**(a) Financial risk factors (Continued)****(iv) Liquidity risk (Continued)**

	On demand or Less than 1 year HK\$'000	1 to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 March 2018				
Bank borrowings	24,800	—	24,800	24,800
Obligations under finance leases	3,371	3,220	6,591	6,171
Unsecured borrowings from a related company	275,250	100,849	376,099	370,000
Trade and other payables	188,041	—	188,041	188,041
	491,462	104,069	595,531	589,012
At 31 March 2017				
Bank borrowings	45,200	—	45,200	45,200
Obligation under a finance lease	453	151	604	581
Unsecured borrowings from a related company	270,000	—	270,000	270,000
Trade and other payables	151,937	—	151,937	151,937
	467,590	151	467,741	467,718

As at 31 March 2018, bank borrowings and unsecured borrowings from a related company in aggregate of HK\$294,800,000 (2017: approximately HK\$315,200,000) that contain a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks or the related company will exercise their discretionary rights to demand immediate repayment. The Directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$294,800,000 (2017: approximately HK\$315,200,000) and approximately HK\$15,978,000 (2017: approximately HK\$16,355,000) respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

6. Financial Instruments (Continued)

(b) Capital risk management

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

The Group monitors capital on the basis of the debt-to-asset ratio. The ratio is calculated as total debts divided by total assets. Total debts are calculated as interest-bearing borrowings and obligations under finance leases.

	2018 HK\$'000	2017 HK\$'000
Total debts	400,971	315,781
Total assets	1,097,043	901,209
Debt-to-asset ratio	37%	35%

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

(c) Fair value measurement

The Directors consider that the fair value of the long-term portion of financial liabilities recorded at amortised cost approximate to their carrying amount as the discounting impact is not significant.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost approximate to their fair values due to their short-term maturities.

7. Revenue

Revenue represents sales of precision metal products to external parties.

8. 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.

8. Segment Information (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment gross profit represents the gross profit from each segment without allocation of other (losses)/gains, net, distribution and selling expenses, general and administrative expenses, finance income and finance costs. 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, obligations under finance leases, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

8. Segment Information (Continued)

(a) The segment information provided to the CODM for the reportable segments is as follows:

(i) For the year ended 31 March 2018:

	Metal stamping HK\$'000	Metal lathing HK\$'000	Total HK\$'000
Segment revenue			
Sales	670,243	317,046	987,289
Intersegment sales	(2,909)	(445)	(3,354)
Sales to external customers	667,334	316,601	983,935
Cost of sales	(469,247)	(218,503)	(687,750)
Segment gross profit	198,087	98,098	296,185
Unallocated expenses, net			(236,749)
Finance income			136
Finance costs			(20,156)
Profit before tax			39,416
Income tax expenses			(4,212)
Profit for the year			35,204
Segment depreciation	21,006	16,011	37,017
Unallocated depreciation			5,296
			42,313
Segment amortisation	446	—	446
Provision for impairment of property, plant and equipment	9,475	—	9,475
Write-down of inventories	1,721	2,180	3,901

8. Segment Information (Continued)

(a) The segment information provided to the CODM for the reportable segments is as follows:
(Continued)

(ii) 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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

8. Segment Information (Continued)

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

(i) As at 31 March 2018:

	Metal stamping HK\$'000	Metal lathing HK\$'000	Total HK\$'000
Segment assets	429,481	246,662	676,143
<i>Reconciliation</i>			
Corporate and other unallocated assets			
Deferred income tax assets			4,503
Current income tax recoverable			1,926
Cash and cash equivalents			346,039
Other unallocated head office and corporate assets			68,432
Total assets			1,097,043
Segment liabilities	127,292	55,543	182,835
<i>Reconciliation</i>			
Corporate and other unallocated liabilities			
Deferred income tax liabilities			4,774
Bank borrowings			24,800
Obligations under finance leases			6,171
Unsecured borrowings from a related company			370,000
Current income tax liabilities			1,527
Other unallocated head office and corporate liabilities			5,206
Total liabilities			595,313
Segmental capital expenditures	11,765	45,318	57,083
<i>Reconciliation</i>			
Other unallocated head office and corporate capital expenditures			1,648
Total capital expenditures			58,731

8. Segment Information (Continued)

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

(ii) As at 31 March 2017:

	Metal stamping HK\$'000	Metal lathing HK\$'000	Total HK\$'000
Segment assets	425,212	181,619	606,831
<i>Reconciliation</i>			
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			<u>68,772</u>
Total assets			<u>901,209</u>
Segment liabilities	111,772	35,760	147,532
<i>Reconciliation</i>			
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			<u>4,405</u>
Total liabilities			<u>486,797</u>
Segmental capital expenditures	8,757	19,197	27,954
<i>Reconciliation</i>			
Other unallocated head office and corporate capital expenditures			<u>1,629</u>
Total capital expenditures			<u>29,583</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

8. Segment Information (Continued)

- (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:

	2018 HK\$'000	2017 HK\$'000
The PRC	682,370	572,771
North America	189,422	184,193
Europe	62,391	78,575
Japan	19,502	20,811
Singapore	13,684	11,152
Others	16,566	11,976
	983,935	879,478

- (d) The total of non-current assets, other than deferred income tax assets of the Group as at 31 March 2018 and 2017 are as follows:

	2018 HK\$'000	2017 HK\$'000
The PRC	341,868	305,863
Hong Kong	64,304	68,173
	406,172	374,036

- (e) Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2018 HK\$'000	2017 HK\$'000
Customer A ¹	105,999	98,116

¹ Revenue from metal stamping segment

9. Other (Losses)/Gains, Net

	2018 HK\$'000	2017 HK\$'000
Loss on derivative financial instrument (note (i))	—	(1,082)
Loss on disposal of property, plant and equipment	(3,293)	(407)
Net exchange (loss)/gain	(25,974)	13,763
Government subsidies (note (ii))	3,463	2,874
Others	1,158	892
	(24,646)	16,040

Notes:

- (i) The derivative financial instrument was matured in October 2016 and a realised loss of approximately HK\$1,082,000 has been recognised in profit or loss during the year ended 31 March 2017. No derivative financial instrument is held by the Group as at 31 March 2018 and 2017.
- (ii) The amounts represented the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the two years ended 31 March 2018.

10. Finance Costs and Finance Income

	2018 HK\$'000	2017 HK\$'000
Finance costs		
Interest expense on bank borrowings	1,847	3,605
Interest expense on unsecured borrowings from a related company	17,816	13,038
Interest expense on obligations under finance leases	493	11
	20,156	16,654
Finance income		
Interest income on bank balances and deposits	136	207

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

11. Profit/(Loss) Before Tax

Profit/(loss) for the year has been arrived at after charging:

	2018 HK\$'000	2017 HK\$'000
Staff costs		
Directors' emoluments (note 13)	4,968	4,931
Other staff:		
— salaries and other allowances	234,074	221,061
— retirement benefits schemes contributions (excluding the Directors)	5,342	6,355
	244,384	232,347
Auditor's remuneration		
— audit services	1,250	1,200
— non-audit services	220	200
Cost of inventories sold (note (a))	683,849	667,951
Depreciation of property, plant and equipment	42,313	44,766
Write-off of property, plant and equipment	—	1,589
Provision for impairment of goodwill	—	10,362
Provision for impairment of intangible assets	—	2,045
Provision for impairment of property, plant and equipment	9,475	7,710
Amortisation of leasehold land and land use rights	446	441
Amortisation of intangible assets	—	480
Minimum lease payment paid under operating lease rentals in respect of rented premises	25,642	21,203
Research and development expenses (note (b))	43,197	37,550

Notes:

- (a) Included in cost of sales was write-down of inventories of approximately HK\$3,901,000 (2017: approximately HK\$1,698,000).
- (b) Included in research and development expenses was staff cost of approximately HK\$15,040,000 (2017: approximately HK\$15,018,000).

12. Employee Benefits Expense

	2018 HK\$'000	2017 HK\$'000
Short-term employee benefits (note (a))	239,024	225,974
Retirement benefits schemes contributions	5,360	6,373
Total employee benefits expenses (including the Directors)	244,384	232,347

(i) Hong Kong

Subsidiaries in Hong Kong operate a Mandatory Provident Fund (“MPF”) Scheme under the MPF Schemes Ordinance, for all of its employees in Hong Kong. The Group contributes 5% of relevant payroll costs, capped at HK\$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees. The assets of the MPF Scheme are held separately from those of the subsidiaries in an independent administered fund. The subsidiaries’ employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) The PRC, other than Hong Kong

The employees in the Group who work in the PRC are required to participate in pension schemes operated by the local governments. The Group is required to contribute 5% to 8% (2017: 5% to 8%) of their payroll costs to the schemes. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes.

Notes:

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2017: one) director whose emoluments are reflected in the analysis shown in note 13. The emoluments payable to the remaining four (2017: four) individuals during the year ended 31 March 2018 are as follows:

	2018 HK\$'000	2017 HK\$'000
Short-term employee benefits	6,890	5,637
Retirement benefits schemes contributions	72	74
	6,962	5,711

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

12. Employee Benefits Expense (Continued)

(ii) The PRC, other than Hong Kong (Continued)

Notes: (Continued)

(b) Five highest paid individuals (Continued)

The remuneration fell within the followings bands:

	Number of individuals	
	2018	2017
Remuneration bands:		
HK\$1,000,001 to HK\$2,000,000	3	4
HK\$2,000,001 to HK\$3,000,000	1	0

- (c) For the year ended 31 March 2018, no remuneration were paid by the Group (2017: nil) to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which any of the five highest paid individuals waived or agreed to waive any of the remuneration.

13. Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and the Listing Rules)

(a) Directors' and chief executive's emoluments

The remunerations paid or payable of each to the 6 (2017: 7) directors, including the chief executive, were as follows:

For the year ended 31 March 2018

	Executive directors		Non-executive director	Independent non-executive directors			Total
	Sun Kwok Wah Peter ("Mr. Sun")	Wong Chi Kwok	Zhang Haifeng	Wan Kam To	Zhao Yue	Shen Zheqing	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:							
Fees	—	300	150	300	150	150	1,050
Salaries	3,900	—	—	—	—	—	3,900
Retirement benefits schemes contributions	18	—	—	—	—	—	18
Total emoluments	3,918	300	150	300	150	150	4,968

13. Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and the Listing Rules) (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2017

	Executive directors		Non-executive directors		Independent non-executive directors			Total HK\$'000
	Mr. Sun HK\$'000	Wong Chi Kwok HK\$'000	Zhang Yongdong ¹ HK\$'000	Zhang Haifeng ² HK\$'000	Wan Kam To HK\$'000	Zhao Yue HK\$'000	Shen Zheqing HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:								
Fees	—	300	43	70	300	150	150	1,013
Salaries	3,900	—	—	—	—	—	—	3,900
Retirement benefits schemes contributions	18	—	—	—	—	—	—	18
Total emoluments	3,918	300	43	70	300	150	150	4,931

1. Resigned on 15 July 2016.
2. Appointed as non-executive director and chairman on 13 October 2016.

Mr. Sun was the chief executive officer of the Company for years ended 31 March 2018 and 2017.

(b) Directors' termination benefits

No termination benefits was provided to or receivable by any director during the year as compensation for the early termination of appointment (2017: nil).

(c) Waived or agreed to waive any emoluments

No directors waived or agreed to waive any emoluments during the years ended 31 March 2018 and 2017.

(d) Inducement to join or upon joining the Group

No emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 March 2018 and 2017.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

14. Income Tax Expenses

	2018 HK\$'000	2017 HK\$'000
Current income tax		
— Hong Kong	—	762
— The PRC	10,178	10,296
— Withholding tax	4,670	2,803
Adjustments in respect of		
— Over-provision in prior years	(2,032)	(2,450)
	12,816	11,411
Deferred income tax (note 27)	(8,604)	1,227
	4,212	12,638

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 2018 and 2017.

(a) Hong Kong profits tax

The Group is subject to Hong Kong profits tax which is provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year ended 31 March 2018.

(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 rate for the year ended 31 March 2018 is provided at the rate of 25% (2017: 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% for a period of three calendar years.

(c) PRC dividend withholding tax

According to the Law of the PRC EIT, starting from 1 January 2008, a PRC withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when the PRC subsidiaries declare dividend out of profits earned after 1 January 2008. During the year ended 31 March 2018, a lower 5% (2017: 10%) PRC withholding income tax rate was adopted since (i) the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil certain requirements under the tax treaty arrangements between the PRC and Hong Kong; and (ii) successful application has been made during the year ended 31 March 2018.

14. Income Tax Expenses (Continued)

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

	2018 HK\$'000	2017 HK\$'000
Profit/(loss) before tax	39,416	(4,416)
Tax calculated at the standard tax rate of the respective entities	6,054	(1,715)
Tax effect of income not taxable for tax purpose	(436)	(967)
Expenses not deductible for tax purpose	1,180	5,960
Over-provision in prior years	(2,032)	(2,450)
Deferred tax charged in respect of withholding income tax on undistributed profits	3,050	4,442
Tax effect of change of withholding tax rate	(6,879)	—
Utilisation of tax losses previously not recognised	(1,530)	—
Tax losses for which no deferred income tax asset was recognised	4,835	7,388
Tax deduction (note)	(30)	(20)
Income tax expenses	4,212	12,638

Note: During the year ended 31 March 2018, one Hong Kong subsidiary of the Company (2017: one) was entitled to 75% tax deduction on Hong Kong Profits Tax with a cap of HK\$30,000 (2017: HK\$20,000).

15. Earnings/(Loss) Per Share
Basic and diluted earnings/(loss) per share

	2018	2017
Profit/(loss) attributable to owners of the Company (HK\$'000)	35,064	(15,481)
Weight average number of shares in issue ('000)	600,000	600,000
Basic and diluted earnings/(loss) per share (HK cents per share)	5.84	(2.58)

Basic earnings/(loss) per share for the years ended 31 March 2018 and 2017 is calculated by dividing the profit/(loss) attributable to owners of the Company by 600,000,000 ordinary shares in issue during the years ended 31 March 2018 and 2017.

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the Company had no potentially dilutive ordinary share in issue during the years ended 31 March 2018 and 2017.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

16. Dividends

No dividends were paid, declared or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

17. Property, Plant and Equipment

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture and office equipment HK\$'000	Construction-in-progress HK\$'000	Total HK\$'000
At 1 April 2016							
Cost	186,712	34,363	421,123	24,405	39,823	3,051	709,477
Accumulated depreciation	(4,174)	(21,742)	(250,124)	(10,211)	(26,902)	—	(313,153)
Net book amount	182,538	12,621	170,999	14,194	12,921	3,051	396,324
Year ended 31 March 2017							
Opening net book amount	182,538	12,621	170,999	14,194	12,921	3,051	396,324
Additions	802	2,587	20,398	2,728	1,163	1,905	29,583
Disposals	—	—	(2,078)	(180)	(217)	—	(2,475)
Transfers	—	—	1,055	—	779	(1,834)	—
Depreciation	(7,478)	(5,933)	(25,215)	(2,577)	(3,563)	—	(44,766)
Impairment charge	—	—	(7,710)	—	—	—	(7,710)
Write-off	—	—	—	—	(1,589)	—	(1,589)
Exchange differences	(7,423)	(591)	(8,940)	(87)	(343)	(180)	(17,564)
Closing net book amount	168,439	8,684	148,509	14,078	9,151	2,942	351,803
At 31 March 2017							
Cost	179,885	35,004	403,677	25,229	36,222	2,942	682,959
Accumulated depreciation	(11,446)	(26,320)	(247,458)	(11,151)	(27,071)	—	(323,446)
Accumulated impairment	—	—	(7,710)	—	—	—	(7,710)
Net book amount	168,439	8,684	148,509	14,078	9,151	2,942	351,803
Year ended 31 March 2018							
Opening net book amount	168,439	8,684	148,509	14,078	9,151	2,942	351,803
Additions	—	2,972	48,847	4,310	1,974	628	58,731
Disposals	—	—	(2,790)	(672)	(173)	—	(3,635)
Transfers	—	—	2,530	—	129	(2,659)	—
Depreciation	(7,535)	(3,794)	(25,297)	(2,865)	(2,822)	—	(42,313)
Impairment charge	—	(1,985)	(6,823)	—	(667)	—	(9,475)
Exchange differences	11,052	610	14,543	274	492	165	27,136
Closing net book amount	171,956	6,487	179,519	15,125	8,084	1,076	382,247
At 31 March 2018							
Cost	191,912	37,727	442,099	28,514	39,631	1,076	740,959
Accumulated depreciation	(19,956)	(29,255)	(248,047)	(13,389)	(30,880)	—	(341,527)
Accumulated impairment	—	(1,985)	(14,533)	—	(667)	—	(17,185)
Net book amount	171,956	6,487	179,519	15,125	8,084	1,076	382,247

17. Property, Plant and Equipment (Continued)

Notes:

- (a) During the year ended 31 March 2018, as a result of the continuously declining performance of manufacture and sale of certain metal stamping products, the Directors conducted a review of the related property, plant and equipment and determined that those assets should be impaired. Accordingly, a provision for impairment of approximately HK\$9,475,000 has been determined on the basis of their value-in-use. The Group applied a pre-tax discount rate of 13% to discount the future cash flows of the CGU in which the property, plant and equipment belonged to.

During the year ended 31 March 2017, as a result of the cessation of production on kiosk products and surgery products and the decline in performance of certain metal lathing products, the Directors conducted a review of the related property, plant and equipment and determined that those assets should be impaired. Accordingly, a provision on impairment of approximately HK\$7,710,000 has been determined on the basis of their value-in-use.

- (b) At 31 March 2018, the carrying values of plant and machinery and motor vehicles included an amount of approximately HK\$18,730,000 and HK\$628,000 (2017: nil and HK\$785,000) in respect of assets under finance leases respectively.

18. Leasehold Land and Land Use Rights

	2018 HK\$'000	2017 HK\$'000
Land use rights in the PRC	23,925	22,233

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:

	2018 HK\$'000	2017 HK\$'000
At 1 April	22,233	24,067
Amortisation	(446)	(441)
Exchange differences	2,138	(1,393)
At 31 March	23,925	22,233

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

19. Intangible Assets

	Contractual customer relationships HK\$'000	Design and prototype HK\$'000	Total HK\$'000
At 1 April 2016			
Cost	15,074	4,918	19,992
Accumulated amortisation	(15,074)	(2,393)	(17,467)
Net book amount	—	2,525	2,525
Year ended 31 March 2017			
Opening net book amount	—	2,525	2,525
Amortisation	—	(480)	(480)
Impairment charge	—	(2,045)	(2,045)
Closing net book amount	—	—	—
At 31 March 2017			
Cost	15,074	4,918	19,992
Accumulated amortisation	(15,074)	(2,873)	(17,947)
Accumulated impairment	—	(2,045)	(2,045)
Net book amount	—	—	—
Year ended 31 March 2018			
Opening and closing net book amount	—	—	—
At 31 March 2018			
Cost	15,074	4,918	19,992
Accumulated amortisation	(15,074)	(2,873)	(17,947)
Accumulated impairment	—	(2,045)	(2,045)
Net book amount	—	—	—

The contractual customer relationships have a finite useful life and are amortised on a straight-line basis over four years.

The design and prototype have a finite useful life and are amortised on a straight-line basis over five years.

19. Intangible Assets (Continued)

During the year ended 31 March 2017, as a result of the cessation of production on kiosk products and surgery products, the Directors conducted a review of the related intangible asset and determined that those assets should be impaired. Accordingly, a provision on impairment of approximately HK\$2,045,000 has been recognised. The recoverable amounts of the relevant assets have been determined on the basis of their value-in-use.

20. Goodwill

	HK\$'000
At 1 April 2016	
Cost	24,540
Accumulated impairment	(14,178)
	<hr/>
Net book amount	10,362
	<hr/>
Year ended 31 March 2017	
Opening net book amount	10,362
Impairment charge	(10,362)
	<hr/>
Closing net book amount	—
	<hr/>
At 31 March 2017	
Cost	24,540
Accumulated impairment	(24,540)
	<hr/>
Net book amount	—
	<hr/>
Year ended 31 March 2018	
Opening and closing net book amount	—
	<hr/>
At 31 March 2018	
Cost	24,540
Accumulated impairment	(24,540)
	<hr/>
Net book amount	—
	<hr/>

Goodwill is allocated to the Group's product assembly business of data storage products included in metal stamping segment, which is considered as a separate CGU.

During the year ended 31 March 2017, the goodwill has been fully impaired which arose in the Group's product assembly business which is included in the metal stamping business segment, resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment charge was resulted from a significant decrease in sales and the expiry of guarantee agreement.

For the purpose of impairment test during the year ended 31 March 2017, the recoverable amount of the product assembly business unit is determined based on value-in-use calculation. The calculation uses pre-tax cash flow projections based on financial budgets approved by management covering up to 2019. Pre-tax discount rate of 14%, which reflects the specific risks relating to the product assembly business, was used in the value-in-use calculation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

21. Interest in an Associated Entity

	2018 HK\$'000	2017 HK\$'000
Share of net assets	—	—

Set out below is the financial information of the associated entity of the Group as at 31 March 2018 and 2017 which is accounted for using equity method.

Company name	Place of establishment and operation and kind of legal entity	Issued and fully paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			2018	2017	
深圳市固泰科自動化裝備有限公司 (「固泰科」)	The PRC, a foreign investment enterprise	RMB6,666,667	25%	25%	Manufacturing and selling of automatic equipment

固泰科 is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associated entity.

Summary of financial information for associated entity

Summary of statement of financial position	2018 HK\$'000	2017 HK\$'000
Total current assets	2,120	2,928
Total current liabilities	(2,798)	(3,714)
Total non-current assets	296	342
Net liabilities	(382)	(444)
Summary of statement of profit or loss and other comprehensive income	2018 HK\$'000	2017 HK\$'000
Revenue	10,454	10,744
Pre-tax profit	120	267
Post-tax profit	99	235
Other comprehensive (expense)/income	(37)	35
Profit and total comprehensive income	62	270

21. Interest in an Associated Entity (Continued)**Reconciliation of summary of financial information**

Reconciliation of the summarised financial information presented to the carrying amount of its interest in an associated entity.

Summary of financial information	2018 HK\$'000	2017 HK\$'000
Net assets of 固泰科	—	—
Proportion of the Group's equity interest in 固泰科	25%	25%
Goodwill acquired upon acquisition	3,867	3,867
Impairment of goodwill	(3,867)	(3,867)
	—	—

The Group has stopped recognising its share of losses of an associate when applying the equity method. The unrecognised share of an associate, both for the year and cumulatively, are set out below:

	2018 HK\$'000	2017 HK\$'000
Unrecognised share of profit of an associated entity for the year	(25)	(59)
Accumulated unrecognised share of loss of an associated entity	98	123

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

22. Inventories

	2018 HK\$'000	2017 HK\$'000
Raw materials	25,746	21,909
Work in progress	33,098	24,753
Finished goods	44,317	34,145
	103,161	80,807

As at 31 March 2018, the carrying amount of inventories of approximately HK\$103,161,000 (2017: HK\$80,807,000) has been net of accumulated provision of write down of approximately HK\$11,663,000 (2017: HK\$7,762,000). The Group recognised amount of approximately HK\$3,901,000 (2017: HK\$1,698,000) in respect of the write-down of inventories to their net realisable values for the year ended 31 March 2018. The amount has been included in the cost of sales in the consolidated statement of profit or loss and other comprehensive income.

23. Trade and Other Receivables

	2018 HK\$'000	2017 HK\$'000
Trade receivables (note (b))	194,425	184,961
Prepayments, deposits and other receivables	41,117	36,099
Amount due from an associated entity (note (d))	432	432
Amounts due from non-controlling shareholders (note (d))	4,062	4,062
	240,036	225,554
Less: Provision for impairment (note (a))	(4,794)	(4,794)
	235,242	220,760

23. Trade and Other Receivables (Continued)

Notes:

- (a) The movement in the provision for impairment of other receivables, amount due from an associated entity and amounts due from non-controlling shareholders is set out below:

	2018 HK\$'000	2017 HK\$'000
At 1 April and 31 March	4,794	4,794

As at 31 March 2018, included in the provision for impairment of other receivables, amount due from an associated entity and amounts due from non-controlling shareholders were individually impaired other receivables with an aggregate balances of approximately of HK\$4,794,000 (2017: approximately HK\$4,794,000) due to long outstanding.

- (b) The Group normally grants credit periods of 30 to 90 days (2017: 30 to 90 days). The ageing analysis of trade receivables based on invoice dates, which approximate the revenue recognition date, is as follows:

	2018 HK\$'000	2017 HK\$'000
Up to 3 months	181,116	178,583
3 to 6 months	10,998	5,650
6 months to 1 year	1,266	693
1 to 2 years	1,045	35
	194,425	184,961

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 86% (2017: 86%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group.

- (c) As at 31 March 2018, the Group's trade receivables of approximately HK\$27,496,000 (2017: approximately HK\$25,509,000), were past due but not impaired. These trade receivables relate to a number of customers for whom there is no recent history of default.

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

	2018 HK\$'000	2017 HK\$'000
Amounts past due		
Up to 3 months	24,195	23,576
3 to 6 months	1,688	1,654
6 months to 1 year	792	279
1 to 2 years	821	—
	27,496	25,509

- (d) Amounts due from non-controlling shareholders and an associated entity are unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

24. Cash and Cash Equivalents

	2018 HK\$'000	2017 HK\$'000
Total bank deposits, bank balances and cash	346,039	219,008

- (i) Bank balances carry interest at market rates which ranged from 0.01% to 0.50% per annum (2017: 0.01% to 0.50% per annum).
- (ii) Short-term bank deposit carries interest at 2.0% per annum (2017: 2.0% per annum) with a maturity date of 3 months for the year ended 31 March 2018.
- (iii) As at 31 March 2018, the Group's cash and cash equivalents included balances of approximately HK\$90,660,000 (2017: approximately HK\$67,535,000), which were bank balances in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

25. Share Capital and Share Premium Ordinary shares of HK\$0.1 each

	Number of shares	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised				
At 31 March 2017 and 2018	4,500,000,000	450,000		
Issued and fully paid				
At 31 March 2017 and 2018	600,000,000	60,000	26,135	86,135

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

26. Reserves

	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note (a))	(note (b))			
At 1 April 2016	3,445	33,720	15,895	320,172	373,232
Loss for the year	—	—	—	(15,481)	(15,481)
Exchange differences on translation of foreign operations	—	—	(30,288)	—	(30,288)
Transfer of retained profits to statutory reserve	—	4,804	—	(4,804)	—
Acquisition of additional interests in subsidiaries (note 35)	—	—	—	(1,663)	(1,663)
At 31 March 2017 and 1 April 2017	3,445	38,524	(14,393)	298,224	325,800
Profit for the year	—	—	—	35,064	35,064
Exchange differences on translation of foreign operations	—	—	52,114	—	52,114
Transfer of retained profits to statutory reserve	—	7,797	—	(7,797)	—
At 31 March 2018	3,445	46,321	37,721	325,491	412,978

Notes:

- (a) During the year ended 31 March 2012, as part of the re-organisation, KFM Group Limited (KFM 集團有限公司) (“**KFM-BVI**”) acquired 100% of the issued share capital of Kingdom Fine Metal Limited (金德精密五金有限公司) (“**KFM-HK**”) on 11 October 2011 and KFM-HK acquired the issued share capital of 49% and 10% of Kingdom (Reliance) Precision Parts Manufactory Limited (金德(利寶)五金零件制品有限公司) (“**KRP-HK**”) and Kingdom Precision Product Limited (金德精密配件有限公司) (“**KPP-HK**”) on 29 November 2011 and 29 December 2011 respectively, by allotting shares of KFM-BVI to each of the respective companies’ then shareholders and gains 100% control of the companies. The subscription of new shares of KFM-BVI was accounted for by the Group using merger method and approximately HK\$3,500,000 was recognised in capital reserve which mainly represented 100%, 49% and 10% of the aggregated issued share capital of KFM-HK, KRP-HK and KPP-HK respectively.

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

27. Deferred Income Tax

The analysis of deferred income tax assets/(liabilities) is as follows:

	2018 HK\$'000	2017 HK\$'000
Deferred income tax assets	4,503	5,083
Deferred income tax liabilities	(4,774)	(13,958)
	(271)	(8,875)

The movements in deferred income tax assets and liabilities during the year ended 31 March 2018 and 2017, without taking into consideration the offsetting of balances within the same tax jurisdictions, are as follows:

	2018 HK\$'000	2017 HK\$'000
Deferred income tax assets:		
At 1 April	8,968	8,658
(Charged)/credited to profit or loss	(580)	310
At 31 March	8,388	8,968
Deferred income tax liabilities:		
At 1 April	(17,843)	(16,306)
Credited/(charged) to profit or loss	9,184	(1,537)
At 31 March	(8,659)	(17,843)

As at 31 March 2018, deferred tax assets of approximately HK\$3,885,000 (2017: approximately HK\$3,885,000) have been presented as an offset to deferred tax liabilities of the same taxable entity in the consolidated financial statements.

27. Deferred Income Tax (Continued)

The followings are the major deferred tax assets/(liabilities) recognised and movement thereon during the current and prior years:

	Tax loss HK\$'000	Accelerated accounting (tax) depreciation HK\$'000	Undistributed profits from subsidiaries HK\$'000 (note)	Total HK\$'000
At 1 April 2016	4,303	(2,635)	(9,316)	(7,648)
(Charged)/credited to profit or loss (note 14)	(418)	3,633	(4,442)	(1,227)
At 31 March 2017	3,885	998	(13,758)	(8,875)
(Charged)/credited to profit or loss (note 14)	—	(580)	9,184	8,604
At 31 March 2018	3,885	418	(4,574)	(271)

Note: Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary taxable difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK\$91,480,000 (2017: approximately HK\$137,584,000) as the Group considered the temporary differences will be reversed in the foreseeable future upon declaration of dividends of subsidiaries.

The Group did not recognise deferred income tax assets of approximately HK\$30,782,000 (2017: approximately HK\$27,477,000) in respect of (i) unutilised tax losses amounting to approximately HK\$153,980,000 (2017: approximately HK\$149,385,000) that can be carried forward against future taxable income; and (ii) unused tax losses amounting to approximately HK\$258,000 (2017: approximately HK\$258,000) will expire in 2018, and approximately HK\$205,000 (2017: approximately HK\$205,000) will expire in 2019 and approximately HK\$7,334,000 (2017: HK\$10,849,000) will expire in 2021 and HK\$13,705,000 (2017: nil) expire in 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

28. Trade and Other Payables

	2018 HK\$'000	2017 HK\$'000
Trade payables (note)		
— third parties	107,238	98,096
— related companies	595	386
	107,833	98,482
Accruals, deposits and other payables	80,208	53,455
	188,041	151,937

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

	2018 HK\$'000	2017 HK\$'000
Up to 3 months	101,334	95,992
3 to 6 months	4,668	2,035
6 months to 1 year	1,676	188
1 to 2 years	155	267
	107,833	98,482

The average credit period on purchases of goods is as from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

29. Bank Borrowings

	2018 HK\$'000	2017 HK\$'000
Short-term bank borrowings, unsecured	24,800	45,200

The interest-bearing bank borrowings, including the bank borrowings repayable on demand, are carried at amortised cost.

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:

	2018 HK\$'000	2017 HK\$'000
Within 1 year	24,800	45,200

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2018	2017
Effective interest rate:		
Variable-rate borrowings	4.79% to 5.25%	4.79% to 5.25%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

30. Obligations under Finance Leases

	2018 HK\$'000	2017 HK\$'000
Analysed for reporting purposes as:		
Current liabilities	3,059	436
Non-current liabilities	3,112	145
	6,171	581

The Group leases its plant and equipment and motor vehicle for its metal lathing business.

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Amounts payable under finance leases:				
Within one year	3,371	453	3,059	436
In more than one year and not more than two years	3,220	151	3,112	145
	6,591	604	6,171	581
Less: future finance charges	(420)	(23)	N/A	N/A
Present value of lease obligations	6,171	581	6,171	581
Less: amounts due for settlement within one year shown under current liabilities			(3,059)	(436)
Amounts due for settlement after one year			3,112	145

Obligations under finance leases at 31 March 2018 borne interest at a fixed interest rate ranging from 3.50% to 5.03% per annum (2017: 5.03% per annum). The average lease term is two years (2017: two years).

31. Unsecured Borrowings from a Related Company

	2018 HK\$'000	2017 HK\$'000
Due for repayment within 1 year which contains a repayment on demand clause	270,000	—
Due for repayment after 1 year but within 2 years which contains a repayment on demand clause	—	270,000
Due for repayment after 1 year but within 2 years	100,000	—
	370,000	270,000
Less: Amount shown under current liabilities	(270,000)	(270,000)
Amount shown under non-current liabilities	100,000	—

As at 31 March 2018, unsecured borrowings of HK\$370,000,000 (2017: HK\$270,000,000) were advanced from KIG, a company in which two Directors have beneficial interest in, of which HK\$270,000,000 (2017: HK\$270,000,000) contain a repayment on demand clause and the remaining balance of HK\$100,000,000 will be payable on 29 May 2019.

The effective interest rate of the unsecured borrowings from a related company is 5.25% per annum (2017: 5.25% per annum).

Subsequent to the year ended 31 March 2018, the Company renewed unsecured borrowings of HK\$140,000,000 and HK\$30,000,000 with KIG for another 1 year upon the expiry in April 2018 and June 2018 respectively at the interest rate of 5.25% per annum.

32. Commitments**(a) Capital commitments**

	2018 HK\$'000	2017 HK\$'000
Authorised or contracted for but not provided:		
— Plant and machinery	6,591	28,635
— Capital investment	9,533	9,533
	16,124	38,168

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

32. Commitments (Continued)

(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:

	2018 HK\$'000	2017 HK\$'000
Within 1 year	28,748	25,812
Later than 1 year and not later than 5 years	87,781	35,501
Later than 5 years	35,090	5,067
	151,619	66,380

These leases typically run for an initial period of two to ten years (2017: two to ten years). Certain of the operating leases contain renewal options which allow the Group to renew.

33. Significant Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Apart from as disclosed elsewhere in the consolidated financial statements, the Group had the following related parties and related transactions.

(a) Name and relationship with related parties

Name	Relationship
Mr. Sun	An executive director and the chief executive officer of the Group
KIG	A related company in which Mr. Sun and Mr. Wong Chi Kwok, the executive directors of the Company, have beneficial interests
Innotech Advanced Products Limited (" Innotech ")	A subsidiary of Gold Joy (HK) Industrial Limited which is owned by a connected party of Mr. Sun
Dongguan Tech-in Technical Electrical & Mechanical Products Limited (東莞德鎂精密機電產品有限公司) (" Dongguan Tech-in ")	A subsidiary of Innotech
固泰科	An associated entity in which Mr. Sun is a director

33. Significant Related Party Transactions (Continued)**(b) Material related party transactions**

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

	2018 HK\$'000	2017 HK\$'000
Sale of products to related companies:		
Innotech	3	—
Dongguan Tech-in	—	2
Purchase of products from related companies:		
Innotech	393	341
Dongguan Tech-in	2,014	2,214
Finance costs — interest expense on unsecured borrowings from a related company:		
KIG	17,816	13,038

(c) Balances with related companies

	2018 HK\$'000	2017 HK\$'000
Amount due from an associated entity		
固泰科	432	432
Amounts due from non-controlling shareholders	4,062	4,062
	4,494	(4,494)
Less: Provision for impairment	(4,494)	(4,494)
	—	—
Trade payables to related companies		
Innotech	—	(50)
Dongguan Tech-in	(595)	(336)
	(595)	(386)
Unsecured borrowings from a related company		
KIG	(370,000)	(270,000)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

33. Significant Related Party Transactions (Continued)

(d) Key management compensation

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

	2018 HK\$'000	2017 HK\$'000
Short-term employee benefits	10,359	9,566
Retirement benefits schemes contributions	72	72
	10,431	9,638

34. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 April 2017 HK\$'000	Financing cash flows HK\$'000	Non-cash changes			31 March 2018 HK\$'000
			Purchase of plant and equipment HK\$'000	Interest cost incurred HK\$'000	Exchange differences HK\$'000	
Obligations under finance leases	581	(2,999)	8,249	—	340	6,171
Unsecured borrowings from a related company	270,000	100,000	—	—	—	370,000
Interest payable (included in trade and other payable)	—	(13,540)	—	20,156	—	6,616
Bank borrowings	45,200	(23,400)	—	—	3,000	24,800
	315,781	60,061	8,249	20,156	3,340	407,587

35. Changes in Ownership Interest in Subsidiaries

During the year ended 31 March 2017, the Group acquired of an additional 33.33% equity interest in Kingdom Majorlink Kiosk Systems Limited (“**KMK**”), increasing its ownership interest from 66.67% to 100%. Cash consideration of HK\$1 was paid to the non-controlling shareholder of KMK. The difference between the fair value of consideration paid and the carrying amount of non-controlling interest acquired of approximately HK\$998,000 was charged in retained profits within equity.

During the year ended 31 March 2017, the Group acquired of an additional 30% equity interest in Kingdom Medical Holdings Limited (金德醫療控股有限公司) (“**KMHL**”), increasing its ownership interest from 70% to 100%. Cash consideration of US\$5, equivalent to approximately HK\$39, was paid to the non-controlling shareholders of KMHL. The difference between the fair value of consideration paid and the carrying amount of non-controlling interest acquired of approximately HK\$665,000 was charged in retained profits within equity.

A total of approximately HK\$1,663,000 was charged to retained profits during the year ended 31 March 2017.

36. Non-cash Transactions

During the year ended 31 March 2018, the Group entered into a finance lease arrangement in respect of plant and equipment (2017: motor vehicle) with capital value at the inception of the lease of approximately HK\$8,249,000 (2017: approximately HK\$872,000).

37. Event after the Reporting Period

Save as disclosed in note 31, the Group has no material subsequent events up to the date of this consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

38. Information about the Statement of Financial Position of the Company

	Notes	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current asset			
Investment in subsidiaries		93,283	93,283
Current assets			
Amounts due from subsidiaries	(i)	134,950	164,950
Cash and cash equivalents		135,001	5,001
Total current assets		269,951	169,951
Total assets		363,234	263,234
EQUITY			
Capital and reserves			
Share capital		60,000	60,000
Share premium		26,135	26,135
Retained profits	(ii)	63,833	72,724
Total equity		149,968	158,859
LIABILITIES			
Non-current liability			
Unsecured borrowings from a related company	(iii)	100,000	—
Current liabilities			
Amounts due to subsidiaries	(i)	13,266	4,375
Unsecured borrowings from a related company	(iii)	100,000	100,000
Total current liabilities		113,266	104,375
Total liabilities		213,266	104,375
Total equity and liabilities		363,234	263,234
Net current assets		156,685	65,576
Total assets less current liabilities		249,968	158,859

38. Information about the Statement of Financial Position of the Company (Continued)

Notes:

- (i) The amounts are unsecured, non-interest bearing and repayable on demand.
- (ii) Retained profits:

	Retained profits HK\$'000
At 1 April 2016	77,101
Loss for the year	(4,377)
At 31 March 2017 and 1 April 2017	72,724
Loss for the year	(8,891)
At 31 March 2018	63,833

- (iii) As at 31 March 2018, unsecured borrowing of HK\$200,000,000 (31 March 2017: HK\$100,000,000) were advanced from KIG of which HK\$100,000,000 (2017: HK\$100,000,000) contains a repayment on demand clause and is classified as current liabilities.

The effective interest rate of the unsecured borrowings from a related company is 5.25% per annum.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

39. Subsidiaries

The following is a list of the subsidiaries directly or indirectly held by the Company at 31 March 2018 and 2017:

Company name	Place of incorporation/ establishment/operation and kind of legal entity	Issued and fully paid up capital/ registered capital	Percentage of equity interest attributable to the Company				Principle activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
Able Elite Holdings Limited	BVI, limited liability company	US\$6,000,000	100%	—	100%	—	Investment holding
Billion Best Capital Investment Limited (佳億創富有限公司)	Hong Kong, limited liability company	HK\$1	—	100%	—	100%	Investment holding
BNG	BVI, limited liability company	US\$387,097	—	100%	—	100%	Investment holding
Dongguan Conform Metal Limited * (東莞確飛鎂五金有限公司)	Dongguan, the PRC, wholly foreign- owned enterprise	US\$1,500,000	—	100%	—	100%	Manufacturing and sale of fine metal products in the PRC
Fast Great Consultants Limited (浩迅顧問有限公司)	Hong Kong, limited liability company	HK\$1	—	100%	—	100%	Investment holding
Fortune Reliance Smart Technology (Shanghai) Ltd * (富賽德智能科技 上海)有限公司)	Shanghai, the PRC, wholly foreign- owned enterprise	US\$780,000	—	60%	—	60%	Manufacturing of senior products in the PRC
IMG Kingdom International Limited	BVI, limited liability company	US\$20,000	—	60%	—	60%	Investment holding
IMG Kingdom Limited	Hong Kong, limited liability company	HK\$100,000	—	60%	—	60%	Sale of fine metal products in Hong Kong and the PRC
iSolution (KFM) Limited	Hong Kong, limited liability company	HK\$3,000,000	—	100%	—	100%	Sale and rental of kiosk product in Hong Kong and overseas
KFM BVI	BVI, limited liability company	US\$1,000	—	100%	—	100%	Investment holding
KFM Kingdom Investment Limited (金德集團投資有限公司)	Hong Kong, limited liability company	HK\$1	—	100%	—	100%	Investment holding
KFM Kingdom Management Limited (金德集團管理有限公司)	Hong Kong, limited liability company	HK\$1	—	100%	—	100%	Provision of management services in Hong Kong
KRP-Shenzhen	Shenzhen, the PRC, wholly foreign- owned enterprise	US\$8,500,000	—	100%	—	100%	Manufacturing and sale of fine metal products in the PRC
Kingdom (Reliance) Precision Parts Manufactory Holdings Limited	BVI, limited liability company	US\$2	100%	—	100%	—	Investment holding
KRP-HK	Hong Kong, limited liability company	HK\$5,000,000	—	100%	—	100%	Sale of fine metal products in Hong Kong and the PRC
Kingdom (Reliance) Smart Technology Limited (金德(利賽)智能科技 有限公司)	Hong Kong, limited liability company	HK\$10,000,000	—	60%	—	60%	Investment holding
KFM-HK	Hong Kong, limited liability company	HK\$1,000,000	—	100%	—	100%	Sale of fine metal products in Hong Kong and the PRC
KMK	Hong Kong, limited liability company	HK\$4,200,021	—	100%	—	100%	Sale and rental of kiosk product in Hong Kong and overseas
Kingdom Medical Engineering (Suzhou) Limited * (金德醫療科技(蘇州) 有限公司)	Suzhou, the PRC, wholly foreign-owned enterprise	US\$450,000	—	100%	—	100%	Manufacturing and sale of medical products in the PRC and Overseas
Kingdom Medical Engineering Holdings Limited (金德醫藥工程控股有限公司)	BVI, limited liability company	US\$10,000	—	100%	—	100%	Investment holding
Kingdom Medical Engineering Limited (金德醫藥工程有限公司)	Hong Kong, limited liability company	HK\$4,000,000	—	100%	—	100%	Trading of medical products in the PRC
KMHL	BVI, limited liability company	US\$129,032	—	100%	—	100%	Investment holding

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2018

39. Subsidiaries (Continued)

Company name	Place of incorporation/ establishment/operation and kind of legal entity	Issued and fully paid up capital/ registered capital	Percentage of equity interest attributable to the Company				Principle activities
			2018		2017		
			Direct	Indirect	Direct	Indirect	
Kingdom Medical Limited (金德醫療有限公司)	Hong Kong, limited liability company	HK\$1,000,000	—	100%	—	100%	Sale of dental products in Hong Kong
Kingdom Precision Product (Suzhou) Company Limited* (金德精密配件(蘇州)有限公司)	Suzhou, the PRC, wholly foreign-owned enterprise	US\$15,570,880	—	100%	—	100%	Sale of fine metal products in the PRC
Kingdom Precision Product Holdings Limited	BVI, limited liability company	US\$1	—	100%	—	100%	Investment holding
KPP-HK	Hong Kong, limited liability company	HK\$10,000	—	100%	—	100%	Sale of fine metal products in Hong Kong and the PRC
Kingdom Precision Science and Technology (Suzhou) Company Limited * (金德精密科技(蘇州)有限公司)	Suzhou, the PRC, wholly foreign-owned enterprise	US\$14,319,500	—	100%	—	100%	Manufacturing and sale of fine metal products in the PRC
Kingdom Precision Science and Technology Holding Limited	BVI, limited liability company	US\$1	—	100%	—	100%	Investment holding
Kingdom Precision Science and Technology Limited (金德精密科技有限公司)	Hong Kong, limited liability company	HK\$1	—	100%	—	100%	Investment holding
Kingdom Reliance Mechatronic Components (Shanghai) Manufactory Limited * ("KRP SH") (金德利賽精密機電部件(上海)有限公司)	Shanghai, the PRC, wholly foreign-owned enterprise	US\$3,530,000	—	100%	—	100%	Manufacturing and sale of fine metal products in the PRC
Kingdom Technology (Shenzhen) Company Limited* (金德鑫科技(深圳)有限公司)	Shenzhen, the PRC, wholly foreign-owned enterprise	US\$9,300,000	—	100%	—	100%	Manufacturing and sale of fine metal products in the PRC
Mega Plan Global Limited	BVI, limited liability company	US\$1	—	100%	—	100%	Investment holding
Ningbo Hongka Smart Technology Limited * (寧波港華智能科技有限公司)	Ningbo, the PRC, wholly foreign-owned enterprise	US\$160,000	—	60%	—	60%	Trading of sensor products in the PRC
Project Lead Holdings Limited	BVI, limited liability company	US\$1	—	100%	—	100%	Investment holding
Smart Galary Holdings Limited	BVI, limited liability company	US\$1	100%	—	100%	—	Investment holding
KFM Kingdom Services Holdings Limited #	Hong Kong, limited liability company	US\$1	—	100%	—	—	Inactive
KFM Kingdom Services Limited #	BVI, limited liability company	US\$1	—	100%	—	—	Investment holding

Subsidiary incorporated/established during the year ended 31 March 2018

* The English name is for identification purpose only

Five Year Financial Summary

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

	Years ended 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Results					
Revenue	983,935	879,478	852,620	1,038,211	945,798
Cost of sales	(687,750)	(669,649)	(674,359)	(788,657)	(737,936)
Gross profit	296,185	209,829	178,261	249,554	207,862
Other (losses)/gains, net	(24,646)	16,040	15,128	101	125
Distribution and selling expenses	(21,228)	(20,140)	(25,260)	(30,764)	(22,381)
General and administrative expenses	(190,875)	(193,698)	(197,452)	(167,314)	(142,093)
Finance income	136	207	677	847	739
Finance costs	(20,156)	(16,654)	(4,331)	(4,125)	(6,715)
Share of loss of an associated entity	—	—	(3,453)	—	—
Provision for impairment of interest in an associated entity	—	—	(3,867)	—	—
Profit/(loss) before income tax	39,416	(4,416)	(40,297)	48,299	37,537
Income tax expenses	(4,212)	(12,638)	(9,534)	(19,174)	(2,525)
Profit/(loss) for the year	35,204	(17,054)	(49,831)	29,125	35,012
Other comprehensive income/ (expense)					
Currency translation differences	52,114	(30,288)	(24,334)	(974)	354
Total comprehensive income/ (expense)	87,318	(47,342)	(74,165)	28,151	35,366
Profit/(loss) for the year attributable to:					
Owners of the Company	35,064	(15,481)	(45,827)	31,473	36,383
Total comprehensive income/ (expense) attributable to:					
Owners of the Company	87,178	(45,769)	(70,161)	30,499	36,737
Earnings/(loss) per share for profit/ (loss) attributable to owners of the Company					
— Basic and diluted (HK cents)	5.84	(2.58)	(7.64)	5.25	6.06
Dividends	—	—	—	12,000	19,800

Five Year Financial Summary (Continued)

	As at 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	1,097,043	901,209	852,552	946,596	851,592
Total liabilities	(595,313)	(486,797)	(390,798)	(410,639)	(336,386)
Net assets	501,730	414,412	461,754	535,957	515,206

Basis of presentation

The reorganisation has been accounted for using merger accounting and, accordingly, the financial information for the years ended 31 March 2014 as contained in "Five Years Financial Summary" had been prepared as if the structure of the Group resulting from the reorganisation had been in existence.

Our GOALS are
FAR AND HIGH
We CULTIVATE for
TOMORROW

