

# KFM KINGDOM

KFM KINGDOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKEx Stock Code: 3816)

2019  
Interim Report

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



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## Corporate Information

### **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 adviser 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 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Website**

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

**Stock code**

3816

## Review of Interim Results

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of KFM Kingdom Holdings Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 September 2019 (the “**Reporting Period**”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), together with the comparative figures for the corresponding period of 2018.

The interim results and the interim condensed consolidated financial information of the Group for the Reporting Period, after being reviewed by the audit committee of the Company (the “**Audit Committee**”) and by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, were approved by the Board on 22 November 2019.

### Business Review

During the Reporting Period, the trade disputes between China and the United States of America (the “**US**”) continuously affected the business environment of the Group and created significant uncertainties on the global economy. The demand in the manufacturing industries was therefore inevitably affected. Further to the global trade difficulties, the foreign exchange rate of Renminbi (“**RMB**”) was even more volatile than before. Meanwhile, the Group was still under the pressure from the increase in material cost, labour cost and operating costs in the PRC.

However, the Group exerted efforts in broadening its customer base and made a slight revenue growth during the Reporting Period. The Group recorded revenue amounted to approximately HK\$528.4 million for the Reporting Period, with an increase by approximately HK\$7.0 million or 1.3% as compared to a revenue amounted to approximately HK\$521.4 million during the corresponding period last year.

During the Reporting Period, revenue generated from the Group’s metal stamping segment was approximately HK\$372.7 million with an increase by approximately HK\$17.2 million or 4.8% as compared to that of the corresponding period last year. Although the metal stamping segment continued to be affected by the weakening demand from its customers engaged in office automation industry and consumer electronics industry, the Group sought to increase revenue derived from customers engaged in network and data storage industry and finance equipment industry during the Reporting Period.

Regarding the metal lathing segment, the Group recorded revenue of approximately HK\$155.7 million during the Reporting Period. As compared to the revenue of approximately HK\$165.9 million in the corresponding period last year, revenue derived from the metal lathing segment decreased by approximately HK\$10.2 million or 6.2%. The decrease was mainly attributable to the lower demand from the customers who engaged in the consumer electronics industry as well as medical and test equipment industry during the Reporting Period.

Due to the changes in product mix and the increase in production costs, the overall gross profit margin of the Group decreased from approximately 26.4% in the corresponding period last year to approximately 24.6% in the Reporting Period. As such, the total gross profit of the Group decreased by approximately HK\$7.7 million from approximately HK\$137.8 million during the corresponding period last year to approximately HK\$130.1 million during the six months ended 30 September 2019.

As a result of the above, the Group recorded a net profit of approximately HK\$31.6 million during the Reporting Period, as compared with a net profit of approximately HK\$32.2 million during the corresponding period last year.

## Financial Review

### Revenue

For the six months ended 30 September 2019, revenue of the Group was approximately HK\$528.4 million, representing an increase of approximately HK\$7.0 million or 1.3% from approximately HK\$521.4 million for the corresponding period last year. Set out below is a breakdown of the Group's revenue by business segments:

	Six months ended 30 September			
	2019		2018	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Metal stamping	372,693	70.5	355,452	68.2
Metal lathing	155,679	29.5	165,920	31.8
	<b>528,372</b>	<b>100.0</b>	521,372	100.0

## Review of Interim Results (Continued)

Revenue derived from the metal stamping segment increased by approximately HK\$17.2 million or 4.8% from approximately HK\$355.5 million for the six months ended 30 September 2018 to approximately HK\$372.7 million for the Reporting Period. During the Reporting Period, the Group experienced an increase in number of orders from customers who engaged in the network and data storage industry and finance equipment industry, despite the decrease in demand from the customers who engaged in office automation industry and consumer electronics industry.

Revenue derived from the metal lathing segment decreased by approximately HK\$10.2 million or 6.2% from approximately HK\$165.9 million for the six months ended 30 September 2018 to approximately HK\$155.7 million for the Reporting Period. The decrease was mainly attributed to the decrease in demand from the customers who engaged in the consumer electronics industry as well as medical and test equipment industry.

Geographically, the PRC, North America, Singapore and Europe continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 63.8%, 15.6%, 12.1% and 6.3% of the Group's revenue, respectively, for the Reporting Period. Details of a breakdown of revenue generated by different geographical locations are set out in Note 8(c) to this interim condensed consolidated financial information.

### Cost of sales

Cost of sales primarily comprises the direct costs associated with the manufacturing of the Group's products. It mainly consists of direct materials, direct labour, processing fee and other direct overheads (including the write-down of inventories as disclosed in Note 11 to this interim condensed consolidated financial information after regular review of the Group's inventory provision policy). Set out below is the breakdown of the Group's cost of sales:

	Six months ended 30 September			
	2019		2018	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Direct material	226,421	56.9	216,935	56.6
Direct labour	76,723	19.3	79,048	20.6
Processing fee	50,989	12.8	53,358	13.9
Other direct overheads	44,138	11.0	34,228	8.9
	<b>398,271</b>	<b>100.0</b>	383,569	100.0

During the Reporting Period, cost of sales of the Group increased by approximately HK\$14.7 million or 3.8% as compared to the same of the corresponding period last year. The increase was primarily due to the increase in the Group's total revenue, higher production costs and the change in product mix during the Reporting Period. Due to the increase in, mainly, raw material cost and other direct overheads, the percentage of cost of sales to the total revenue during the Reporting Period was approximately 75.4%, representing an increase of approximately 1.8%, as compared to approximately 73.6% in the corresponding period last year.

### **Gross profit and gross profit margin**

During the Reporting Period, the gross profit margin of the Group was approximately 24.6%, with a decrease by approximately 1.8% as compared to approximately 26.4% in the corresponding period last year. The decrease in gross profit margin was mainly due to the increase in raw material cost and other direct overheads.

In respect of the Group's metal stamping segment, gross profit margin decreased from approximately 27.7% for the six months ended 30 September 2018 to approximately 26.3% during the Reporting Period. Such decrease was mainly the result of higher production costs and change in product mix during the Reporting Period.

In respect of the Group's metal lathing segment, gross profit margin decreased from approximately 23.7% for the six months ended 30 September 2018 to approximately 20.7% during the Reporting Period. Such decrease was mainly due to the higher material costs and the reduction in revenue derived from the sale of more profitable products to customers who engaged in the consumer electronics industry during the Reporting Period.

For details of the gross profit of the Group's two segments, please refer to Note 8(a) to this condensed consolidated financial information.

### **Other gains, net**

During the Reporting Period, the Group recorded other gains, net which amounted to approximately HK\$27.9 million. In the corresponding period last year, the Group recorded other gains, net of approximately HK\$27.2 million. The slight change in the other gains, net was mainly due to a decrease in net exchange gains, which was partially offset by an increase in government subsidies during the Reporting Period.



## Review of Interim Results (Continued)

### **Distribution and selling expenses**

Distribution and selling expenses represented the expenses incurred for the promotion and selling 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 remained relatively stable at approximately HK\$11.6 million and HK\$11.4 million for the six months ended 30 September 2019 and 2018, respectively.

### **General and administrative expenses**

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

The general and administrative expenses of the Group slightly decreased from approximately HK\$99.8 million for the six months ended 30 September 2018 to approximately HK\$97.6 million for the Reporting Period. The decrease was mainly due to the decrease in depreciation, which was partially offset by an increase in rental expenses during the Reporting Period.

### **Finance costs**

The Group's finance costs represented interest expenses on finance lease and unsecured borrowings from a related company and finance costs of operating lease upon adoption of HKFRS 16 "Lease". During the Reporting Period, the Group's finance costs was approximately HK\$9.3 million, as compared to approximately HK\$10.8 million for the corresponding period last year. The decrease in finance costs was mainly due to a decrease in average balances of borrowings as compared to corresponding period last year, which was partially offset by an increase in finance costs as result of adoption of HKFRS 16 "Lease".

### **Income tax expenses**

The Group's income tax expenses amounted to approximately HK\$8.1 million for the Reporting Period, while the Group's income tax expenses for the six months ended 30 September 2018 amounted to approximately HK\$10.9 million. The decrease was mainly attributable to the decrease in taxable profit during the Reporting Period.

During the year ended 30 September 2019, the Group's effective tax rate was approximately 20.4%, while the same for the corresponding period last year was approximately 25.3%. The decrease was mainly due to larger amount of reversal of over-provision in respect of prior year and less deferred income tax on undistributed profit in respect of less profit being generated from subsidiaries in the PRC during the Reporting Period.

### Profit attributable to owners of the Company

For the Reporting Period, profit attributable to owners of the Company amounted to approximately HK\$31.5 million, while there was profit attributable to owners of the Company amounted to approximately HK\$31.6 million for the corresponding period last year.

## Liquidity, Financial and Capital Resources

### Financial resources and liquidity

The Group's current assets comprise mainly cash and cash equivalents, trade and other receivables and inventories. As at 30 September 2019 and 31 March 2019, the Group's total current assets amounted to approximately HK\$775.8 million and HK\$731.3 million respectively, which represented approximately 71.0% and 78.6% of the Group's total assets as at 30 September 2019 and 31 March 2019, respectively.

### Capital structure

The Group's capital structure is summarised as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Unsecured borrowings from a related company	210,000	200,000
Total debts	210,000	200,000
Shareholders' equity	531,637	524,316
Gearing ratio		
— Total debts to shareholders' equity ratio <sup>#</sup>	39.5%	38.1%

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

## Review of Interim Results (Continued)

Total debts comprise unsecured borrowings from a related company. For the Reporting Period, the Group generally financed its operation primarily with internal generated cash flows and unsecured borrowings from a related company.

Details of the Group's unsecured borrowings from a related company as at 30 September 2019 are set out in Note 26 to this interim condensed consolidated financial information.

As at 30 September 2019, the Group's unsecured borrowings from a related company were denominated in Hong Kong dollars.

The capital structure of the Group consists of equity attributable to the equity holder of the Company (comprising issued share capital and reserves) 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 owners.

### **Capital expenditure**

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK\$11.8 million, as compared to the six months ended 30 September 2018 of approximately HK\$13.4 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 30 September 2019 and 31 March 2019, no borrowing of the Group was secured by assets of the Group.

### **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 RMB, 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**

Details of the Group's capital commitments as at 30 September 2019 are set out in Note 27 to this interim condensed consolidated financial information.

### **Contingent liabilities**

As at 30 September 2019, the Group had no material contingent liabilities.

### **Outlook and Strategy**

Looking forward, uncertainties arising from Sino-US trade disputes will likely continue for a period of time and may lead to a slower economic growth and greater currency fluctuations. Major economies have signaled a deteriorating situation with considerable uncertainties in economic and trade conditions which may persist in the near future. Meanwhile, the difficulties faced by manufacturing industries in the PRC are expected to subsist. The increasing labour cost, material cost and production costs in the PRC will remain the major challenges to the Group. It is also expected that a certain number of the Group's customers will continue to relocate their businesses to lower cost regions such as the Southeast Asia.

Facing the challenges and uncertainties in the business and economic outlook, the Group will put effort in looking for means to strengthen the business model, improve its flexibility and enhance the robustness against uncertainties. In the coming year, even though a certain proportion of revenue derived from export to the US will be affected by the Sino-US trade disputes, the management is closely assessing and monitoring the development of the trade dispute. The Group will take appropriate actions to mitigate those impacts when necessary. In response to the recent economic downward trend, the Group will put more efforts in broadening its customer base and developing more new customers in the region. The Group will also strive to maintain good relationships with existing customers and devote more effort in enhancing the overall operational efficiency. The Group will also continue to streamline its operations by effective allocation of resources to enhance its overall efficiency, if necessary. The controlling shareholder of the Company 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 its belief and cope with the challenges in order to create better value and returns for customers, shareholders and investors.

## Review of Interim Results (Continued)

### Employees and Remuneration Policy

As at 30 September 2019, the Group had a total number of 2,096 full-time employees (As at 30 September 2018: 2,144). The Group determined the remuneration packages of all employees based on several factors including individual qualifications, contribution to the Group, performance and years of experience of the respective staff.

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 relationship 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 Reporting Period.

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

### Updates on compliance and regulatory matters as disclosed in the prospectus of the Company

#### 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 six months ended 30 September 2018, KRP-Shenzhen entered into a framework agreement with an independent third party to lease a factory premises under construction in Guangdong province. A formal leasing agreement of the premises would be entered into by the both parties upon the completion of the construction within a prescribed period of time.

The Group's current lease agreement of the Xili Leased Properties started from 31 October 2016 for a period of five years that there should be no disruption of the operation in Xili. In the event that the Group receives notice for relocation prior to completion of the Long Term Relocation Plan, the productions 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 interim 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.

### **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.

## Review of Interim Results (Continued)

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

### **Interests and short positions of Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations**

As at 30 September 2019, 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules.

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

As at 30 September 2019, the following person (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 ("MFL")	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 MFL, which is owned as to 40% by Mr. Zhang Yongdong.

### Corporate Governance

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2019.

### Model Code for Securities Transactions by Directors

The Company has adopted a code for securities transactions by the Directors on terms equivalent to the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

The Board confirmed that, having made specific enquiry, the Directors have complied in full with the required standards as set out in the Model Code and its code of conduct during the six months ended 30 September 2019.



## Review of Interim Results (Continued)

### **Interim Dividend**

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2019.

### **Subsequent Event**

The Group had no material subsequent events from the end of the Reporting Period up to the date of this interim report.

### **Audit Committee**

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

The Audit Committee has reviewed the Group's interim condensed consolidated financial information for the six months ended 30 September 2019 and had discussed the financial information with management and the independent auditor of the Company. The Audit Committee is of the view that the preparation of such financial report has complied with the standard and requirements and that adequate disclosures have been made.

### **Substantial Acquisitions and Disposals of Subsidiaries and Associated Corporations**

During the six months ended 30 September 2019, the Group did not conduct any disposals or acquisitions for its subsidiaries and associated corporations.

### **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 September 2019.

By order of the Board  
**Zhang Haifeng**  
*Chairman*

Hong Kong, 22 November 2019

# Report on Review of Interim Condensed Consolidated Financial Information



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

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

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

### Introduction

We have reviewed the interim condensed consolidated financial information of KFM Kingdom Holdings Limited (the “**Company**”) and its subsidiaries set out on pages 19 to 60, which comprise the interim condensed consolidated statement of financial position as at 30 September 2019 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Report on Review of Interim Condensed Consolidated Financial Information (Continued)

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information are not prepared, in all material respects, in accordance with HKAS 34.

### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

#### **Tang Kwan Lai**

Practising Certificate Number: P05299

Hong Kong  
22 November 2019

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>	7	<b>528,372</b>	521,372
Cost of sales		<b>(398,271)</b>	(383,569)
<b>Gross profit</b>		<b>130,101</b>	137,803
Other gains, net	9	<b>27,921</b>	27,150
Distribution and selling expenses		<b>(11,636)</b>	(11,449)
General and administrative expenses		<b>(97,588)</b>	(99,772)
Finance income	10	<b>177</b>	119
Finance costs	10	<b>(9,331)</b>	(10,825)
<b>Profit before tax</b>	11	<b>39,644</b>	43,026
Income tax expenses	12	<b>(8,091)</b>	(10,871)
<b>Profit for the period</b>		<b>31,553</b>	32,155
<b>Other comprehensive expense for the period:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(24,232)</b>	(45,398)
<b>Total comprehensive income/(expense) for the period</b>		<b>7,321</b>	(13,243)
<b>Profit for the period attributable to:</b>			
— Owners of the Company		<b>31,521</b>	31,578
— Non-controlling interests		<b>32</b>	577
		<b>31,553</b>	32,155
<b>Total comprehensive income/(expense) attributable:</b>			
— Owners of the Company		<b>7,289</b>	(13,820)
— Non-controlling interests		<b>32</b>	577
		<b>7,321</b>	(13,243)
<b>Earnings per share</b>	13		
— Basic and diluted (HK cents)		<b>5.25</b>	5.26

# Interim Condensed Consolidated Statement of Financial Position

At 30 September 2019

	Notes	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	157,901	190,450
Leasehold land and land use rights	17	—	—
Interest in an associated entity		—	—
Right-of-use assets	16	150,747	—
Rental deposits		6,629	6,969
Deferred income tax assets	23	1,501	1,890
<b>Total non-current assets</b>		<b>316,778</b>	199,309
<b>Current assets</b>			
Inventories	18	92,745	98,682
Trade and bills receivables	19	265,490	237,293
Prepayments, deposits and other receivables	20	36,663	35,943
Current income tax recoverable		253	2,204
Cash and cash equivalents		380,671	357,171
<b>Total current assets</b>		<b>775,822</b>	731,293
<b>Total assets</b>		<b>1,092,600</b>	930,602
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	21	60,000	60,000
Share premium	21	26,135	26,135
Reserves	22	441,819	434,530
<b>Capital and reserves attributable to owners of the Company</b>		<b>527,954</b>	520,665
Non-controlling interests		3,683	3,651
<b>Total equity</b>		<b>531,637</b>	524,316

Interim Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2019

	Notes	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance leases	25	—	5,233
Leases liabilities	16	93,681	—
Deferred income tax liabilities	23	8,710	7,327
<b>Total non-current liabilities</b>		<b>102,391</b>	12,560
<b>Current liabilities</b>			
Trade and other payables	24	194,133	183,322
Obligations under finance leases	25	—	7,127
Leases liabilities	16	49,912	—
Unsecured borrowings from a related company	26	210,000	200,000
Current income tax liabilities		4,527	3,277
<b>Total current liabilities</b>		<b>458,572</b>	393,726
<b>Total liabilities</b>		<b>560,963</b>	406,286
<b>Total equity and liabilities</b>		<b>1,092,600</b>	930,602
<b>Net current assets</b>		<b>317,250</b>	337,567
<b>Total assets less current liabilities</b>		<b>634,028</b>	536,876

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
<b>Balance at 1 April 2019 (audited)</b>	60,000	26,135	3,445	53,641	9,615	367,829	520,665	3,651	524,316
Profit for the period	—	—	—	—	—	31,521	31,521	32	31,553
<b>Other comprehensive expense for the period:</b>									
Exchange differences on translation of foreign operations	—	—	—	—	(24,232)	—	(24,232)	—	(24,232)
<b>Total comprehensive (expense)/income for the period</b>	—	—	—	—	(24,232)	31,521	7,289	32	7,321
Transfer of retained profits to statutory reserve	—	—	—	3,078	—	(3,078)	—	—	—
<b>Balance at 30 September 2019 (unaudited)</b>	60,000	26,135	3,445	56,719	(14,617)	396,272	527,954	3,683	531,637

For the six months ended 30 September 2018

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
<b>Balance at 1 April 2018 (audited)</b>	60,000	26,135	3,445	46,321	37,721	325,491	499,113	2,617	501,730
Profit for the period	—	—	—	—	—	31,578	31,578	577	32,155
<b>Other comprehensive expense for the period:</b>									
Exchange differences on translation of foreign operations	—	—	—	—	(45,398)	—	(45,398)	—	(45,398)
<b>Total comprehensive (expense)/income for the period</b>	—	—	—	—	(45,398)	31,578	(13,820)	577	(13,243)
Transfer of retained profits to statutory reserve	—	—	—	4,539	—	(4,539)	—	—	—
<b>Balance at 30 September 2018 (unaudited)</b>	60,000	26,135	3,445	50,860	(7,677)	352,530	485,293	3,194	488,487

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (Unaudited)</b>	2018 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Net cash generated from operations	<b>49,643</b>	11,656
Income tax paid, net	<b>(3,046)</b>	(3,521)
Net cash from operating activities	<b>46,597</b>	8,135
<b>Cash flows from investing activities</b>		
Interest received	<b>177</b>	119
Repayment from a related company	<b>5,284</b>	—
Proceeds from disposal of property, plant and equipment	<b>316</b>	73
Purchase of property, plant and equipment	<b>(11,830)</b>	(1,979)
Net cash used in investing activities	<b>(6,053)</b>	(1,787)
<b>Cash flows from financing activities</b>		
New bank borrowings raised	—	36,000
Proceeds from unsecured borrowings from a related company	<b>10,000</b>	—
Repayment of bank borrowings	—	(25,440)
Repayment on obligations under finance leases	—	(1,393)
Payment of lease liabilities	<b>(28,679)</b>	—
Receipts of government subsidies	<b>9,946</b>	429
Interest paid	<b>(4,569)</b>	(1,112)
Net cash (used in)/from financing activities	<b>(13,302)</b>	8,484
<b>Net increase in cash and cash equivalents</b>	<b>27,242</b>	14,832
Cash and cash equivalents at 1 April	<b>357,171</b>	346,039
Net currency translation differences	<b>(3,742)</b>	(6,232)
<b>Cash and cash equivalents at 30 September</b>	<b>380,671</b>	354,639



# Notes to the Interim Condensed Consolidated Financial Information

## 1. General Information

KFM Kingdom Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 July 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is Workshop C, 31/F., TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. 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 immediate holding company and controlling shareholder of the Company is Massive Force Limited, a company incorporated in the British Virgin Islands.

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.

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

This interim condensed consolidated financial information was approved by the directors of the Company for issue on 22 November 2019.

This interim condensed consolidated financial information has not been audited.

## 2. Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 September 2019 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

### 3. Principal Accounting Policies

The interim condensed consolidated financial information has been prepared on the historical cost basis.

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2019.

HKFRS 16	Leases
HKFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the interim condensed consolidated financial information. The new accounting policies are set out in note 4 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effects on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial information.

### 3. Principal Accounting Policies (continued)

#### 3.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied HKFRS 16 Leases modified retrospectively and has not restated comparatives for the reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HKFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The major impacts of the adoption of HKFRS 16 on the Group's interim condensed consolidated financial information are described below:

#### *The Group as lessee*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.85%.

**3. Principal Accounting Policies (continued)**

**3.1 Impacts on adoption of HKFRS 16 Leases (continued)**

*The Group as lessee (continued)*

The Group recognises right-of-use assets and measures them at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The Group leases certain plant and equipment and motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use assets and the lease liabilities at 1 April 2019 were determined at the carrying amount of the lease assets included in property, plant and equipment and obligations under finance leases under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases previously presents as a separate line item is now included within lease liabilities, and the carrying amount of the corresponding leased assets are identified as right-of-use assets. There is no impact on the opening balance of equity.

### 3. Principal Accounting Policies (continued)

#### 3.1 Impacts on adoption of HKFRS 16 Leases (continued)

##### *The Group as lessee (continued)*

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

		Carrying amounts previously reported at 31 March 2019	Impact on adoption of HKFRS 16	Carrying amounts previously reported at 1 April 2019
	Notes	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	(a)	190,450	(20,568)	169,882
Right-of-use assets	(a), (b)	—	174,381	174,381
Obligations under finance leases	(a)	12,360	(12,360)	—
Lease liabilities	(a), (b)	—	166,173	166,173

Notes:

- (a) The obligations under finance leases of approximately HK\$12,360,000 previously presents as a separate line item as at 31 March 2019 are now included within lease liabilities under HKFRS 16. The carrying amount of the related assets under finance leases amounting to approximately HK\$20,568,000 included in property, plant and equipment is reclassified to right-of-use assets.
- (b) As at 1 April 2019, the Group recognised right-of-use assets at an amount equal to the lease liabilities of approximately HK\$153,813,000 in respect of leases of buildings.

### 3. Principal Accounting Policies (continued)

#### 3.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HKFRIC-Int 4 Determining whether an Arrangement contains a Lease;
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

### 4. Change in Accounting Policies

#### Leases

##### *Definition of a lease*

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

##### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### 4. Change in Accounting Policies (continued)

##### Leases (continued)

##### *The Group as lessee (continued)*

##### *Lease liabilities*

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments.

The lease liability is presented as a separate line in the interim condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

##### *Right-of-use assets*

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Impairment losses on tangible assets and intangible assets" policy as stated in the Group's annual consolidated financial statements for the year ended 31 March 2019.

**5. Estimates**

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 March 2019 as described in those consolidated financial statements.

**6. Financial risk management**

**(a) Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

There have been no changes in the risk management policies of the Group since 31 March 2019.



**6. Financial risk management (continued)**

**(b) 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.

The Group is exposed to liquidity risk as at 30 September 2019 as the Group had unsecured borrowings from a related company of HK\$210,000,000, contained a repayment on demand clause. Nevertheless, in the opinion of the directors of the Company, 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, unsecured borrowings from a related company with a repayment on demand clause are included in the earliest time band regardless of the probability of a related company choosing to exercise its rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

## 6. Financial risk management (continued)

### (b) Liquidity risk (continued)

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

	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 30 September 2019</b>					
Lease liabilities	55,583	53,022	45,987	154,592	143,593
Unsecured borrowings from a related company	210,000	—	—	210,000	210,000
Trade and other payables	194,133	—	—	194,133	194,133
	<b>459,716</b>	<b>53,022</b>	<b>45,987</b>	<b>558,725</b>	<b>547,726</b>

	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2019</b>					
Obligations under finance leases	7,631	4,591	1,121	13,343	12,360
Unsecured borrowings from a related company	200,000	—	—	200,000	200,000
Trade and other payables	183,322	—	—	183,322	183,322
	<b>390,953</b>	<b>4,591</b>	<b>1,121</b>	<b>396,665</b>	<b>395,682</b>

**6. Financial risk management (continued)**

**(b) Liquidity risk (continued)**

Unsecured borrowings from a related company with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis. As at 30 September 2019, unsecured borrowings from a related company of HK\$210,000,000 (31 March 2019: approximately HK\$200,000,000) 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 of the Company believe that it is not probable that the related company will exercise its discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowing 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\$210,000,000 (31 March 2019: HK\$200,000,000) and approximately HK\$6,257,000 (31 March 2019: HK\$800,000) respectively.

**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 of the Company and senior management of the Group.

The CODM have assessed the nature of the Group’s businesses and determined that the Group has two operating and reporting 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.

Segment gross profit represents the gross profit from each segment without allocation of other 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, current income tax recoverable, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

Upon application of HKFRS 16, the Group’s right-of-use assets is now included in the measure of segment assets at 30 September 2019. Comparative information is not restated.

**8. Segment Information (continued)**

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

(i) For the six months ended 30 September 2019

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue</b>			
Sales	372,774	156,723	529,497
Intersegment sales	(81)	(1,044)	(1,125)
Sales to external customers	372,693	155,679	528,372
Cost of sales	(274,814)	(123,457)	(398,271)
<b>Segment gross profit</b>	<b>97,879</b>	<b>32,222</b>	<b>130,101</b>
Unallocated expenses, net			(81,303)
Finance income			177
Finance costs			(9,331)
<b>Profit before tax</b>			<b>39,644</b>
Income tax expenses			(8,091)
<b>Profit for the period</b>			<b>31,553</b>

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Amounts included in the measure of segment profit:</b>				
Depreciation	25,134	12,686	2,739	40,559

**8. Segment Information (continued)**

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

(ii) For the six months ended 30 September 2018

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue</b>			
Sales	355,942	166,301	522,243
Intersegment sales	(490)	(381)	(871)
Sales to external customers	355,452	165,920	521,372
Cost of sales	(256,897)	(126,672)	(383,569)
<b>Segment gross profit</b>	<b>98,555</b>	<b>39,248</b>	<b>137,803</b>
Unallocated expenses, net			(84,071)
Finance income			119
Finance costs			(10,825)
<b>Profit before tax</b>			<b>43,026</b>
Income tax expenses			(10,871)
<b>Profit for the period</b>			<b>32,155</b>

**8. Segment Information (continued)**

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

(ii) For the six months ended 30 September 2018 (continued)

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Amounts included in the measure of segment profit:</b>				
Depreciation	10,057	7,989	2,720	20,766
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit:</b>				
Amortisation	230	—	—	230

**8. Segment Information (continued)****(b) The segment assets are as follows:****(i) As at 30 September 2019**

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment assets</b>	<b>440,833</b>	<b>254,651</b>	<b>695,484</b>
Reconciliation			
Corporate and other unallocated assets:			
Deferred income tax assets			1,501
Current income tax recoverable			253
Cash and cash equivalents			380,671
Other unallocated head office and corporate assets (Note)			14,691
<b>Total assets</b>			<b>1,092,600</b>

**(ii) As at 31 March 2019**

	Metal stamping HK\$'000 (Audited)	Metal lathing HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Segment assets</b>			
Reconciliation	297,518	254,961	552,479
Corporate and other unallocated assets:			
Deferred income tax assets			1,890
Current income tax recoverable			2,204
Cash and cash equivalents			357,171
Other unallocated head office and corporate assets (Note)			16,858
<b>Total assets</b>			<b>930,602</b>

Note: Other unallocated head office and corporate assets include certain property, plant and equipment and certain prepayments, deposits and other receivables which are managed on a group basis.



**8. Segment Information (continued)**

(c) Set out below is the disaggregation of the Group's revenue from contracts with customers:

(i) *Six months ended 30 September 2019*

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<i>Geographical region</i>			
The PRC	212,186	124,768	336,954
North America	65,505	16,712	82,217
Singapore	64,157	37	64,194
Europe	19,191	13,912	33,103
Japan	5,788	—	5,788
Others	5,866	250	6,116
Total	372,693	155,679	528,372

(ii) *Six months ended 30 September 2018*

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<i>Geographical region</i>			
The PRC	224,356	125,114	349,470
North America	69,257	22,823	92,080
Singapore	25,902	139	26,041
Europe	18,684	17,002	35,686
Japan	9,127	—	9,127
Others	8,126	842	8,968
Total	355,452	165,920	521,372

**8. Segment Information (continued)**

(d) The total of non-current assets, other than interest in an associated entity and deferred income tax assets, of the Group are as follows:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
The PRC	<b>291,835</b>	176,092
Hong Kong	<b>16,813</b>	14,358
	<b>308,648</b>	190,450

**9. Other gains, net**

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (Unaudited)</b>	2018 HK\$'000 (Unaudited)
Loss on disposal of property, plant and equipment	<b>(946)</b>	(429)
Reserval of impairment of property, plant and equipment	<b>217</b>	—
Net exchange gain, net	<b>16,556</b>	25,683
Government subsidies (Note)	<b>9,946</b>	429
Others	<b>2,148</b>	1,467
	<b>27,921</b>	27,150

Note: The amounts represented the government subsidies with no fulfilled conditions or contingencies and recognised as other gains upon receipts during the six months ended 30 September 2019 and 2018.

**10. Finance income and finance costs**

	<b>Six months ended 30 September</b>	
	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2018</b> <b>HK\$'000</b> <b>(Unaudited)</b>
<b>Finance income</b>		
Interest income on bank balances and deposits	<b>177</b>	119
<b>Finance costs</b>		
Interest expense on bank borrowings	—	828
Interest expense on unsecured borrowings from a related company	<b>5,644</b>	9,713
Interest expense on lease liabilities	<b>3,687</b>	—
Interest expense on obligations under finance leases	—	284
	<b>9,331</b>	10,825

**11. Profit before tax**

Profit before tax has been arrived at after charging/(crediting):

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (Unaudited)</b>	<b>2018 HK\$'000 (Unaudited)</b>
Cost of inventories sold	<b>397,978</b>	381,655
Write-down of inventories (included in cost of sales)	<b>293</b>	2,290
Reversals of inventories (included in cost of sales)	—	(376)
Depreciation of property, plant and equipment	<b>15,351</b>	20,766
Depreciation of right-of-use assets	<b>25,208</b>	—
Amortisation of leasehold land and land use rights	—	230
Minimum lease payment paid under operating lease rentals in respect of rented premises	—	13,642

**12. Income tax expenses**

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (Unaudited)</b>	<b>2018 HK\$'000 (Unaudited)</b>
Current income tax		
— Hong Kong	<b>1,210</b>	—
— The PRC	<b>6,150</b>	7,720
— Withholding tax	—	378
Adjustments in respect of		
— Over-provision in respect of prior years	<b>(1,001)</b>	(501)
	<b>6,359</b>	7,597
Deferred income tax (Note 23)	<b>1,732</b>	3,274
Total	<b>8,091</b>	10,871

**12. Income tax expenses (continued)**

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

Below are the major tax jurisdictions that the Group operates in for the six months ended 30 September 2019 and 2018.

**(a) Hong Kong profits tax**

For the six months ended 30 September 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. No tax is payable on the profit arising in Hong Kong for the six months ended 30 September 2018 since the Group did not have any assessable profits generated.

**(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 six months ended 30 September 2019 is provided at the rate of 25% (2018: 25%).

Certain PRC subsidiaries from metal lathing and metal stamping 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.

**12. Income tax expenses (continued)****(c) PRC dividend withholding tax**

According to the Law of the PRC EIT, starting from 1 January 2008, a PRC dividend withholding 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 six months ended 30 September 2019, a lower 5% (2018: 5%) PRC dividend withholding 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 in the year ended 31 March 2018.

**13. Earnings per share****Basic and diluted earnings per share**

	<b>Six months ended 30 September</b>	
	<b>2019 (Unaudited)</b>	2018 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<b>31,521</b>	31,578
Weighted average number of shares in issue ('000)	<b>600,000</b>	600,000
Basic and diluted earnings per share (HK cents per share)	<b>5.25</b>	5.26

Basic earnings per share for the six months ended 30 September 2019 and 2018 is calculated by dividing the profit attributable to owners of the Company by 600,000,000 ordinary shares in issue during the period.

Diluted earnings per share is same as basic earnings per share as the Company had no potentially dilutive ordinary share in issue during the six months ended 30 September 2019 and 2018.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 14. Dividend

No dividend was paid, declared or proposed during the six months ended 30 September 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

### 15. Property, plant and equipment

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
At 1 April	190,450	382,247
Additions	11,830	13,356
Disposals	(1,262)	(502)
Depreciation	(15,351)	(20,766)
Reversal of impairment loss	217	—
Non-current assets held for sale	—	(159,736)
Right-of-use assets (Note)	(20,568)	—
Exchange differences	(7,415)	(22,185)
At 30 September	157,901	192,414

Note: Upon adoption of HKFRS 16, on 1 April 2019, the carrying amount of the related assets under finance leases amounting to approximately HK\$19,799,000 and HK\$769,000 in respect of plant and machinery and motor vehicles, respectively was reclassified to right-of-use assets.

### 16. Right-of-use assets and lease liabilities

#### (i) Right-of-use assets

Upon adoption of HKFRS 16, on 1 April 2019, the Group recognised right-of-use assets of approximately HK\$153,813,000, HK\$19,799,000 and HK\$769,000 in respect of the leased properties, plant and equipment and motor vehicles respectively (note 3). As at 30 September 2019, the carrying amounts of right-of-use assets were approximately HK\$132,274,000, HK\$17,780,000 and HK\$693,000 in respect of the leased properties, plant and equipment and motor vehicles, respectively.

During the six months ended 30 September 2019, the Group entered into a number of lease agreements for office premises and factories. The leases contain minimum lease payment terms during the contract period. On lease commencement, the Group recognised right-of-use assets of approximately HK\$2,562,000.

**16. Right-of-use assets and lease liabilities (continued)**

**(ii) Lease liabilities**

Upon adoption of HKFRS 16, on 1 April 2019, the Group recognised lease liabilities of approximately HK\$166,173,000 (note 3). As at 30 September 2019, the carrying amount of lease liabilities was approximately HK\$143,593,000.

During the six months ended 30 September 2019, the Group entered into a number of new lease agreements for office premises and factories and recognised lease liabilities of approximately HK\$2,562,000.

**(iii) Amounts recognised in profit or loss**

	For the six months ended 30 September 2019 HK\$'000 (Unaudited)
Depreciation of right-of-use assets	<b>25,208</b>
Interest expense on lease liabilities	<b>3,687</b>
Expense relating to short-term leases	<b>5,975</b>

**(iv) Other**

At 30 September 2019, the Group is committed to approximately HK\$2,909,000 for short-term leases.



Notes to the Interim Condensed Consolidated Financial Information (Continued)

**17. Leasehold land and land use rights**

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
At 1 April	—	23,925
Amortisation	—	(230)
Classified as held for sales	—	(21,969)
Exchange differences	—	(1,726)
At 30 September	—	—

**18. Inventories**

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Raw materials	<b>31,067</b>	32,693
Work in progress	<b>16,509</b>	18,827
Finished goods	<b>45,169</b>	47,162
	<b>92,745</b>	98,682

During the six months ended 30 September 2018, a reversal of allowance for inventories of approximately HK\$376,000 has been recognised and included in cost of sales as the corresponding inventories were either sold or used. No reversal of allowance for inventories have been recognised during the six months ended 30 September 2019.

**19. Trade and bills receivables**

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Bills receivables (Note (a))	<b>2,886</b>	7,605
Trade receivables (Note (b))	<b>262,604</b>	229,688
	<b>265,490</b>	237,293

Notes:

- (a) The ageing analysis of bills receivables presented based on the issue date at the end of the reporting period is as follows:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Up to 3 months	<b>2,886</b>	7,605

- (b) The Group normally grants credit periods of 30 to 90 days (31 March 2019: 30 to 90 days). The following is an aged analysis of trade receivables based on the date of delivery, which approximates the respective revenue recognition dates, at the end of the reporting period:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Up to 3 months	<b>238,647</b>	197,058
3 to 6 months	<b>23,002</b>	29,983
6 months to 1 year	<b>760</b>	1,904
1 to 2 years	<b>195</b>	743
	<b>262,604</b>	229,688

**20. Prepayments, deposits and other receivables**

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Prepayments, deposits and other receivables	<b>36,963</b>	30,821
Amount due from a related company	—	5,422
Amount due from an associated entity	<b>432</b>	432
Amounts due from non-controlling shareholders	<b>4,062</b>	4,062
	<b>41,457</b>	40,737
Less: allowance for impairment losses	<b>(4,794)</b>	(4,794)
	<b>36,663</b>	35,943

**21. 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
<b>Authorised</b>				
At 30 September 2019 and 31 March 2019	4,500,000,000	450,000		
<b>Issued and fully paid</b>				
At 30 September 2019 and 31 March 2019	600,000,000	60,000	26,135	86,135

**22. Reserves**

	Capital reserve HK\$'000 (Note (a))	Statutory reserve HK\$'000 (Note (b))	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>At 1 April 2019 (Audited)</b>	<b>3,445</b>	<b>53,641</b>	<b>9,615</b>	<b>367,829</b>	<b>434,530</b>
Profit for the period	—	—	—	31,521	31,521
Exchange differences on translation of foreign operations	—	—	(24,232)	—	(24,232)
Transfer of retained profits to statutory reserve	—	3,078	—	(3,078)	—
<b>At 30 September 2019 (Unaudited)</b>	<b>3,445</b>	<b>56,719</b>	<b>(14,617)</b>	<b>396,272</b>	<b>441,819</b>
	Capital reserve HK\$'000 (Note (a))	Statutory reserve HK\$'000 (Note (b))	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>At 1 April 2018 (Audited)</b>	<b>3,445</b>	<b>46,321</b>	<b>37,721</b>	<b>325,491</b>	<b>412,978</b>
Profit for the period	—	—	—	31,578	31,578
Exchange differences on translation of foreign operations	—	—	(45,398)	—	(45,398)
Transfer of retained profits to statutory reserve	—	4,539	—	(4,539)	—
<b>At 30 September 2018 (Unaudited)</b>	<b>3,445</b>	<b>50,860</b>	<b>(7,677)</b>	<b>352,530</b>	<b>399,158</b>

## 22. Reserves (continued)

Notes:

- (a) During the year ended 31 March 2012, as part of the re-organisation, KFM Group Limited (“**KFM-BVI**”) acquired the entire equity interest in Kingdom Fine Metal Limited (“**KFM-HK**”) on 11 October 2011 and KFM-HK acquired 49% equity interest and 10% equity interest in Kingdom (Reliance) Precision Parts Manufactory Limited (“**KRP-HK**”) and Kingdom Precision Product Limited (“**KPP-HK**”) on 29 November 2011 and 29 December 2011 respectively, by allotting shares of KFM-BVI to each of the respective companies’ then shareholders and gains 100% control of the companies. The subscription of new shares of KFM-BVI was accounted for by the Group using merger method and approximately HK\$3,545,000 was recognised in capital reserve which mainly represented equity interest of 100%, 49% and 10% in 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 a 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.

**23. Deferred income tax**

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

	<b>Six months ended 30 September</b>	
	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 HK\$'000 (Unaudited)
Deferred income tax assets	<b>1,501</b>	2,158
Deferred income tax liabilities	<b>(8,710)</b>	(7,837)
	<b>(7,209)</b>	(5,679)

The movements in deferred income tax assets and liabilities during the six months ended 30 September 2019 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdictions, are as follows:

Deferred income tax assets:

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>		2018 HK\$'000 (Unaudited)
	At 1 April	<b>1,890</b>	8,388
Charged to profit or loss (Note 12)	<b>(349)</b>	(211)	
Exchange differences	<b>(40)</b>	(134)	
Classified as held for sale	—	(2,000)	
At 30 September	<b>1,501</b>	6,043	

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 23. Deferred income tax (continued)

Deferred income tax liabilities:

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
At 1 April	<b>(7,327)</b>	(8,659)
Charged to profit or loss (Note 12)	<b>(1,383)</b>	(3,063)
At 30 September	<b>(8,710)</b>	(11,722)
	<b>(7,209)</b>	(5,679)

As at 30 September 2019, no deferred tax assets (2018: HK\$3,885,000) have been presented as an offset to deferred tax liabilities of the same taxable entity in the interim condensed consolidated financial information.

### 24. Trade and other payables

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables (Note)		
— third parties	<b>121,522</b>	112,039
— related companies	<b>142</b>	290
	<b>121,664</b>	112,329
Accruals and other payables	<b>72,469</b>	70,993
	<b>194,133</b>	183,322

**24. Trade and other payables (continued)**

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

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Up to 3 months	<b>115,744</b>	107,317
3 to 6 months	<b>5,353</b>	4,440
6 months to 1 year	<b>247</b>	213
1 to 2 years	<b>320</b>	359
	<b>121,664</b>	112,329

The average credit period on purchase of goods is from 30 to 90 days (31 March 2019: 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

**25. Obligations under finance leases**

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Analysed for reporting purpose as:		
Current liabilities	—	7,127
Non-current liabilities	—	5,233
	—	12,360

The Group leases its plant and equipment and motor vehicle for its metal lathing business. The amount of obligations under finance leases has been reclassified to lease liabilities as at 1 April 2019 as adoption of HKFRS 16 (note 3).



Notes to the Interim Condensed Consolidated Financial Information (Continued)

**25. Obligations under finance leases (continued)**

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	
	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
	<b>Amounts payable under finance leases:</b>			
Within 1 year	—	7,631	—	7,127
After 1 year but within 2 years	—	4,591	—	4,206
After 2 years but within 5 years	—	1,121	—	1,027
Less: future finance charges	—	13,343 (983)	—	12,360 N/A
Present value of lease obligations	—	12,360	—	12,360
Less: amounts due for settlement within 1 year shown under current liabilities			—	(7,127)
Amounts due for settlement after 1 year			—	5,233

Obligations under finance leases at 31 March 2019 borne interest at fixed interest rates ranging from 2.75% to 3.50% per annum. The average lease term is two years.

**26. Unsecured borrowings from a related company**

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Due for repayment within 1 year which contains a repayment on demand clause	<b>210,000</b>	200,000

During the six months ended 30 September 2019, unsecured borrowings of HK\$210,000,000 (31 March 2019: HK\$200,000,000) were advanced from KIG, a company in which a director of the Company, namely Mr. Wong Chi Kwok ("**Mr. Wong**"), (31 March 2019: two directors of the Company, Mr. Sun Kwok Wah, Peter ("**Mr. Sun**") and Mr. Wong) has beneficial interests in, of which HK\$210,000,000 (31 March 2019: HK\$200,000,000) contain a repayment on demand clause.

The interest rate of the unsecured borrowings from a related company is at prime rate which 5.38% per annum (31 March 2019: 5.25% to 5.38% per annum).

During the six months ended 30 September 2019, Mr. Sun disposed of his entire beneficial interests in KIG to his close family member and on 6 May 2019, he resigned as the sole director of KIG.

**27. Capital commitments**

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Contracted but not provided for		
— Plant and machinery	<b>1,549</b>	1,732
— Capital investment	<b>5,270</b>	5,270
	<b>6,819</b>	7,002

## 28. Significant related party transactions

### (a) Name and relationship with related parties

Name	Relationship
KIG	A related company in which Mr. Sun and Mr. Wong, the executive director of the Company, have beneficial interests (Note)
KIG Real Estate Holdings Limited (" <b>KREH</b> ")	A related company in which Mr. Sun and Mr. Wong, the executive directors of the Company, have beneficial interests
Innotech Advance Products Limited (" <b>Innotech</b> ")	A subsidiary of Gold Joy (HK) Industrial Limited which is owned by a connected party of Mr. Sun
Dongguan Tech-in Technical Electrical and Mechanical Products Limited (" <b>Dongguan Tech-in</b> ")	A subsidiary of Innotech
Golden Express Capital Investment Limited (" <b>GECI</b> ")	A subsidiary of KREH
Kingdom Precision Science and Technology (Suzhou) Company Limited (" <b>KPST Suzhou</b> ")* (金德精密科技(蘇州)有限公司)	A subsidiary of KREH
深圳市固泰科自動化裝備有限公司 (" <b>固泰科</b> ")	An associated entity in which Mr. Sun is a director

\* The English name is for identification purpose only

*Note:*

On 1 May 2019, Mr. Sun disposed of his entire beneficial interests in KIG to his close family member and on 6 May 2019, he resigned as the sole director of KIG.

**28. Significant related party transactions (continued)****(b) Material related parties transactions**

During the six months ended 30 September 2019 and 2018, the Group had the following material transactions with related parties, which were entered into at terms mutually agreed.

	<b>Six months ended 30 September</b>	
	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2018</b> <b>HK\$'000</b> <b>(Unaudited)</b>
<b>Purchase of products from related parties</b>		
— Innotech	—	241
— Dongguan Tech-in	<b>417</b>	1,030
	<b>417</b>	1,271
<b>Finance costs — interest expense on unsecured borrowings from a related company</b>		
— KIG	<b>5,644</b>	9,713
<b>Finance costs — interest expense on lease liabilities</b>		
— KPST Suzhou	<b>872</b>	—
— GECl	<b>116</b>	—
<b>Lease payments</b>		
— KPST Suzhou	<b>8,293</b>	—
— GECl	<b>1,025</b>	—

**28. Significant related party transactions (continued)****(c) Balances with related companies**

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
<b>Amount due from a related company</b>		
KPST Suzhou	—	5,422
<b>Amount due from an associated entity</b>		
固泰科	432	432
<b>Amounts due from non-controlling shareholders</b>	<b>4,062</b>	4,062
	<b>4,494</b>	9,916
Less: Provision for impairment	<b>(4,494)</b>	(4,494)
	—	5,422
<b>Trade payables to related companies</b>		
Dongguan Tech-in	<b>(142)</b>	(290)
<b>Lease liabilities</b>		
KPST Suzhou	<b>(33,843)</b>	—
GECI	<b>(4,054)</b>	—
<b>Unsecured borrowings from a related company</b>		
KIG	<b>(210,000)</b>	(200,000)

**(d) Key management compensation**

Key management personnel includes directors and senior managements of the Company. The compensation paid or payable to key management personnel amounted to approximately HK\$4,199,000 for the six months ended 30 September 2019 (30 September 2018: approximately HK\$3,744,000).

**29. Comparative figures**

Rental deposits with amount of approximately HK\$6,969,000 as at 31 March 2019 included in prepayments, deposits and other receivables has been reclassified to non-current assets to conform with current period's presentation.