

# KFM KINGDOM

KFM KINGDOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKEx Stock Code: 3816)

INTERIM REPORT **2020**

*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

881 South Jinshan Road, Gaoxin District, Suzhou  
Jiangsu Province, 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**

SUNTERA (CAYMAN) LIMITED  
(effect from 4 September 2020)  
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 2020 (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 2019.

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 24 November 2020.

### Business Review

During the Reporting Period, the trade disputes between the People’s Republic of China (“**PRC**”) and the United States of America (the “**US**”) and the outbreak of COVID-19 continuously affected the business environment of the Group and created significant uncertainties on the global economy. Further to the global pandemic and 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. As such, the Group continued the efforts in broadening its customer base and streamlining the operation for a stringent cost control.

During the Reporting Period, the Group recorded revenue amounted to approximately HK\$346.4 million for the Reporting Period, with a decrease by approximately HK\$182.0 million or 34.4% as compared to a revenue amounted to approximately HK\$528.4 million during the corresponding period last year. The decrease is mainly due to the Group disposed (the “**Disposal**”) of a loss making business unit in its metal stamping segment, namely KFM Group Limited and its subsidiaries (collectively the “**Disposed Group**”), which was completed on 13 March 2020.

For the Reporting Period, net profit of the Company amounted to approximately HK\$22.0 million, while there was net profit of the Company amounted to approximately HK\$31.6 million for the corresponding period last year. For the purpose of comparison, had the results of the Group for the six months ended 30 September 2019 been carved out with that of the Disposed Group which recorded a profit after taxation and extraordinary items of approximately HK\$9.2 million during the period, the financial performance of the Group for the six months ended 30 September 2020 was in effect at a similar level as compared with the same of the corresponding period in 2019.

During the Reporting Period, revenue generated from the Group's metal stamping segment was approximately HK\$184.4 million with a decrease by approximately HK\$188.3 million or 50.5% as compared to that of the corresponding period last year. Apart from reduction in revenue due to the Disposal, the metal stamping segment continued to be affected by the weakening demand from its customers engaged in office automation industry and finance equipment industry. However, the Group sought to increase revenue derived from customers engaged in network and data storage industry and medical and testing equipment industry during the Reporting Period.

Regarding the metal lathing segment, the Group recorded revenue of approximately HK\$161.9 million during the Reporting Period. As compared to the revenue of approximately HK\$155.7 million in the corresponding period last year, revenue derived from the metal lathing segment increased by approximately HK\$6.2 million or 4.0%. The increase was mainly attributable to stronger sales to customers who engaged in medical and testing equipment industry during the Reporting Period.

Due to the changes in product mix, the overall gross profit margin of the Group decreased from approximately 24.6% in the corresponding period last year to approximately 24.2% in the Reporting Period. Also as a result of the Disposal, the total gross profit of the Group decreased by approximately HK\$46.4 million from approximately HK\$130.1 million during the corresponding period last year to approximately HK\$83.7 million during the Reporting Period.

As such, the Group recorded a net profit of approximately HK\$22.0 million during the Reporting Period, as compared with a net profit of approximately HK\$31.6 million during the corresponding period last year.

## Review of Interim Results (Continued)

### Financial Review

#### Revenue

For the six months ended 30 September 2020, revenue of the Group was approximately HK\$346.4 million, representing a decrease of approximately HK\$182.0 million or 34.4% from approximately HK\$528.4 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			
	2020		2019	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Metal stamping	184,442	53.2	372,693	70.5
Metal lathing	161,947	46.8	155,679	29.5
	<b>346,389</b>	<b>100.0</b>	528,372	100.0

Revenue derived from the metal stamping segment decreased by approximately HK\$188.3 million or 50.5% from approximately HK\$372.7 million for the six months ended 30 September 2019 to approximately HK\$184.4 million for the Reporting Period, mainly due to the Disposal. For the performance of the remaining operation of the metal stamping segment, the Group experienced an increase in number of orders from customers who engaged in network and data storage industry and medical and testing equipment industry, despite the decrease in demand from the customers who engaged in office automation industry and finance equipment industry during the Reporting Period.

Revenue derived from the metal lathing segment increased by approximately HK\$6.2 million or 4.0% from approximately HK\$155.7 million for the six months ended 30 September 2019 to approximately HK\$161.9 million for the Reporting Period. The increase was mainly attributed to stronger sales to customers who engaged in medical and testing equipment industry.

Geographically, the PRC, North America, Europe and Singapore continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 74.1%, 12.1%, 10.1% and 1.6% 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 7(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 10 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:

	<b>Six months ended 30 September</b>			
	<b>2020</b>		<b>2019</b>	
	<b>HK\$'000</b>	<b>%</b>	<b>HK\$'000</b>	<b>%</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Direct material	<b>157,572</b>	<b>60.0</b>	226,421	56.9
Direct labour	<b>51,666</b>	<b>19.7</b>	76,723	19.3
Processing fee	<b>33,358</b>	<b>12.7</b>	50,989	12.8
Other direct overheads	<b>20,081</b>	<b>7.6</b>	44,138	11.0
	<b>262,677</b>	<b>100.0</b>	398,271	100.0

During the Reporting Period, cost of sales of the Group decreased by approximately HK\$135.6 million or 34.0% as compared to the same of the corresponding period last year. The decrease was primarily due to the Disposal. After taken out the Disposal Group, due to the increase in, mainly, raw material cost and direct labour cost, the percentage of cost of sales to the total revenue during the Reporting Period was approximately 75.8%, representing an increase of approximately 0.4%, as compared to approximately 75.4% 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 24.2%, with a decrease by approximately 0.4% as compared to approximately 24.6% in the corresponding period last year. The overall gross profit margin remained stable as compared to the same period last year.



## Review of Interim Results (Continued)

In respect of the Group's metal stamping segment, gross profit margin decreased from approximately 26.3% for the six months ended 30 September 2019 to approximately 18.5% during the Reporting Period. Such decrease was mainly the result of the Disposal and higher production costs during the Reporting Period.

In respect of the Group's metal lathing segment, gross profit margin increased from approximately 20.7% for the six months ended 30 September 2019 to approximately 30.6% during the Reporting Period. Such increase was mainly due to the change of product mix to higher revenue derived from the sale of more profitable new products as the lathing segment expanded its product portfolio and launched new products during the Reporting Period.

For details of the gross profit of the Group's two segments, please refer to Note 7(a) to this interim condensed consolidated financial information.

### **Other (losses)/gains, net**

During the Reporting Period, the Group recorded other losses, net which amounted to approximately HK\$2.3 million. In the corresponding period last year, the Group recorded other gains, net of approximately HK\$27.9 million. The Group recorded a net exchange loss upon RMB appreciation and a lower amount of government subsidies during the Reporting Period, as compared to a net exchange gain and a higher amount of government subsidies during the corresponding period last year.

### **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 decreased by approximately HK\$7.1 million from HK\$11.6 million to HK\$4.5 million for the six months ended 30 September 2019 and 2020, respectively, as a result of the Disposal.

### **General and administrative expenses**

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

The general and administrative expenses of the Group decreased from approximately HK\$97.6 million for the six months ended 30 September 2019 to approximately HK\$48.8 million for the Reporting Period. The decrease was mainly due to the Disposal.

### **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\$5.5 million, as compared to approximately HK\$9.3 million for the corresponding period last year. The decrease in finance costs was mainly due to a decrease in average balances of unsecured borrowings from a related company and lease liabilities as compared to corresponding period last year, which was due to the reduction of unsecured borrowings from a related company and lease liabilities as a result of the Disposal.

### **Income tax expenses**

The Group's income tax expenses amounted to approximately HK\$4.2 million for the Reporting Period, while the Group's income tax expenses for the six months ended 30 September 2019 amounted to approximately HK\$8.1 million. The decrease was mainly attributable to the decrease in taxable profit during the Reporting Period.

During the Reporting Period, the Group's effective tax rate was approximately 16.0%, while the same for the corresponding period last year was approximately 20.4%. The decrease was mainly due to more non-taxable income and decrease in income tax expenses of a subsidiary in China with higher tax rate 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\$21.7 million, while there was profit attributable to owners of the Company amounted to approximately HK\$31.5 million for the corresponding period last year. For the purpose of comparison, had the results of the Group for the six months ended 30 September 2019 been carved out with that of the Disposed Group which recorded a profit after taxation and extraordinary items of approximately HK\$9.2 million during the period, the financial performance of the Group for the six months ended 30 September 2020 was in effect at a similar level as compared with the same of the corresponding period in 2019.

## Review of Interim Results (Continued)

### 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 2020 and 31 March 2020, the Group's total current assets amounted to approximately HK\$666.6 million and HK\$647.0 million respectively, which represented approximately 78.1% and 78.4% of the Group's total assets as at 30 September 2020 and 31 March 2020, respectively.

#### Capital structure

The Group's capital structure is summarised as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Unsecured borrowings from a related company	166,000	166,000
Total debts	166,000	166,000
Shareholders' equity	541,169	512,109
Gearing ratio		
– Total debts to shareholders' equity ratio <sup>#</sup>	30.7%	32.4%

<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.

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 2020 are set out in Note 24 to this interim condensed consolidated financial information.

As at 30 September 2020, 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 plant and equipment of approximately HK\$17.4 million, as compared to the six months ended 30 September 2019 of approximately HK\$11.8 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 2020 and 31 March 2020, 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 2020 are set out in Note 25 to this interim condensed consolidated financial information.

### **Contingent liabilities**

As at 30 September 2020, the Group had no material contingent liabilities.

## Review of Interim Results (Continued)

### Outlook and Strategy

The tension between China-US on trade disputes and coronavirus pandemic will likely subsist for a period of time. Major economies have signalled a deteriorating situation suffering with dampening market sentiments, striking rise in unemployment, possibly lasting retaliations from the tension. Meanwhile, the difficulties faced by manufacturing industries in the PRC are expected to subsist as well. 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. The stamping segment business of the Group, suffered with thin profit margins and bigger asset scale of operation, is particularly vulnerable to the adverse threats and challenges beyond the control of a manufacturer in the PRC.

Looking forward, with the newly elected administration of the US starting 2021, there is a possibility of easing the tension between China-US. Meanwhile there are multiple advancements in the development of new vaccines for COVID-19, of which may become available to the public next year. The Group will be in a better position to catch the economic rebound and business opportunities in which it will make use of its resources for investment with a view to having a higher return on the assets and in compliance with the prudence investment policy of the Group. As mentioned in the section headed Subsequent Event, the Group will invest in the metal lathing segment (i.e. expanding the production base thereof) when the leasing of the Factory begins next year. Despite the uncertainties ahead, the Group will continue to closely assess and monitor the challenges and take appropriate actions to mitigate those impacts, as necessary. The Group has been striving to develop more new customers in the region to broaden its customer base with some success. The Group will also put more efforts in maintaining good relationships with existing customers and in enhancing the overall operational efficiency. Last but not least, the Group will continuously look for new long term and sustainable business opportunities to enhance the Group's performance, with the aim to creating better value for customers, shareholders and investors.

### Employees and Remuneration Policy

As at 30 September 2020, the Group had a total number of 1,338 full-time employees (As at 30 September 2019: 2,096). 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. 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. 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.

In addition, the Directors plan to relocate from the Xili Leased Properties to mitigate the potential risk regarding the legality and ownership title of the Xili Leased Properties (the “**Long Term Relocation Plan**”). During 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 was entered into by both parties on 27 October 2020 as disclosed in the announcements (“**Announcements**”) of the Company dated 27 October 2020, 3 November 2020, 17 November 2020 and 23 November 2020 in respect of the leasing of the factory premises for a term of six years from the commencement date of leasing, which is tentatively from 1 March 2021 to 28 February 2027, dependent on the construction completion date of the factory premises. For further details of such leasing arrangement, please refer to the circular of the Company dated 27 November 2020.

### 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.

## Review of Interim Results (Continued)

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 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 2020, 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 2020, 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.



## Review of Interim Results (*Continued*)

### 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 2020.

### 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 2020.

### Interim Dividend

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2020.

### Subsequent Event

Reference is made to the Announcements. Capitalised terms used herein the section below shall have the same meanings as those defined in the Announcements. On 27 October 2020, Reliance Technology, an indirect wholly-owned subsidiary of the Company (as tenant) and the Landlord (as landlord) entered into the Tenancy Agreement in respect of the leasing of the Factory for a term of six years from the commencement date of leasing, which is tentatively from 1 March 2021 to 28 February 2027. The Factory is currently in the course of construction by the Landlord. Pursuant to HKFRS 16, the entering into of the Tenancy Agreement by Reliance Technology will require the Group to recognise the Factory as right-of-use assets on its consolidated statement of financial position. Therefore, the entering into of the Tenancy Agreement will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use asset recognised by the Company under the Tenancy Agreement amounted to approximately RMB47.6 million (equivalent to approximately HK\$53.8 million). The commencement date of leasing under the Tenancy Agreement is dependent on the construction completion date of the Factory.

Save as disclosed above, 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 2020 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 2020, 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 2020.

By order of the Board

**Zhang Haifeng**

*Chairman*

Hong Kong, 24 November 2020

# 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 20 to 56, which comprise the interim condensed consolidated statement of financial position as at 30 September 2020 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*

### **Lau Kai Wong**

Practising Certificate Number: P06623

Hong Kong

24 November 2020

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

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Revenue</b>	6	<b>346,389</b>	528,372
Cost of sales		<b>(262,677)</b>	(398,271)
<b>Gross profit</b>		<b>83,712</b>	130,101
Other (losses)/gains, net	8	<b>(2,288)</b>	27,921
Distribution and selling expenses		<b>(4,477)</b>	(11,636)
General and administrative expenses		<b>(48,765)</b>	(97,588)
Finance income	9	<b>3,495</b>	177
Finance costs	9	<b>(5,482)</b>	(9,331)
<b>Profit before tax</b>	10	<b>26,195</b>	39,644
Income tax expenses	11	<b>(4,204)</b>	(8,091)
<b>Profit for the period</b>		<b>21,991</b>	31,553
<b>Other comprehensive income/(expense) for the period:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		<b>7,069</b>	(24,232)
<b>Total comprehensive income for the period</b>		<b>29,060</b>	7,321
<b>Profit for the period attributable to:</b>			
– Owners of the Company		<b>21,748</b>	31,521
– Non-controlling interests		<b>243</b>	32
		<b>21,991</b>	31,553
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		<b>28,817</b>	7,289
– Non-controlling interests		<b>243</b>	32
		<b>29,060</b>	7,321
<b>Earnings per share</b>			
– Basic and diluted (HK cents)	12	<b>3.62</b>	5.25

# Interim Condensed Consolidated Statement of Financial Position

At 30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	14	139,351	132,010
Right-of-use assets	15	32,551	42,364
Prepayments and deposits	18	13,902	3,255
Deferred income tax assets	22	632	667
<b>Total non-current assets</b>		<b>186,436</b>	178,296
<b>Current assets</b>			
Inventories	16	71,534	64,642
Trade and bills receivables	17	174,327	165,780
Prepayments, deposits and other receivables	18	16,930	29,408
Current income tax recoverable		–	829
Restricted bank deposits	19	1,474	–
Cash and cash equivalents	19	402,289	386,354
<b>Total current assets</b>		<b>666,554</b>	647,013
<b>Total assets</b>		<b>852,990</b>	825,309
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	20	60,000	60,000
Share premium	20	26,135	26,135
Reserves	21	451,152	422,335
<b>Capital and reserves attributable to owners of the Company</b>		<b>537,287</b>	508,470
Non-controlling interests		3,882	3,639
<b>Total equity</b>		<b>541,169</b>	512,109

## Interim Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	15	5,356	18,362
Deferred income tax liabilities	22	1,913	879
<b>Total non-current liabilities</b>		<b>7,269</b>	19,241
<b>Current liabilities</b>			
Trade and other payables	23	100,467	94,871
Lease liabilities	15	33,175	29,727
Unsecured borrowings from a related company	24	166,000	166,000
Current income tax liabilities		4,910	3,361
<b>Total current liabilities</b>		<b>304,552</b>	293,959
<b>Total liabilities</b>		<b>311,821</b>	313,200
<b>Total equity and liabilities</b>		<b>852,990</b>	825,309
<b>Net current assets</b>		<b>362,002</b>	353,054
<b>Total assets less current liabilities</b>		<b>548,438</b>	531,350

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Attributable to owners of the Company								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	Non-controlling interests HK\$'000	
<b>Balance at 1 April 2020 (audited)</b>	60,000	26,135	2,358	47,256	(3,224)	375,945	508,470	3,639	512,109
Profit for the period	-	-	-	-	-	21,748	21,748	243	21,991
<b>Other comprehensive income for the period:</b>									
Exchange differences on translation of foreign operations	-	-	-	-	7,069	-	7,069	-	7,069
<b>Total comprehensive income for the period</b>	-	-	-	-	7,069	21,748	28,817	243	29,060
Transfer of retained profits to statutory reserve	-	-	-	2,996	-	(2,996)	-	-	-
<b>Balance at 30 September 2020 (unaudited)</b>	60,000	26,135	2,358	50,252	3,845	394,697	537,287	3,882	541,169

For the six months ended 30 September 2019

	Attributable to owners of the Company								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	Non-controlling interests 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



## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Net cash generated from operations	53,054	49,643
Income tax paid, net	(745)	(3,046)
Net cash from operating activities	52,309	46,597
<b>Cash flows from investing activities</b>		
Interest received	3,305	177
Repayment from a related company	4,000	5,284
Placement of restricted bank deposits	(1,448)	–
Proceeds from disposal of plant and equipment	36	316
Prepayments for acquisition of plant and equipment	(10,466)	–
Purchase of plant and equipment	(17,416)	(11,830)
Net cash used in investing activities	(21,989)	(6,053)
<b>Cash flows from financing activities</b>		
New unsecured borrowings from a related company	–	10,000
Payment of lease liabilities	(13,610)	(28,679)
Receipts of government subsidies	3,326	9,946
Interest paid	(5,482)	(4,569)
Net cash used in financing activities	(15,766)	(13,302)
<b>Net increase in cash and cash equivalents</b>	14,554	27,242
Cash and cash equivalents at 1 April	386,354	357,171
Net currency translation differences	1,381	(3,742)
<b>Cash and cash equivalents at 30 September</b>	402,289	380,671

# 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 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 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 immediate holding company and controlling shareholder of the Company is Massive Force Limited (“**Massive Force**”), 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.

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 24 November 2020.

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 2020 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Main Board Listing 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 2020, 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 2020, except as described below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current interim period has had no material effect 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.

#### **Amendments to HKFRS 3, Definition of a Business**

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 April 2020. These amendments had no impact on the interim condensed consolidated financial information of the Group, but may impact future periods should the Group enter into any business combinations.

### 3. **Principal Accounting Policies (Continued)**

#### **Amendments to HKAS 1 and HKAS 8, *Definition of Material***

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

### 4. **Estimates**

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s annual financial statements for the year ended 31 March 2020 as described in those consolidated financial statements.

### 5. **Financial risk management**

#### **(a) Financial risk factors**

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2020.

There have been no changes in the risk management policies of the Group since 31 March 2020.

**5. 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 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.

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

### 5. 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 2020</b>					
Unsecured borrowings from a related company	166,000	–	–	166,000	166,000
Trade and other payables	100,467	–	–	100,467	100,467
	<b>266,467</b>	<b>–</b>	<b>–</b>	<b>266,467</b>	<b>266,467</b>
Lease liabilities	34,382	4,603	854	39,839	38,531

	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 2020</b>					
Unsecured borrowings from a related company	166,000	–	–	166,000	166,000
Trade and other payables	94,871	–	–	94,871	94,871
	<b>260,871</b>	<b>–</b>	<b>–</b>	<b>260,871</b>	<b>260,871</b>
Lease liabilities	31,500	16,919	1,879	50,298	48,089

**5. 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 2020, unsecured borrowings from a related company of HK\$166,000,000 (31 March 2020: HK\$166,000,000) 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. 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. 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\$166,000,000 (31 March 2020: HK\$166,000,000) and approximately HK\$5,142,000 (31 March 2020: HK\$781,000) respectively.

**6. Revenue**

Revenue represents sales of precision metal products to external parties.

## 7. 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 (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 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.



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

### 7. 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 2020

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue</b>			
Sales	184,460	161,947	346,407
Intersegment sales	(18)	–	(18)
Sales to external customers	184,442	161,947	346,389
Cost of sales	(150,263)	(112,414)	(262,677)
<b>Segment gross profit</b>	<b>34,179</b>	<b>49,533</b>	<b>83,712</b>
Unallocated expenses, net			(55,530)
Finance income			3,495
Finance costs			(5,482)
<b>Profit before tax</b>			<b>26,195</b>
Income tax expenses			(4,204)
<b>Profit for the period</b>			<b>21,991</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	12,416	12,656	1,095	26,167

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

### 7. 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 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

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

### 7. Segment Information (Continued)

(b) The segment assets are as follows:

(i) As at 30 September 2020

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment assets</b>	<b>188,175</b>	<b>247,795</b>	<b>435,970</b>
Reconciliation			
Corporate and other unallocated assets:			
Deferred income tax assets			<b>632</b>
Restricted bank deposits			<b>1,474</b>
Cash and cash equivalents			<b>402,289</b>
Other unallocated head office and corporate assets (Note)			<b>12,625</b>
<b>Total assets</b>			<b>852,990</b>

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

### 7. Segment Information (Continued)

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

#### (ii) As at 31 March 2020

	Metal stamping HK\$'000 (Audited)	Metal lathing HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Segment assets</b>	174,465	245,801	420,266
Reconciliation			
Corporate and other unallocated assets:			
Deferred income tax assets			667
Current income tax recoverable			829
Cash and cash equivalents			386,354
Other unallocated head office and corporate assets (Note)			17,193
<b>Total assets</b>			825,309

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

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

### 7. 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 2020

	Metal stamping HK\$'000 (Unaudited)	Metal lathing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Geographical region			
The PRC	131,257	125,379	256,636
North America	29,476	12,556	42,032
Europe	11,126	23,832	34,958
Singapore	5,534	3	5,537
Japan	9	–	9
Others	7,040	177	7,217
<b>Total</b>	<b>184,442</b>	<b>161,947</b>	<b>346,389</b>

#### (ii) Six months ended 30 September 2019

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

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

### 7. Segment Information (Continued)

- (d) The total of non-current assets, other than deposits and deferred income tax assets, of the Group are as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
The PRC	177,124	167,420
Hong Kong	5,244	6,954
	<b>182,368</b>	174,374

### 8. Other (losses)/gains, net

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss on disposal of plant and equipment	(118)	(946)
Reversal of impairment of plant and equipment	–	217
Exchange (losses)/gains, net	(5,616)	16,556
Government subsidies (Note)	3,326	9,946
Others	120	2,148
	<b>(2,288)</b>	27,921

Note: The amounts represented the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the six months ended 30 September 2020 and 2019.

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

### 9. Finance income and finance costs

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Finance income</b>		
Interest income on bank balances and deposits	3,305	177
Interest income on amount due from a related company	190	–
	<b>3,495</b>	177
<b>Finance costs</b>		
Interest expense on unsecured borrowings from a related company	4,358	5,644
Interest expense on lease liabilities	1,124	3,687
	<b>5,482</b>	9,331

### 10. Profit before tax

Profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of inventories sold	262,677	397,978
Write-down of inventories (included in cost of sales)	–	293
Depreciation of plant and equipment	12,361	15,351
Depreciation of right-of-use assets	13,806	25,208

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

**11. Income tax expenses**

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax		
– Hong Kong	–	1,210
– The PRC	<b>3,042</b>	6,150
Adjustments in respect of		
– Under-provision/(over-provision) in respect of prior years	<b>81</b>	(1,001)
	<b>3,123</b>	6,359
Deferred income tax (Note 22)	<b>1,081</b>	1,732
Total	<b>4,204</b>	8,091



## 11. 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 jurisdictions in which the entities operate.

Below are the major tax jurisdictions that the Group operates in for the six months ended 30 September 2020 and 2019.

### (a) Hong Kong Profits Tax

For the six months ended 30 September 2020 and 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% (2019: 16.5%).

### (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 2020 is provided at the rate of 25% (2019: 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 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 2020, a lower 5% (2019: 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.

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

### 12. Earnings per share

#### Basic and diluted earnings per share

	Six months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<b>21,748</b>	31,521
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>3.62</b>	5.25

Basic earnings per share for the six months ended 30 September 2020 and 2019 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 2020 and 2019.

### 13. Dividend

No dividend was paid, declared or proposed during the six months ended 30 September 2020, nor has any dividend been proposed since the end of the reporting period (six months ended 30 September 2019: nil).

## 14. Plant and equipment

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
At 1 April	132,010	190,450
Additions	17,416	11,830
Disposals	(154)	(1,262)
Depreciation	(12,361)	(15,351)
Reversal of impairment loss	–	217
Right-of-use assets (Note)	–	(20,568)
Exchange differences	2,440	(7,415)
At 30 September	139,351	157,901

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.

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

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

As at 30 September 2020, the Group has lease arrangements for office premises and factories and motor vehicles of approximately HK\$32,014,000 and HK\$537,000 (31 March 2020: HK\$41,750,000 and HK\$614,000), respectively. The lease terms are generally ranged from two to three years.

The depreciation of the Group for the six months ended 30 September 2020 is approximately HK\$13,806,000 (six months ended 30 September 2019: HK\$25,208,000).

During the six months ended 30 September 2020, 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\$3,508,000.

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

### 15. Right-of-use assets and lease liabilities (Continued)

#### (ii) Lease liabilities

As at 30 September 2020, the carrying amount of lease liabilities was approximately HK\$38,531,000 (31 March 2020: HK\$48,089,000).

During the six months ended 30 September 2020, the Group entered into a number of new lease agreements for office premises and factories and recognised lease liabilities of approximately HK\$3,508,000.

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Depreciation of right-of-use assets	13,806	25,208
Interest expense on lease liabilities	1,124	3,687
Expense relating to short-term leases	252	230

#### (iv) Other

At 30 September 2020, there is no committed short-term leases (2019: HK\$114,000).

### 16. Inventories

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Raw materials	22,777	27,752
Work in progress	10,654	16,823
Finished goods	38,103	20,067
	71,534	64,642

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

### 17. Trade and bills receivables

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Bills receivables (Note (a))	2,436	8,159
Trade receivables (Note (b))		
– third parties	171,840	157,510
– a related company	51	111
	<b>171,891</b>	157,621
	<b>174,327</b>	165,780

Notes:

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Up to 3 months	2,436	8,159

- (b) The Group normally grants credit periods of 30 to 90 days (31 March 2020: 30 to 90 days). The following is an ageing analysis of trade receivables presented based on the date of delivery, which approximates the respective revenue recognition dates, at the end of the reporting period:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Up to 3 months	148,538	127,321
3 to 6 months	20,935	28,053
6 months to 1 year	1,547	2,215
1 to 2 years	871	32
	<b>171,891</b>	157,621

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

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
<b>Non-current asset</b>		
Prepayments and deposits	<b>13,902</b>	3,255
<b>Current assets</b>		
Prepayments, deposits and other receivables	<b>12,944</b>	21,592
Amounts due from related companies (Note (a))	<b>3,986</b>	7,816
Amounts due from non-controlling shareholders (Note (b))	<b>4,000</b>	4,000
	<b>20,930</b>	33,408
Less: allowance for impairment losses	<b>(4,000)</b>	(4,000)
	<b>16,930</b>	29,408
	<b>30,832</b>	32,663

Notes:

- (a) As at 30 September 2020, the amount is unsecured, carrying interest at prime rate per annum and repayable on demand.

As at 31 March 2020, the amounts are unsecured and repayable on demand. Except for balance of approximately HK\$7,796,000 carrying interest at prime rate per annum, the remaining balances are interest-free.

- (b) The amounts are unsecured, non-interest bearing and repayable on demand.

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

### 19. Cash and cash equivalents and restricted bank deposits

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Cash and bank balances	167,633	148,110
Bank deposits	236,130	238,244
	<b>403,763</b>	386,354
Less:		
Restricted bank deposits (Note)	<b>(1,474)</b>	–
Cash and cash equivalents	<b>402,289</b>	386,354

Note: The restricted bank deposits are for certain import purchase in the PRC.

### 20. 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 2020 and 31 March 2020	4,500,000,000	450,000		
<b>Issued and fully paid</b>				
At 30 September 2020 and 31 March 2020	600,000,000	60,000	26,135	86,135

Notes to the Interim Condensed Consolidated Financial Information (Continued)

21. 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 2020 (Audited)</b>	<b>2,358</b>	<b>47,256</b>	<b>(3,224)</b>	<b>375,945</b>	<b>422,335</b>
Profit for the period	–	–	–	21,748	21,748
Exchange differences on translation of foreign operations	–	–	7,069	–	7,069
Transfer of retained profits to statutory reserve	–	2,996	–	(2,996)	–
<b>At 30 September 2020 (Unaudited)</b>	<b>2,358</b>	<b>50,252</b>	<b>3,845</b>	<b>394,697</b>	<b>451,152</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 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>



## 21. Reserves (Continued)

Notes:

### (a) Capital reserve

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) Statutory reserve

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 Interim Condensed Consolidated Financial Information (Continued)

### 22. Deferred income tax

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Deferred income tax assets	632	667
Deferred income tax liabilities	(1,913)	(879)
	<b>(1,281)</b>	(212)

The movements in deferred income tax assets and liabilities during the six months ended 30 September 2020 and 2019 are as follows:

	Accelerated accounting (tax) depreciation HK\$'000	Undistributable profits from subsidiaries HK\$'000	Total HK\$'000
<b>At 1 April 2020</b>	<b>667</b>	<b>(879)</b>	<b>(212)</b>
Charged to profit or loss (note 11)	(47)	(1,034)	(1,081)
Exchange differences	12	–	12
<b>At 30 September 2020</b>	<b>632</b>	<b>(1,913)</b>	<b>(1,281)</b>

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

### 22. Deferred income tax (Continued)

	Accelerated accounting (tax) depreciation HK\$'000	Undistributable profits from subsidiaries HK\$'000	Total HK\$'000
<b>At 1 April 2019</b>	1,890	(7,327)	(5,437)
Charged to profit or loss (note 11)	(349)	(1,383)	(1,732)
Exchange differences	(40)	–	(40)
<b>At 30 September 2019</b>	1,501	(8,710)	(7,209)

### 23. Trade and other payables

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade payables (Note)		
– third parties	72,396	67,164
– related companies	192	2,080
	72,588	69,244
Accruals and other payables	27,879	25,627
	100,467	94,871

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

### 23. 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:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Up to 3 months	66,918	63,673
3 to 6 months	5,409	5,417
6 months to 1 year	105	91
1 to 2 years	156	63
	<b>72,588</b>	69,244

The average credit period on purchase of goods is from 30 to 90 days (31 March 2020: 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### 24. Unsecured borrowings from a related company

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Due for repayment within 1 year which contains a repayment on demand clause	166,000	166,000

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

### 24. Unsecured borrowings from a related company (Continued)

As at 30 September 2020, unsecured borrowings of HK\$166,000,000 (31 March 2020: HK\$166,000,000) were advanced from KIG, a related company in which the director of the Company, Mr. Wong Chi Kwok (“**Mr. Wong**”), has beneficial interests in and which is repayable within 12 months from the end of the reporting period and contains a repayment on demand clause.

The interest rate of the unsecured borrowings from a related company is at prime rate of 5.25% per annum (31 March 2020: ranged from 5.25% to 5.38% per annum).

### 25. Capital commitments

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Authorised or contracted for but not provided:		
– Plant and machinery	416	11,284
– Capital investment	5,270	5,270
	5,686	16,554

## 26. Significant related party transactions

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

Name	Relationship
KIG	A related company in which Mr. Wong, the executive director of the Company, have beneficial interests
KIG Real Estate Holdings Limited ("KREH")	A related company in which Mr. Sun Kwok Wah Peter ("Mr. Sun") and Mr. Wong, the executive directors of the Company, have beneficial interests
Innotech Advance 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 and Mechanical Products Limited ("Dongguan Tech-in")	A subsidiary of Innotech
Golden Express Capital Investment Limited ("GECI")	A subsidiary of KREH
Kingdom Precision Science and Technology (Suzhou) Company Limited ("KPST Suzhou")* (金德精密科技(蘇州)有限公司)	A subsidiary of KREH
KFM HK	A subsidiary of KIG
Kingdom Technology (Shenzhen) Co., Ltd ("KFM SZ")* (金德鑫科技(深圳)有限公司)	A subsidiary of KIG

\* The English name is for identification purpose only

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

### 26. Significant related party transactions (Continued)

#### (b) Material related parties transactions

During the six months ended 30 September 2020 and 2019, the Group had the following material transactions with related parties, which were entered into at terms mutually agreed.

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Purchase of products from related parties</b>		
– KFM HK	597	–
– KFM SZ	1,854	–
– Dongguan Tech-in	79	417
	<b>2,530</b>	417
<b>Finance costs – interest expense on unsecured borrowings from a related company</b>		
– KIG	4,358	5,644
<b>Finance costs – interest expense on lease liabilities</b>		
– KPST Suzhou	477	872
– GECl	132	116
<b>Lease payments</b>		
– KPST Suzhou	9,421	8,293
– GECl	1,025	1,025
<b>Finance income – interest income from a related party</b>		
– KFM HK	190	–

## 26. Significant related party transactions (Continued)

## (c) Balances with related companies

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
<b>Amounts due from related companies</b>		
GECI	–	20
KFM HK	3,986	7,796
	<b>3,986</b>	7,816
<b>Amounts due from non-controlling shareholders</b>	<b>4,000</b>	4,000
Less: Provision for impairment	<b>(4,000)</b>	(4,000)
	–	–
<b>Trade receivables from a related company</b>		
KFM SZ	51	111
<b>Trade payables to related companies</b>		
KFM HK	(7)	(83)
KFM SZ	(129)	(1,968)
Dongguan Tech-in	(56)	(29)
	<b>(192)</b>	(2,080)
<b>Lease liabilities</b>		
KPST Suzhou	(16,027)	(24,687)
GECI	(4,663)	(5,556)
<b>Unsecured borrowings from a related company</b>		
KIG	(166,000)	(166,000)



## 26. Significant related party transactions (Continued)

### (c) Balances with related companies (Continued)

In 2018, the Group entered into three-year lease in respect of a factory with KPST Suzhou. The amount of rent payable by the Group under the lease is approximately HK\$1,419,000 per month. As at 30 September 2020, the carrying amount of such lease liability is approximately HK\$16,027,000 (31 March 2020: HK\$24,687,000).

In 2019, the Group entered into three three-year leases in respect of one office premises and two carparks with GECl respectively. The amount of rent payable by the Group under the lease is approximately HK\$171,000 per month in total. As at 30 September 2020, the carrying amount of such lease liabilities is approximately HK\$4,663,000 (31 March 2020: HK\$5,556,000).

### (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\$3,401,000 for the six months ended 30 September 2020 (30 September 2019: HK\$4,199,000).

## 27. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, Reliance Technology (Huizhou) Company Limited\* 德利賽科技(惠州)有限公司, an indirect wholly-owned subsidiary of the Company, entered into a leasing agreement of a factory for a term of six years with an independent third party, at a monthly rent of RMB873,000 for the first three years and shall be increased by 12% for the rest of the term. Right-of-use assets and lease liabilities of the Group will be increased upon recognition of the lease at the commencement date. Details of the leasing arrangement are set out in the Company's announcements, dated 27 October 2020, 3 November 2020, 17 November 2020 and 23 November 2020.

\* The English name is for identification purpose only