KFM KINGDOM

KFM KINGDOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability) (HKEx Stock Code: 3816)

ANNUAL REPORT

2021

OUR GOALS
ARE FAR AND HIGH
WE CULTIVATE FOR TOMORROW

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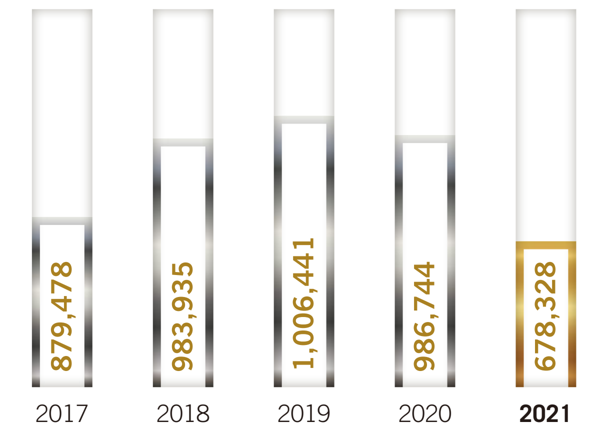
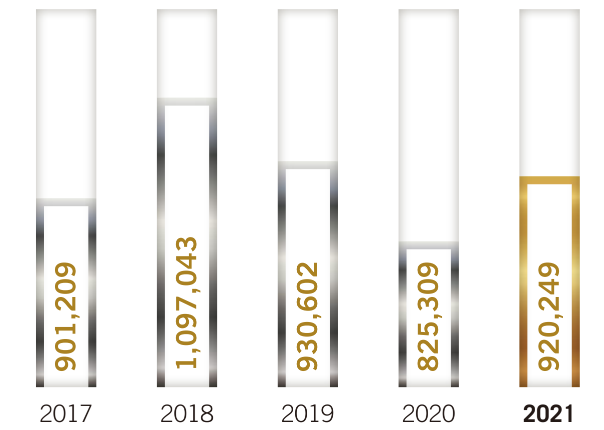
FINANCIAL HIGHLIGHTS

REVENUE
Year ended 31 March (HK$'000)



TOTAL ASSETS
As of 31 March (HK$'000)



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
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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 ADVISERS AS TO HONG KONG LAW
Chiu & Partners

AUDITOR
SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS
DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE
Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
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

STOCK CODE
3816

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of KFM Kingdom Holdings Limited (the "**Company**"), I am pleased to present the operating and financial information of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2021.

The outbreak of COVID-19 pandemic has caused not only loss of lives but also lockdown of cities and slowdown of economic activities over the world. Major economies have commenced vaccination and inject liquidity to support economic recovery. The rate of death from COVID-19 has slowed down as the general public vaccination is in progress in many countries. Nevertheless, the business environment remains volatile with the escalating tensions between the United States of America (the "**US**") and China in relation to the trade and political disputes, casting challenges and uncertainties ahead.

FINANCIAL PERFORMANCE

During the year ended 31 March 2021, the revenue of the Group decreased by approximately 31.3% to approximately HK$678.3 million from approximately HK$986.7 million of the same during last year. The decrease in revenue was mainly attributable to the disposal of a then loss-making metal stamping business, which was completed on 13 March 2020.

During the year ended 31 March 2021, the gross profit margin of the Group was approximately 22.4%, as compared to approximately 23.8% in the corresponding period last year. The decrease of approximately 1.4% in the gross profit margin of the Group was mainly due to higher costs in raw materials and direct labour, in addition to the change of product mix.

In respect of overall performance, the Group recorded a net profit of approximately HK$18.4 million for the year ended 31 March 2021, as compared to approximately HK$0.6 million for the year ended 31 March 2020. The increase was mainly attributable to the absence of disposal loss for the current year as compared to a loss on disposal of loss making subsidiaries during the last year.

OUTLOOK

Looking forward, the economic environment was overshadowed with uncertainties from the subsisting impact of the pandemic spread across the world, in addition to the escalating tensions between China and the US.

The difficulties faced by manufacturing industries in China are expected to subsist in the foreseeable future. The high production costs situation and a slower demand from metal lathing customers are expected to continue while the metal stamping segment is benefiting from a greater demand in the network and data storage industry, due to an acceleration and more widespread digitalisation of business processes worldwide after the outbreak of COVID-19.

Facing the challenges ahead, the Group will continue to streamline its operation, adopt stringent cost control measures and look for a stronger financial position, lower gearing structure, rich liquidity and better return on assets. At the same time, the Group will explore more potential opportunities to diversify the customer base and product portfolios.

Besides, the Group will continuously look for new long term and sustainable business opportunities to create better value for our customers, shareholders and investors.

ACKNOWLEDGEMENT

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

Zhang Haifeng
Chairman
Hong Kong

8 June 2021

BUSINESS REVIEW

BUSINESS REVIEW

During the year ended 31 March 2021, the disputes between China and the United States of America (the "**US**") and COVID-19 pandemic continuously affected the business environment of the Group and created significant uncertainties on the global economy. Further to the global pandemic and difficulties, the appreciation of Renminbi ("**RMB**") during the year had an adverse impact on the Group's operation. Meanwhile, the Group was still under the pressure from the increase in material cost, labour cost and production costs in China. As such, the Group was under the squeezing impacts of reduced demand, notably from customers in the metal lathing segment, and the surging operating costs in addition to foreign exchange net losses. The combining effects resulted in a thinner profitability than that in the corresponding period last year.

During the year ended 31 March 2021, the Group recorded revenue of approximately HK$678.3 million, with decrease by approximately HK$308.4 million or 31.3% as compared to a revenue amount of approximately HK$986.7 million during the corresponding period last year. The decrease was mainly as a result of the Disposal (as defined below). The Disposal, which was completed on 13 March 2020, was to eliminate potential subsisting losses in the future incurred by the Disposed Group (as defined below). For the year ended 31 March 2021, net profit of the Company amounted to approximately HK$18.4 million, while there was net profit of the Company amounted to approximately HK$0.6 million for the corresponding period last year. Such improvement in the financial performance of the Group was mainly attributable to (i) the absence of loss on disposal of subsidiaries for the year ended 31 March 2021, unlike a loss of approximately HK$26.8 million being recorded as a result of the Disposal for the year ended 31 March 2020; and (ii) an increase in revenue derived from the metal stamping segment since the Group experienced an increase in number of orders mainly from customers in the network and data storage industry, due to an acceleration and more widespread digitalisation of business process worldwide after the outbreak of COVID-19, partially offset by a decrease in revenue derived from the metal lathing segment due to a decrease in number of orders mainly from customers in the consumer electronics industry.

During the year ended 31 March 2021, revenue generated from the Group's metal stamping segment was approximately HK$406.3 million with a decrease by approximately HK$278.0 million or 40.6% as compared to the same of the corresponding period last year mainly due to the Disposal. Without revenue contributed by the Disposed Group for the year ended 31 March 2021, the Group sought to increase revenue by approximately HK$56.1 million or 129.6% compared to the same period last year for the sales derived from customers engaged in network and data storage industry due to an acceleration and more widespread digitalisation of business process worldwide as a result of the outbreak of COVID-19 during the year ended 31 March 2021.

Regarding the metal lathing segment, the Group recorded revenue of approximately HK$272.0 million during the year ended 31 March 2021. As compared to the revenue of approximately HK$302.4 million in the corresponding period last year, revenue derived from the metal lathing segment showed a decrease by approximately HK$30.4 million or 10.1%. The decrease was mainly attributed by the subsisting drop in sales to the customers who engaged in the consumer electronics industry which the Group had experienced consecutive drop in number of orders for the recent years as (i) there was a change in business strategy of relevant customers; and (ii) the China-US tensions escalated.

The overall gross profit margin of the Group for the year ended 31 March 2021 decreased by 1.4% to approximately 22.4% as compared to the same of the corresponding period last year. As a result of the Disposal, the total gross profit of the Group decreased by approximately HK$83.1 million from approximately HK$235.1 million during the corresponding period last year to approximately HK$152.0 million during the year ended 31 March 2021.

As such, the Group recorded a net profit of approximately HK$18.4 million during the year ended 31 March 2021, as compared with a net profit of approximately HK$0.6 million during the corresponding period last year.

OUTLOOK AND STRATEGY

The adverse conditions seen in the year ended 31 March 2021 are expected to remain in the foreseeable future. The China-US tension on political and trade disputes will likely subsist for a period of time. The world economies are struggling for a recovery with massive vaccinations against the pandemic virus while there are inevitable dampening market sentiments and rising unemployment. The pandemic also effects business environment and consumer behaviour worldwide, and many companies accelerated the digitalisation of their business processes after the outbreak of the pandemic. At the same time the difficulties faced by manufacturing industries in China are not to disappear or ease down in anytime soon. The increasing labour cost, material cost and production costs in China 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 the Southeast Asia to get away with the sanctions imposed by the US. The loss of demands due to geopolitical and health issues has affected the Group business especially in the metal lathing segment which relies heavily on consumer electronics industry and their foreign ultimate customers.

Looking forward, there is not much sign for an imminent possibility of easing in the tension between China-US and the pandemic in also expected to continue to affect the global economy and business environment. However, the Group has been making its best effort to endure the economic hardship by streamlining the operation for optimal efficiency, closely assessing the external challenges and taking 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 as in the metal stamping segment which has benefited from the surge of demands from the data and network industry arising from an acceleration of digitalisation of business processes and higher volume of internet activities since the lockdowns due to the outbreak of COVID-19. The Group will also put more efforts in maintaining good relationships with existing customers. Last but not least, the Group will continue to 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.

Financial Review

Revenue

For the year ended 31 March 2021, revenue of the Group was approximately HK$678.3 million, representing a decrease of approximately HK$308.4 million or 31.3% from approximately HK$986.7 million for the corresponding period last year. Set out below is a breakdown of the Group's revenue by business segments:

	2021		2020	
	HK$'000	**%**	HK$'000	%
Metal stamping	**406,341**	**59.9**	684,340	69.4
Metal lathing	**271,987**	**40.1**	302,404	30.6
	678,328	**100.0**	986,744	100.0

Revenue derived from the metal stamping segment decreased by approximately HK$278.0 million or 40.6% from approximately HK$684.3 million for the year ended 31 March 2020 to approximately HK$406.3 million for the year ended 31 March 2021. The decrease was 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 performance of the remaining operation of the metal stamping segment during the year ended 31 March 2021, the Group experienced an increase in number of orders mainly from customers who engaged in the network and data storage industry, which was partially offset by the decrease in demand from the customers who engaged in office automation industry and finance equipment industry.

BUSINESS REVIEW

Revenue derived from the metal lathing segment decreased by approximately HK$30.4 million or 10.1% from approximately HK$302.4 million for the year ended 31 March 2020 to approximately HK$272.0 million for the year ended 31 March 2021. The decrease was mainly attributed by the subsisting drop in sales to the customers who engaged in the consumer electronics industry which the Group had experienced consecutive drop in number of orders for the recent years as (i) there was a change in the business strategy of relevant customers; and (ii) the China-US tensions escalated.

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 70.5%, 10.4%, 10.0% and 1.6% of the Group's revenue, respectively, for the year ended 31 March 2021. Details of a breakdown of revenue generated by different geographical locations are set out in note 7(c) to the consolidated financial statements.

Cost of sales

Cost of sales primarily comprises the direct costs associated with the manufacturing of the Group's products. It consists mainly of direct materials, direct labour, processing fee and other direct overheads (including the write-down and reversal for inventories as disclosed in note 10 to the consolidated financial statements after regular review of the Group's inventory provision policy). Set out below is the breakdown of the Group's cost of sales:

	2021		2020	
	HK$'000	**%**	HK$'000	%
Direct materials	**315,684**	**60.0**	419,028	55.8
Direct labour	**105,835**	**20.1**	148,831	19.8
Processing fee	**62,400**	**11.9**	94,084	12.5
Other direct overheads	**42,434**	**8.0**	89,732	11.9
	526,353	**100.0**	751,675	100.0

During the year ended 31 March 2021, cost of sales of the Group decreased by approximately HK$225.3 million or 30.0% as compared to the same of the corresponding period last year, primarily as a result of the Disposal. The percentage of cost of sales to the total revenue during the year ended 31 March 2021 was approximately 77.6%, representing a slight increase of approximately 1.4%, as compared to approximately 76.2% in the corresponding period last year.

Gross profit and gross profit margin

During the year ended 31 March 2021, the gross profit margin of the Group was approximately 22.4%, comparable to approximately 23.8% in the corresponding period last year.

The decrease of approximately 1.4% in the gross profit margin of the Group was mainly due to higher costs in raw materials and direct labour, in addition to the change of product mix. For the metal stamping segment, the gross margin was slightly lowered by approximately 0.1% to approximately 20.3% compared to approximately 20.4% during the corresponding period last year had the Disposed Group been carved out with the result of the Disposal during the same period last year. For the metal lathing segment, the gross profit margin was boosted by the sales of a new product line to the customers, who engaged in the medical equipment industry, for a relatively high profit margin after the outbreak of COVID-19 during the year ended 31 March 2021.

For details of the gross profit of the Group's two segments, please refer to note 7(a) to the consolidated financial statements.

Other (losses)/gains, net

During the year ended 31 March 2021, the Group recorded other losses, net which amounted to approximately HK$8.3 million. In the corresponding period last year, the Group recorded other gains, net of approximately HK$26.0 million. The Group recorded a net exchange loss upon RMB appreciation and a lower amount of government subsidies during the year ended 31 March 2021, 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 relate to 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 were approximately HK$9.6 million and HK$21.6 million for the years ended 31 March 2021 and 2020, respectively. The decrease in distribution and selling expenses was mainly attributed to 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$186.4 million for the year ended 31 March 2020 to approximately HK$106.1 million for the year ended 31 March 2021. The decrease was mainly due to the Disposal.

Finance costs

The Group's finance costs represented interest expenses on lease liabilities and unsecured borrowings from a related company. During the year ended 31 March 2021, the Group's finance costs was approximately HK$11.3 million, as compared to approximately HK$18.6 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$2.9 million for the year ended 31 March 2021, while the Group's income tax expenses for the year ended 31 March 2020 amounted to approximately HK$8.1 million. The decrease was mainly attributable to the decrease in taxable profit during the year. The details are set out in the note 13 to the consolidated financial statements.

During the year ended 31 March 2021, the Group's adjusted effective tax rate excluding the loss from disposal of subsidiaries and effect of tax loss arising from the loss making subsidiaries of the Company would have been approximately 13.0% whereas the adjusted effective tax rate for the same period last year would have been approximately 16.0%.

BUSINESS REVIEW

Profit attributable to owners of the Company

For the year ended 31 March 2021, profit attributable to owners of the Company amounted to approximately HK$17.9 million, while the profit attributable to owners of the Company amounted to approximately HK$0.6 million for the corresponding period last year. Such improvement in the financial performance of the Group was mainly attributable to (i) the absence of loss on disposal of subsidiaries for the year ended 31 March 2021, unlike a loss of approximately HK$26.8 million being recorded as a result of the Disposal for the year ended 31 March 2020; and (ii) an increase in revenue derived from the metal stamping segment since the Group experienced an increase in number of orders mainly from customers in the network and data storage industry, due to an acceleration and more widespread digitalisation of business processes worldwide after the outbreak of COVID-19, partially offset by a decrease in revenue derived from the metal lathing segment due to a decrease in number of orders mainly from customers in the consumer electronics industry.

Liquidity, Financial and Capital Resources

Financial resources and liquidity

The Group's current assets comprise mainly cash and cash equivalents, trade and bill receivables, prepayments, deposits and other receivables and inventories. The Group's total current assets amounted to approximately HK$683.6 million and HK$647.0 million respectively, which represented approximately 74.3% and 78.4% of the Group's total assets as at 31 March 2021 and 2020, respectively.

Capital structure

The Group's capital structure is summarised as follows:

	2021 HK$'000	2020 HK$'000
Unsecured borrowings from a related company	**166,000**	166,000
Total debts	**166,000**	166,000
Shareholders' equity	**559,631**	512,109
Gearing ratio – Total debts to shareholders' equity ratio#	**29.7%**	32.4%

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

For the year ended 31 March 2021, 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 31 March 2021 are set out in note 27 to the consolidated financial statements.

As at 31 March 2021, 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 holders of the Company (comprising issued share capital and reserves), secured bank borrowings and unsecured borrowings from a related company. The Directors will review the capital structure regularly. As part of such review, the Directors consider the cost of capital and the optimal use of debt and equity so as to maximise the return to owners.

Capital expenditure

During the year ended 31 March 2021, the Group acquired plant and machinery of approximately HK$22.1 million, as compared to the year ended 31 March 2020 of approximately HK$24.3 million.

The Group financed its capital expenditure through cash flows generated from operating activities, finance leases and unsecured borrowings from a related company.

Charges on the Group's assets

As at 31 March 2021 and 2020, no bank borrowing of the Group was secured by leasehold land and buildings 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 Renminbi, while the Group's PRC entities are exposed to foreign exchange risk arising from the 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 31 March 2021 are set out in note 29 to the consolidated financial statements.

Contingent liabilities

As at 31 March 2021, the Group had no material contingent liabilities.

Subsequent event

Subsequent to 31 March 2021, the Group renewed unsecured borrowing of approximately HK$106 million in April 2021, and HK$30 million in June 2021 with KIG. The details are set out in the note 27 to the consolidated financial statements.

Employees and Remuneration Policy

As at 31 March 2021, the Group had a total number of 1,356 full-time employees (2020: 1,400). The Group determined the remuneration packages of all employees based on factors including individual qualifications, contribution to the Group, performance and years of experience of the respective staff.

The Group provides on-going training to the Group's staff in order to enhance their technical skills and product knowledge and to provide them with updates with regard to industry quality and work safety.

The Group maintains good relationships with the Group's employees. The Group did not have any labour strikes or other labour disturbances that would have interfered with the Group's operations during the year ended 31 March 2021.

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

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 March 2021.

CORPORATE GOVERNANCE PRACTICES

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

The Board is of the view that the Company has complied with the code provision as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the year ended 31 March 2021.

THE BOARD OF DIRECTORS

Responsibilities

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

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

Board Composition

The Board currently comprises six members, consisting of two executive Directors, one non-executive Director and three independent non-executive Directors. The biographical details of the Board members are set out on pages 30 to 32 of this Annual Report. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

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

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

Board Diversity Policy

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

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

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

Appointments, Re-election and Removal of Directors

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

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

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

Chairman and chief executive officer

Under CG Code A.2.1, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. For the year ended 31 March 2021, the roles of the Chairman and the chief executive officer have been performed by Mr. Zhang Haifeng and Mr. Sun Kwok Wah Peter respectively.

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

Directors' continuous training and development

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

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

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

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

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

Notes:

A: attending training/seminars

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

Board and general meetings and attendance

During the year, the Board met regularly to review the financial and operating performance of the Company and to discuss future strategy. Directors may participate either in person or through electronic means of communications. The chairman of the Board also met with the independent non-executive Directors without the presence of executive Directors.

For the year ended 31 March 2021, the Company has adopted the practice of holding board meetings regularly for at least four times a year in approximately quarterly intervals. At least 14 days' notice is given to all Directors for all regular board meetings and all Directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all Directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept by the company secretary and are available to all Directors for inspection.

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

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

Name of Directors	Number of attendance Board meetings	 General meeting
Non-executive Director		
Mr. Zhang Haifeng (Chairman)	6/6	1/1
Executive Directors		
Mr. Sun Kwok Wah Peter	6/6	1/1
Mr. Wong Chi Kwok	6/6	1/1
Independent non-executive Directors		
Mr. Wan Kam To	6/6	1/1
Ms. Zhao Yue	6/6	1/1
Mr. Shen Zheqing	6/6	1/1

One of the Board meetings held during the year was to approve the Disposal.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions by the Directors on terms equivalent to the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

The Board confirmed that, having made specific enquiry, the Directors have complied in full with the required standards as set out in the Model Code and its code of conduct during the year ended 31 March 2021 and up to 8 June 2021, the date of this Annual Report.

BOARD COMMITTEES

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

Audit committee

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

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

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

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

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2020, and interim condensed consolidated financial statements for the six months ended 30 September 2020. The audit committee has discussed the financial information with the management and the external and internal auditors of the Company during the year before submission to the Board for approval and the Group's risk management with the risk management personnels.

Nomination committee

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

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

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

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

One meeting was held during the year in which the nomination committee reviewed the structure, size and composition of the Board and its committees, reviewed the board diversity policy and its measurable objectives, reviewed and make recommendations to the Board adoption of the nomination policy, reviewed the background and experiences of the Board members and evaluated the contributions of the Board members to the Group and made recommendations to the Board on the nomination and re-appointment of Directors, and assessed the independence of independent non-executive Directors.

Remuneration committee

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

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

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

Membership and Attendance of Members

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

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

Details of the Directors' emoluments and retirement benefits and remuneration payable to members of senior management are disclosed in the notes 12 and 30(D) to the consolidated financial statements respectively.

Nomination policy

The Board has adopted a nomination policy (the "**Nomination Policy**") during the current year. A summary of the Nomination Policy is disclosed below:

1. *Objective*

   The nomination policy aims to set out the relevant selection criteria and nomination procedures to help the nomination committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspective appropriate to the requirement of the Group's businesses.

2. *Selection criteria*

   The selection criteria specified in the Nomination Policy include:

   – commitment of available time and ability to devote sufficient time and attention to the affairs of the Company;

   – reputation for integrity;

   – accomplishment and experience in the relevant industry(ies);

   – effectiveness in carrying out the responsibilities of the Board; and

   – diversity in all its aspects as set out in the board diversity policy of the Company.

   These factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee has the discretion to nominate any person, as it considers appropriate.

3. *Nomination procedures*

   (i) For filling a casual vacancy, the nomination committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.

   (ii) Until the publication of circular to the shareholders of the Company (the "**Shareholders**"), the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

   (iii) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from the Shareholders, a circular will be sent to the Shareholders. The circular will set out the lodgment period for the Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to the Shareholders.

   (iv) A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

   The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4. *Review of the Nomination Policy*
   The nomination committee of the Board will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The nomination committee of the Board will discuss any revisions that may be required.

Corporate Governance Functions

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

– to develop and review the Group's policies and practices on corporate governance and make recommendations;

– to review and monitor the training and continuous professional development of the Directors and senior management;

– to review and monitor the Group's policies and practices on compliance with the relevant legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Group; and

– to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

FINANCIAL REPORTING AND AUDIT

Directors' responsibility for financial statements

The Directors acknowledge their responsibility for preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the year end date and of the Group's results and cash flows for the financial year then ended. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to code provision C.1.1 of the CG Code, management would provide such explanation and information to the Board in order to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. As at the date of this report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The consolidated financial statements for the year ended 31 March 2021 are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

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

Auditor's Remuneration

For the year ended 31 March 2021, the Group's external auditor and its affiliated firm provided the following services to the Group:

	HK$'000
Audit services	1,020
Non-audit services	
– Interim review services	228
– Investment circular reporting services	150
– Taxation (Note)	74
Total	1,472

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Board reviews the adequacy and effectiveness of the Group's risk management and internal control systems. Several areas have been considered during such reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems. These reviews also cover the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's internal audit, risk management and financial reporting functions. For the year ended 31 March 2021, the Board considered such systems effective and adequate throughout the year.

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

SHAREHOLDERS' RIGHT

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

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

Procedures for putting forward proposals at general meetings by shareholders

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

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

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

(a) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;

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

(c) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

COMMUNICATION WITH SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

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

UPDATES ON COMPLIANCE AND REGULATORY MATTERS AS DISCLOSED IN THE PROSPECTUS

Long term relocation plan

As disclosed in the prospectus of the Company dated 28 September 2012 (the "**Prospectus**"), one of the Group's four production bases, namely the Group's factory building and staff dormitory currently located in Xili, Nanshan District, Shenzhen (the "**Xili Leased Properties**") were leased by Kingdom (Reliance) Precision Parts (Shenzhen) Manufactory Limited ("**KRP-Shenzhen**"). As advised by the Company's PRC legal advisers, there is a potential risk of demolition and expropriation of the Xili Leased Properties as it may be deemed as the historical illegal construction. For details, please refer to pages 186 to 190 of the Prospectus. The Group's current lease agreement of the Xili Leased Properties started from 1 November 2016 for a period of five years that there should be no disruption of the operation in Xili. As at the date of this report, the Directors confirm that both the lessor and the Group have not received any order from the relevant authorities to vacate the Xili Leased Properties.

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 the year ended 31 March 2021, KRP-Shenzhen entered into a tenancy agreement with an independent third party to lease a factory premises in Huizhou city, Guangdong province 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 completion of the construction of the factory. During the year ended 31 March 2021, KRP-Shenzhen entered into a renovation agreement with an independent third party to undertake the renovation work of the factory; and it entered into a system supply agreement with another independent third party to undergo the systems supply work for the factory. The renovation work commenced on 1 April 2021 and it is expected that it would be completed on or before 30 September 2021. The systems supply work is expected to be completed on or before 30 September 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE OF THE REPORT

This Environmental, Social and Governance Report (the "**Report**") is prepared in adherence to the principles and provisions of the Reporting Guide set out in Appendix 27 to the Listing Rules, covering the plants of the Group located in Shenzhen Guanlan, Shenzhen Xili, Suzhou, Shanghai and Dongguan of the People's Republic of China (the "**PRC**"). The plants are principally engaged in the manufacturing of precision metal (collectively referred to as "**Business Units**"). The Report covers the financial year ended 31 March 2021 and discloses the Company's corporate social responsibility approach and performance. This Report has been reviewed and approved by the Board after their discussion with the relevant management of the Group regarding the effectiveness of the corporate social responsibility system.

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

ENVIRONMENTAL PROTECTION

Emissions

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

– Law of the PRC on the prevention and control of atmospheric pollution

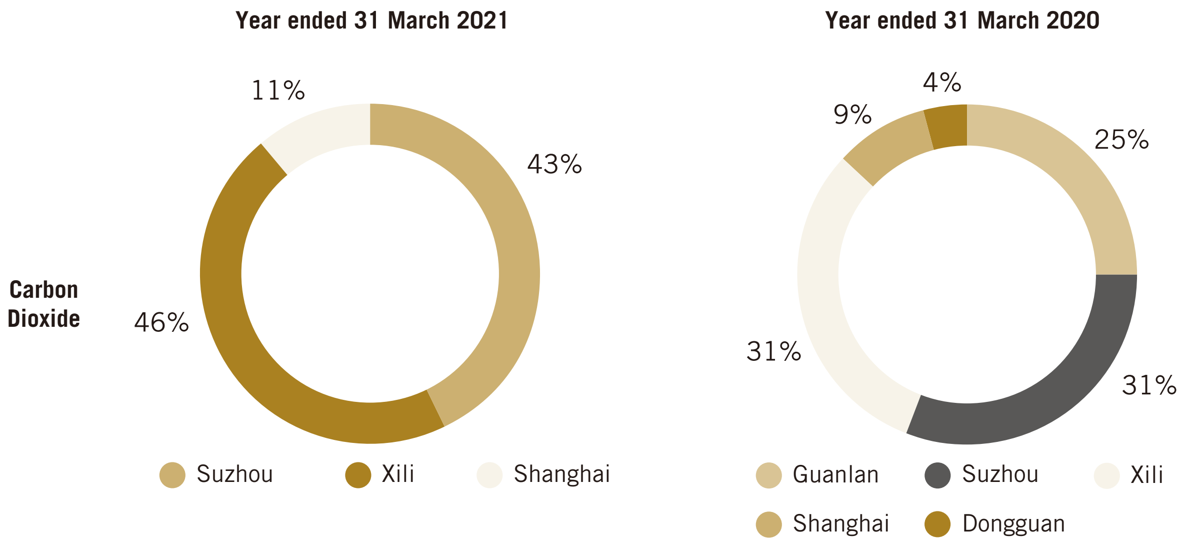
– Water pollution prevention and control law of the PRC

– Law of the PRC on prevention and control of pollution from environmental noise

It is the Group's policy to comply with the relevant laws and regulations which have a direct impact on the business and operation of the Business Units. To maintain an environmental friendly production environment, the pollutants discharged were closely monitored by the Business Units. In 1998, the Business Units obtained the first International Certification of Environmental Management System (ISO 14001). The certificate reflects our effectiveness in environmental controls and it is renewed regularly. For the year ended 31 March 2021, the results of environmental detecting reports of Business Units reflected that the waste emissions generated by our production processes were under good control and abided by the relevant rules and regulations of the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Business Units are engaged in precision metal processing and assembly business and primarily generate carbon dioxide by consuming electricity, natural gas and diesel oil in the production process. For the year ended 31 March 2021, the overall emission of carbon dioxide by Business Units was approximately 10,311 tonnes, representing a decrease of approximately 424 tonnes or 3.9% from approximately 10,735 tonnes for the corresponding period last year. Most of carbon dioxide emission was generated by our main energy consumption of electricity. The decrease in carbon dioxide emission during the year was mainly due to the reduction of two Business Units. The proportion of overall carbon dioxide emission for the years ended 31 March 2021 and 2020 among Business Units were as follows:



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

To properly handle non-hazardous and hazardous wastes generated from our production process, Business Units have well established procedures to prevent the occurrence of the adverse impact to the environment. Under the procedures of wastes management, all wastes are systemically classified, stored in separate warehouses, and disposed of or recycled to the companies which are authorised by the PRC government. For the year ended 31 March 2021, the non-hazardous wastes, including metals, wooden boxes, plastics and non-chemical wastes, being disposed of amounted to approximately 2,138 tonnes (2020: approximately 4,273 tonnes) and the hazardous wastes, including electronic items and chemical wastes, being disposed of amounted to approximately 61 tonnes (2020: approximately 44 tonnes). The increase in hazardous wastes during the year was mainly due to our tighter wastes classification. In order to minimise the material wastage, we will continuously improve the production process and increase the use of reusable materials during the production.

Use of Resources

Business Units stress high commitment in energy and water resources saving. Resource reduction was implemented in compliance with International Certification of Environmental Management System (ISO 14001). Production processes are evaluated periodically on the efficiency of energy consumption. As mentioned in the emission section above, certain devices were installed for energy saving purpose and we adhere to the principles of maximisation of the utilisation rate per energy consumed.

The overall consumption of electricity resource by Business Units decreased by approximately 5.4 million kilowatt per hour or 30.9% from approximately 17.5 million kilowatt per hour for the year ended 31 March 2020 to approximately 12.1 million kilowatt per hour for the year ended 31 March 2021. The decreased consumption of electricity resource in the year was mainly due to the reduction of two Business Units.

For the overall consumption of water resource by Business Units, it decreased by approximately 85.7 thousand tonnes or 68.2% from approximately 125.6 thousand tonnes for the year ended 31 March 2020 to approximately 39.9 thousand tonnes for the year ended 31 March 2021. The decreased consumption of water resource in the year was mainly due to the reduction of two Business Units. In order to reduce the consumption of water, management will enhance employees' training and resources control to save water.

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

For the year ended 31 March 2021, the rate of usage of recyclable packaging material was approximately 5% (2020: approximately 9%) on the sale of total products. The decreased rate of usage of recyclable packaging material was mainly due to the reduction of two Business Units. According to the Group's policy, we will continuously encourage customers to use recyclable packaging material for appropriate production orders.

The Environment and Natural Resources

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

WORKING ENVIRONMENT

Basic Information

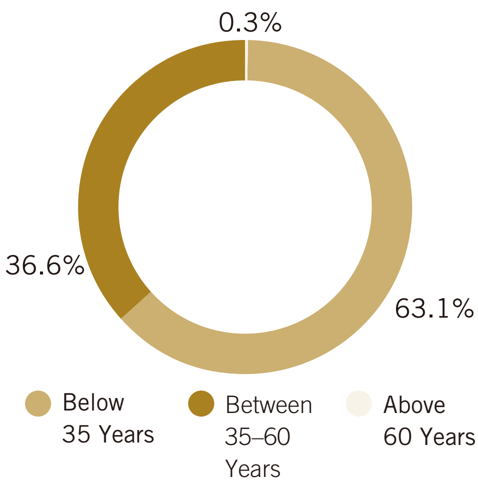
The Group persists in the principle of fair and equal opportunities regardless of age, gender, marital status, ethnicity, nationality, religion or disability on recruitment, and always treats staff as the most important asset and appoints them according to their ability and suitability. The Group complied with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The remuneration policy is determined with regard to the employees' qualification, experience and performance on their jobs, and with reference to the current market situation.

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

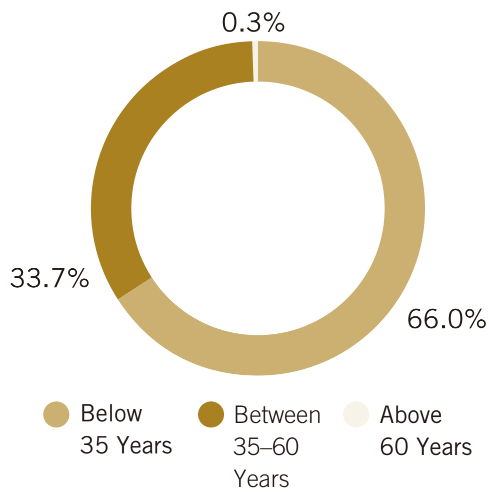
As at 31 March 2021, the Group employed a total of 1,356 employees (2020: 1,400 employees). The employees' rate by age group as at 31 March 2021 and 2020 were set out below:

Employees' rate by age group

As at 31 March 2021



As at 31 March 2020



Health and Safety

Employees' health and safety are important to the Group. The Group complied with relevant laws and regulations that have a significant impact on the Group relating to provide a safe working environment and protecting employees from occupational hazards. A set of policies had been adopted to protect employees that include factory environment safety management and control, occupational disease prevention management, and management of occupational health and safety monitoring. Some policies have cited the requirements from the relevant laws and regulations of the PRC.

In order to enhance the employees' awareness of health and safety manners, Business Units took efforts to promote employees' health and safety conditions and launched a series of regular training activities to ensure the employees understand the relevant laws and regulations. Several specific trainings are provided to employees in risky working positions and help them to properly use the protective equipment and methods. For the years ended 31 March 2021 and 2020, Business Units sustained zero fatality due to work-related accident. The health and safety controls will be continuously reviewed and maintained by the management.

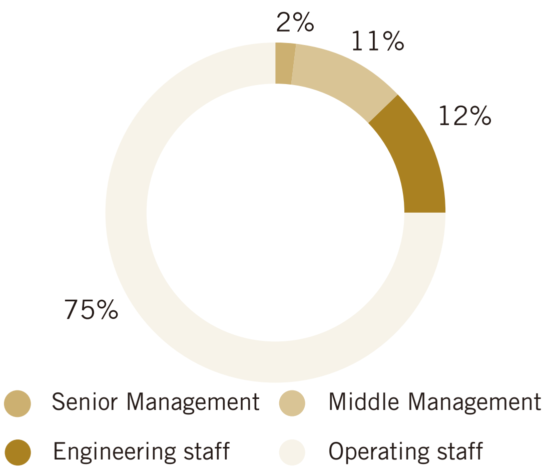
Development and Training

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

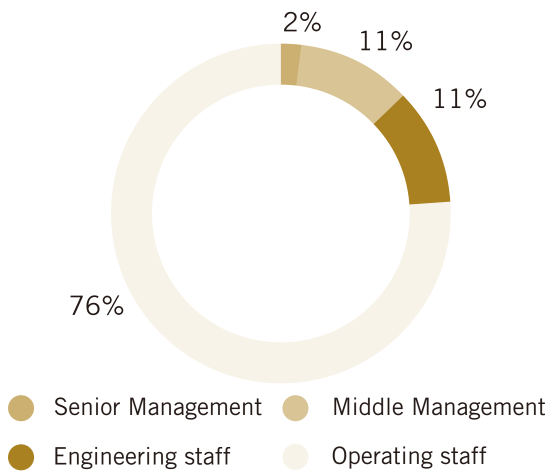
The employee categories involved in regular training for the years ended 31 March 2021 and 2020 were set out below:

Employee Categories

Year ended 31 March 2021



Year ended 31 March 2020



Labour Standards

Business Units follow the Group's policies to maintain a high standard on the labour working conditions. Steps were taken to prevent child and forced labour. All employees working in Business Units must be over 18 years old, and they should follow the free-will principle if they work on overtime duties. For the years ended 31 March 2021 and 2020, The Group complied with relevant laws and regulations relating to preventing child and forced labour and no child labour was employed by Business Units. The management will closely monitor the employment practices and relevant control procedures to avoid any child labour in Business Units.

For the year ended 31 March 2021, Business Unit in Suzhou obtained an Award of Enterprise of Harmonious Labour Relationship which was issued by The People's Government of Huqiu District of Suzhou in August 2020, and also obtained an Award of Model Worker's Home which was issued by Federation of Trade Unions of Suzhou New District in May 2020. The management will continuously enhance our policy to improve the labour protection.

OPERATING PRACTICES

Supply Chain Management

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

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

Product Responsibility

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

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

For the improvement of product quality, in case the management receives a feedback on product quality from customers, we will immediately communicate with relevant customer to resolve the quality problem. If necessary, a technician will be arranged to conduct further on-site investigation in the customer's warehouse. Accordingly, all returned products are taken to necessary defect measurements for our further improvement. For the years ended 31 March 2021 and 2020, products have been delivered to the customers without any significant quality problem in relation to the health and safety issues.

ANTI-CORRUPTION

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

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

1. All employees are prohibited from giving and accepting of bribes, the acceptance of valuables, the embezzlement of funds, extortion, fraud, and money laundering;

2. Travel and entertainment with definite business purposes shall apply the principle of thrifty and necessity. Excessive claim of travel expenses, incompliant dining expenses and reception of unrelated persons at Business Units' expenses are not allowed; and

3. A whistle blowing system has been implemented in Business Units. All employees are allowed to make direct contact to senior management through the whistle blowing system for any reason in regard to the operation of Business Units.

For the years ended 31 March 2021 and 2020, the Group complied with laws and regulations relating to bribery, extortion, fraud and money laundering. The management applied sound controls to the anti-corruption and maintained an integrity working environment in Business Units.

COMMUNITY INVESTMENT

Contribution to Society

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

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

For the year ended 31 March 2021, the Group performed the followings:

1. Business Units in Shenzhen Xili and Suzhou employed disabled residents as our employees;

2. Business Unit in Suzhou provided practice opportunities to China's university students to work in engineering department for a short period to obtain working experience;

3. Business Unit in Shenzhen Xili invited a medical institution to provide free body check service to employees located in Shenzhen Xili factory;

4. Business Unit in Suzhou obtained an Award of Model Worker's Home which was issued by Federation of Trade Unions of Suzhou New District in May 2020; and

5. Business Unit in Suzhou obtained an Award of Enterprise of Harmonious Labour Relationship which was issued by The People's Government of Huqiu District of Suzhou in August 2020.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Zhang Haifeng (張海峰), aged 54, was appointed as a non-executive Director and chairman on 13 October 2016. Mr. Zhang Haifeng is currently the vice general manager of 內蒙古坤龍房地產開發有限責任公司 (Inner Mongolia Kun Long Real Estate Development Limited). Prior to his current position at Inner Mongolia Kun Long Real Estate Development Limited, he worked for various positions at 包頭市對外經濟貿易公司 (Baotou Foreign Economic Relations and Trade Limited) from 1988 to 2002.

EXECUTIVE DIRECTORS

Mr. Sun Kwok Wah Peter (孫國華), aged 61, one of the founders at the Group, was appointed as an executive Director and the chief executive officer on 13 July 2011 and 3 February 2016 respectively. He is also a director of certain subsidiaries of the Group. Mr. Sun Kwok Wah Peter has more than 25 years of experience in the metal stamping industry. Since 1981, he participated in his family business in metal kitchenware manufacturing in Hong Kong. He developed his expertise in metal stamping when he first started his metal stamping factory in the name of Kingdom Industrial Company in Kwai Chung in 1987. In 1989, he established Kingdom Fine Metal Limited and established Shenzhen Shunan Kingdom Contract Processing Factory in 1990. He is responsible for the overall strategic planning and partnership development as well as international key customer relations of the Group.

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

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

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

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

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

Mr. Wong Chi Kwok (黃志國), aged 69, was appointed as an executive Director on 22 September 2012. He is also a director of certain subsidiaries of the Group. He is responsible for advising the Board on strategic planning, partnership development and merger and acquisition strategies, but is not involved in day-to-day management of the Group.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Kam To (尹錦滔), aged 68, was appointed as our independent non-executive Director on 22 September 2012. Mr. Wan Kam To graduated from Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) in 1975 with a Higher Diploma in Accountancy. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

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

He is the Treasurer and member of the Council of the Open University of Hong Kong.

Mr. Wan Kam To is also currently an independent non-executive director of several listed companies, which are listed on the Stock Exchange, namely Fairwood Holdings Limited (stock code: 52), Haitong International Securities Group Limited (stock code: 665) since June 2018, China Resources Land Limited (stock code: 1109), A-Living Services Co., Ltd (stock code: 3319) Since August 2017, and Target Insurance (Holdings) Limited (stock code: 6161). He has also served as an independent non-executive director of China World Trade Centre Co., Ltd., a company listed on the Shanghai Stock Exchange (the "**SSE**") with stock code 600007, since November 2016.

Mr. Wan has served as an independent non-executive director of several listed companies, which are listed on the Stock Exchange, S. Culture International Holdings Limited (stock code: 1255) from May 2013 to July 2017, Kerry Logistics Network Limited (stock code: 636) from November 2013 to May 2019, Huaneng Renewables Corporation Limited (stock code: 958) from August 2010 to June 2019, Shanghai Pharmaceuticals Holding Company Limited (stock code: 2607) ("**SPH**") from June 2013 to June 2019 and Harbin Bank Co., Ltd. (stock code: 6138) from October 2013 to October 2019. SPH is also listed on the SSE with stock code of 601607.

Ms. Zhao Yue (趙悦), aged 46, was appointed as an independent non-executive Director on 3 February 2016. Ms. Zhao is currently a director of Togni & Zhao Limited, a private company incorporated in Hong Kong which engages in the business of executive search. Ms. Zhao was admitted to the New York State Bar in 2003 and has years of experience in the legal industry. Ms. Zhao had working experiences at Paul, Weiss, Rifkind, Wharton & Garrison and Skadden, Arps, Slate, Meagher & Flom. Ms. Zhao graduated from the University of Bridgeport with a Bachelor of Science degree in Biology, and graduated from the New York University with a Juris Doctor degree.

Mr. Shen Zheqing (沈哲清), aged 41, was appointed as an independent non-executive Director on 3 February 2016. He is currently the director of ZQ Capital Limited. Mr. Shen Zheqing has served as a director of Nu Skin Enterprises (a company listed on New York Stock Exchange: NUS) since July 2016. Mr. Shen Zheqing has years of experience in the financial industry, having worked with Lehman Brothers and the Goldman Sachs Group. He was also managing director of the investment banking division of Barclays Capital Asia Limited. Mr. Shen Zheqing graduated from Wesleyan University with a Bachelor of Arts degree in Economics and Mathematics.

SENIOR MANAGEMENT

Mr. Kwok For Chi (郭科志), aged 51, joins the Group in February 2012 and is the chief financial officer of the Company. He is primarily responsible on financial management of the Group. Mr. Kwok has over 20 years of experience in corporate finance, merger and acquisition, investor relationship, corporate strategy, legal matters, financial management and auditing. Prior to joining the Group, Mr. Kwok served as senior financial positions in various listed and non-listed companies during the period 2006 to 2012. Mr. Kwok also worked in a major international accounting firm from August 1994 to October 2006.

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

REPORT OF THE DIRECTORS

The Board submits herewith its report and the audited consolidated financial statements of the Group for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in the manufacturing and sales of precision metal stamping and metal lathing products. Details of the principal activities of the Company's subsidiaries are set out in note 34 to the consolidated financial statements.

An analysis of the Group's revenue and operating results by business segments for the year ended 31 March 2021 is set out in note 7 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and its outlook are set out in the Chairman's Statement on pages 4 to 5, and Business Review section on pages 6 to 11 of this Annual Report. Certain financial information are provided in the section of Five Year Financial Summary on pages 119 to 120 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

The Group regards caring and contributing to the community as an important element in the Group's strategy to achieve sustainable development. The Group places importance in the social well-being in the course of conducting its business and takes part in community and charitable activities. The details of the corporate social responsibility can be found in the chapter of Environmental, Social and Governance Report on pages 23 to 29.

PRINCIPAL FINANCIAL RISKS

The Group is exposed to a variety of financial risks including foreign exchange risk, interest risk, credit risk and liquidity risk. Details of the aforesaid key risks are set out in note 5 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENVIRONMENT POLICIES

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

Customers

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

Suppliers

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

RESULTS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 49.

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 March 2021 (2020: nil). No interim dividend was paid during the year (2019: nil).

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") during the current year. A summary of the Dividend Policy is disclosed as below.

The Board takes into account the following factors when considering the declaration and payment of dividends:

– the requirements of the Company's constitutional documents;

– the solvency requirements of the Companies Law of the Cayman Islands;

– there being sufficient amount of retained profits and share premium of the Company for the dividend payment;

– any financial covenants and other restrictions that exist with respect to certain of the Company's financing arrangements and other agreements by which the Company is bound from time to time;

– the earnings, financial position, results of operation, expansion plans, working capital requirements, and anticipated cash needs of the Company and its subsidiaries;

– the payment by subsidiaries of cash dividends to the Company; and

– other factors which the Board may deem appropriate.

The form and frequency of dividend declaration and payment shall be at the sole and absolute discretion of the Board. In measuring the Company's performance against the target dividend payout ratio in relation to a financial year, the Board shall seek to maintain consistency from year to year by smoothing the effect of any variation in free cash flows that may be due to one off gains or losses in individual years. The Board will review the Dividend Policy, as appropriate, to ensure the compliance of the Dividend Policy and discuss and approve any revision as and when appropriate.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year are set out in note 16 to the consolidated financial statements.

BORROWINGS AND FINANCE COSTS

Particular of borrowings of the Group as at 31 March 2021 is set out in note 27 to the consolidated financial statements. Finance costs of the Group are set out in note 9 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 52 and note 33(ii) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2021, the Company's reserves available for distribution to shareholders amounted to approximately HK$261.9 million, comprising retained profit of approximately HK$235.8 million and share premium of approximately HK$26.1 million. Under Cayman Islands law, a company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

RETIREMENT BENEFITS SCHEMES

Details of retirement benefits schemes of the Group are set out in note 11 to the consolidated financial statements.

DONATIONS

No donation made by the Group during the year (2020: approximately HK$605,000).

FINANCIAL SUMMARY

A summary of the results and total assets and liabilities of the Group for the last five financial years is set out on pages 119 to 120.

DIRECTORS

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

Non-executive Director:

Mr. Zhang Haifeng (Chairman)

Executive Directors:

Mr. Sun Kwok Wah Peter
Mr. Wong Chi Kwok

Independent non-executive Directors:

Mr. Wan Kam To
Ms. Zhao Yue
Mr. Shen Zheqing

At the AGM held on 25 August 2020, Mr. Zhang Haifeng and Mr. Wan Kam To were re-elected as Directors.

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

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

Biographical details of Directors are set out on pages 30 to 32.

INDEPENDENCE CONFIRMATION

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

DIRECTORS' REMUNERATION

The remuneration of the Directors is determined with reference to the Director's duties, responsibilities, performance and the results of the Group. Details of the remuneration of the Directors are set out in note 12 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2021.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

PERMITTED INDEMNITY PROVISION

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

INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the agreements disclosed under the paragraph headed "Financial Review" under the section headed "Business review", and the paragraph headed "Continuing connected transactions and connected transactions" under the section headed "Report of the Directors" in this Annual Report, no contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company, or a controlling shareholder of the Company or any of its subsidiaries, had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2021 and up to the date of this report, none of the Directors are considered to have direct or indirect interests in businesses which compete or are likely to compete with businesses of the Group pursuant to the Listing Rules.

SHARE OPTION SCHEME

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

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

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

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

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

During the year ended 31 March 2021, no option was granted, exercised cancelled, lapsed or outstanding under the Share Option Scheme. As at the date of this Annual Report, the total number of shares available for issue under the Share Option Scheme was 60,000,000, representing 10% of the issued share capital of the Company.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, no Directors or chief executive of the Company had any interest or short position in the shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS', OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2021, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

Notes:

1 The letter "L" denotes the corporation/person's long position in our Shares.

2 These shares were held by Massive Force Limited, which is owned as to 40% by Mr. Zhang Yongdong.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

During the previous financial year, the Group, as tenant, has entered into several continuing connected transactions agreements with certain connected person of the Company under the Listing Rules, which subsisted during the year ended 31 March 2021. Pursuant to these agreements, the Group shall conduct continuing connected transactions with those parties in the course of conducting the Group's business.

During the year ended 31 March 2021, the details of such transactions, which also constitutes related party transactions set out in note 30 to the consolidated financial statements, are set out as follows:

The annual cap of the leasing agreements listed below is at HK$21,000,000, HK$21,000,000 and HK$21,000,000 for the financial years ending 31 March 2019, 2020 and 2021.

(A) The Suzhou Factory Leasing Agreement

Date:	1 November 2018
Party:	金德精密科技 (蘇州) 有限公司 (Kingdom Precision Science and Technology (Suzhou) Company Limited*) (as landlord)
Transaction nature:	Leasing of a factory located in Suzhou, the PRC
Term:	Three years commencing from 1 November 2018
Rent:	RMB14,548,992 per annum, exclusive of water, electricity charges and other utilities (if applicable)
Option to renew:	The Group shall have the right to renew the tenancy upon expiry of the initial term for a further term of three years at the then current market rent

* For identification purposes only

(B) The HK Office Leasing Agreement (Note)

Date:	1 November 2018
Party:	Golden Express Capital Investment Limited (“**GECI**”) (as landlord)
Transaction nature:	Leasing of the office located at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong
Term:	Three years commencing from 1 November 2018
Rent:	HK$1,944,000 per annum, inclusive of rates, government rent and management charges
Option to renew:	The Group shall have the right to renew the tenancy upon expiry of the initial term for a further term of three years at the then current market rent

(C) The Carpark 1 Leasing Agreement (Note)

Date:	1 November 2018
Party:	GECI (as landlord)
Transaction nature:	Leasing of the car parking space located at number 65, 3/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong
Term:	Three years commencing from 1 November 2018
Rent:	HK$52,800 per annum, inclusive of rates, government rent and management charges
Option to renew:	The Group shall have the right to renew the tenancy upon expiry of the initial term for a further term of three years at the then current market rent

(D) The Carpark 2 Leasing Agreement (Note)

Date:	1 November 2018
Party:	GECI (as landlord)
Transaction nature:	Leasing of the car parking space located at number 66, 3/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong
Term:	Three years commencing from 1 November 2018
Rent:	HK$52,800 per annum, inclusive of rates, government rent and management charges
Option to renew:	The Group shall have the right to renew the tenancy upon expiry of the initial term for a further term of three years at the then current market rent

Under the leasing agreements disclosed above, the aggregate lease paid during the year was approximately HK$18.6 million.

Note: Upon completion of the disposal of certain companies by the Group in 2020, such disposed companies ceased to be subsidiaries of the Company. The connected person terminated the relevant existing tenancy agreements with such disposed companies and entered new tenancy agreements with the Group, with same terms apart from such tenancy period is for a term of three years commencing from completion date. The transactions contemplated under the new tenancy agreements constitute connected transactions. For further details, please refer to the announcement dated 22 January 2020.

Further details are set out in note 30(B) to the consolidated financial statements. These continuing connected transactions are subject to, and the Company confirms that it has complied with the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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

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

– nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

– nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

– nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

– nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap amounts value as disclosed in the Company's circular dated 19 October 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

EMOLUMENT POLICY

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

EQUITY-LINKED AGREEMENTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Percentage of the Group’s total

Sales	
The largest customer	16.6%
Five largest customers in aggregate	46.1%
Purchases	
The largest supplier	7.6%
Five largest suppliers in aggregate	25.0%

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders’ right to attend and vote at the annual general meeting of the Company to be held on 23 August 2021 (the “**AGM**”), the register of members of the Company will be closed from Wednesday, 18 August 2021 to Monday, 23 August 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar in Hong Kong, namely Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 August 2021.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 12 to 22.

AUDIT COMMITTEE

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2021.

AUDITOR

The consolidated financial statements for the year ended 31 March 2021 have been audited by SHINEWING (HK) CPA Limited. SHINEWING (HK) CPA Limited will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution will be submitted to the forthcoming AGM to reappoint SHINEWING (HK) CPA Limited as the auditor of the Company.

On behalf of the Board
KFM Kingdom Holdings Limited

Zhang Haifeng
Chairman

Hong Kong, 8 June 2021

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

TO THE SHAREHOLDERS OF KFM KINGDOM HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KFM Kingdom Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 49 to 118, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

PROVISION OF EXPECTED CREDIT LOSS (THE "ECL") FOR TRADE RECEIVABLES

Refer to note 19 to the consolidated financial statements and the accounting policies on pages 66 to 71.

The key audit matter	How the matter was addressed in our audit
We have identified provision of the ECL for trade receivables as a key audit matter because the carrying amount of trade receivables of approximately HK$166,551,000 are significant to the consolidated financial statements and the provision of ECL involves significant judgements and estimates. No provision of ECL has been recognised for the year ended 31 March 2021. Independent valuer was engaged by the management for the valuation of the ECL as at the reporting date. The valuation requires significant judgements and estimates made by the management since the calculation of the provision rates involves selection of forward-looking information.	Our procedures were designed to review the days past due as groupings of various debtors that have similar loss patterns. We also reviewed the provision matrix based on the Group's historical observed default rates and forward-looking information are considered. We have also challenged the reasonableness and selection of forward-looking information used in the calculation of ECL.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lau Kai Wong.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
8 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	6	**678,328**	986,744
Cost of sales		**(526,353)**	(751,675)
Gross profit		**151,975**	235,069
Other (losses)/gains, net	8	**(8,291)**	26,039
Distribution and selling expenses		**(9,606)**	(21,562)
General and administrative expenses		**(106,074)**	(186,352)
Finance income	9	**4,579**	894
Finance costs	9	**(11,254)**	(18,611)
Loss on disposal of subsidiaries	28	**–**	(26,786)
Profit before tax	10	**21,329**	8,691
Income tax expense	13	**(2,926)**	(8,059)
Profit for the year		**18,403**	632
Other comprehensive income/(expenses):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**29,119**	(20,368)
Release of exchange reserve upon disposal of subsidiaries	28	**–**	7,529
Other comprehensive income/(expenses) for the year		**29,119**	(12,839)
Total comprehensive income/(expenses) for the year		**47,522**	(12,207)
Profit/(loss) for the year attributable to:			
– Owners of the Company		**17,923**	644
– Non-controlling interests		**480**	(12)
		18,403	632
Total comprehensive income/(expenses) attributable to:			
– Owners of the Company		**47,042**	(12,195)
– Non-controlling interests		**480**	(12)
		47,522	(12,207)
Earnings per share			
– Basic and diluted (HK cents)	14	**2.99**	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	16	**135,637**	132,010
Right-of-use assets	17	**90,125**	42,364
Prepayments and deposits	20	**8,945**	3,255
Deferred income tax assets	25	**1,975**	667
Total non-current assets		**236,682**	178,296
Current assets			
Inventories	18	**90,802**	64,642
Trade and bills receivables	19	**172,670**	165,780
Prepayments, deposits and other receivables	20	**13,112**	29,408
Current income tax recoverable		**2,829**	829
Financial asset at fair value through profit or loss	21	**27**	–
Time deposits with maturity over three months	22	**160,000**	–
Restricted bank deposits	22	**675**	–
Cash and cash equivalents	22	**243,452**	386,354
Total current assets		**683,567**	647,013
Total assets		**920,249**	825,309
EQUITY			
Capital and reserves			
Share capital	23	**60,000**	60,000
Share premium	23	**26,135**	26,135
Reserves	24	**469,377**	422,335
Capital and reserves attributable to owners of the Company		**555,512**	508,470
Non-controlling interests		**4,119**	3,639
Total equity		**559,631**	512,109
LIABILITIES			
Non-current liabilities			
Leases liabilities	17	**62,928**	18,362
Deferred income tax liabilities	25	**2,136**	879
Total non-current liabilities		**65,064**	19,241

	Notes	2021 HK$'000	2020 HK$'000
Current liabilities			
Trade and other payables	26	**105,133**	94,871
Leases liabilities	17	**20,840**	29,727
Unsecured borrowings from a related company	27	**166,000**	166,000
Current income tax liabilities		**3,581**	3,361
Total current liabilities		**295,554**	293,959
Total liabilities		**360,618**	313,200
Total equity and liabilities		**920,249**	825,309
Net current assets		**388,013**	353,054
Total assets less current liabilities		**624,695**	531,350

The consolidated financial statements on pages 49 to 118 were approved and authorised for issue by the Board of Directors on 8 June 2021 and are signed on its behalf by:

Zhang Haifeng
Director

Sun Kwok Wah Peter
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note 24(a))	Statutory reserve HK$'000 (note 24(b))	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2019	60,000	26,135	3,445	53,641	9,615	367,829	520,665	3,651	524,316
Profit/(loss) for the year	–	–	–	–	–	644	644	(12)	632
Other comprehensive (expenses)/income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(20,368)	–	(20,368)	–	(20,368)
Release of exchange reserve upon disposal of subsidiaries (note 28)	–	–	–	–	7,529	–	7,529	–	7,529
Total comprehensive (expenses)/income for the year	–	–	–	–	(12,839)	644	(12,195)	(12)	(12,207)
Disposal of subsidiaries	–	–	(1,087)	(13,286)	–	14,373	–	–	–
Transfer of retained profits to statutory reserve	–	–	–	6,901	–	(6,901)	–	–	–
	–	–	(1,087)	(6,385)	–	7,472	–	–	–
Balance at 31 March 2020	60,000	26,135	2,358	47,256	(3,224)	375,945	508,470	3,639	512,109

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note 24(a))	Statutory reserve HK$'000 (note 24(b))	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2020	60,000	26,135	2,358	47,256	(3,224)	375,945	508,470	3,639	512,109
Profit for the year	–	–	–	–	–	17,923	17,923	480	18,403
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	29,119	–	29,119	–	29,119
Total comprehensive income for the year	–	–	–	–	29,119	17,923	47,042	480	47,522
Transfer of retained profits to statutory reserve	–	–	–	6,076	–	(6,076)	–	–	–
Balance at 31 March 2021	60,000	26,135	2,358	53,332	25,895	387,792	555,512	4,119	559,631

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**21,329**	8,691
Adjustments for:		
Depreciation of plant and equipment	**28,446**	30,552
Depreciation of right-of-use assets	**29,685**	46,560
Write-off on inventories	**765**	–
Reversal of write-down of inventories	**(6,795)**	(3,272)
Loss on disposal of plant and equipment	**183**	2,521
Loss on disposal of subsidiaries	**–**	26,786
Reversal of impairment of plant and equipment	**–**	(217)
Fair value gain on financial asset at fair value through profit or loss	**(15)**	–
Finance income	**(4,579)**	(894)
Finance costs	**11,254**	18,611
Government subsidies	**(6,109)**	(14,056)
Operating cash flows before movements in working capital	**74,164**	115,282
(Increase)/decrease in inventories	**(13,842)**	5,423
Decrease/(increase) in trade and bills receivables	**3,866**	(2,224)
Decrease/(increase) in prepayments, deposits and other receivables	**8,580**	(10,859)
Increase in amount due from related companies	**–**	(20)
Increase in trade and other payables	**2,746**	13,058
Net cash generated from operations	**75,514**	120,660
Income tax paid	**(5,469)**	(12,249)
Income tax refunded	**829**	2,153
NET CASH FROM OPERATING ACTIVITIES	**70,874**	110,564

CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 HK$'000	2020 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of plant and equipment	**30**	841
Purchase of plant and equipment	**(28,456)**	(24,339)
Purchase of right-of-use assets	**(3,801)**	–
Purchase of financial asset at fair value through profit or loss	**(12)**	–
Repayment from related companies	**7,816**	17,783
Net cash outflows from disposal of subsidiaries (note 28)	**–**	(29,477)
Placement of time deposits with maturity over three months	**(160,000)**	–
Placement of restricted bank deposits	**(641)**	–
Interest received	**4,579**	859
NET CASH USED IN INVESTING ACTIVITIES	**(180,485)**	(34,333)
FINANCING ACTIVITIES		
New bank borrowings raised	**–**	5,700
New unsecured borrowings from a related company raised	**–**	10,000
Receipts from government subsidies	**6,109**	14,056
Repayment of lease liabilities	**(35,696)**	(46,832)
Repayment of bank borrowings	**–**	(5,700)
Interest paid	**(11,254)**	(20,523)
NET CASH USED IN FINANCING ACTIVITIES	**(40,841)**	(43,299)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(150,452)**	32,932
CASH AND CASH EQUIVALENTS AT 1 APRIL	**386,354**	357,171
Currency translation difference	**7,550**	(3,749)
CASH AND CASH EQUIVALENTS AT 31 MARCH	**243,452**	386,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 immediate holding company and controlling shareholder of the Company is Massive Force Limited, a company incorporated in the British Virgins Islands (the "**BVI**"). The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the Company's annual report.

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in the manufacturing and sales of precision metal stamping and metal lathing products. Details of the Company's subsidiaries are set out in note 34.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, 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 Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning on 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

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year 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 consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

NEW AND AMENDMENTS TO HKFRSs ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments[5]
Amendments to HKFRS 3	Reference to Conceptual Framework[4]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate Benchmark Reform – Phase 2[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendment to HKFRS 16	COVID-19 Related Rent Concessions[1]
Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause [5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[5]
Amendments to HKAS 8	Definition of Accounting Estimates[5]
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use[4]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[4]
Amendment to HKFRSs	Annual improvement to HKFRSs 2018 - 2020 cycle[4]

1 Effective for annual periods beginning on or after 1 June 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after 1 April 2021.
4 Effective for annual periods beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 January 2023.
6 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

NEW AND AMENDMENTS TO HKFRSs ISSUED BUT NOT YET EFFECTIVE (Continued)

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of Hong Kong (International Financial Report Interpretations Committee) Interpretations ("HK(IFRIC)-Int") 21 *Levies*, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments to HKAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 was revised as a consequence of Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* to align the corresponding wordings with no change in conclusion.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group's outstanding liabilities as at 31 March 2021, the application of the amendments will not result in change in the classification of the Group's liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instrument that is measured at fair value, at the end of each reporting period.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

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

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes sales related taxes.

Revenue from sale of goods is recognised at the point when the control of the goods is transferred to the customers (generally when goods are delivered).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Definition of a lease

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 from the commencement and do not contain a purchase option) 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.

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 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, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and 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 in the consolidated statement of financial position.

The Group applies HKAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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

Research and development expenses

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Short-term employee benefits

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

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

Provision obligations

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

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

Bonus plans

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

Severance payments

Severance payments are recognised when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred income tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred income tax (Continued)

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred income tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Offsetting

Current and deferred income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred income tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Plant and equipment

Plant and equipment are stated at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is recognised so as to allocate the cost of items of plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method.

Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Plant and machinery	10 years
Motor vehicles	5 to 10 years
Furniture and office equipment	5 to 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction-in-progress, representing plant and machinery and furniture and office equipment on which are pending installation, is stated at historical cost less accumulated impairment losses, if any. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. No depreciation is provided in respect of construction-in-progress until the installation work is completed. On completion, construction-in-progress is transferred to appropriate categories of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses) gains, net" in the consolidated statement of profit or loss and other comprehensive income.

Inventories

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

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**") and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

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

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “Finance income” line item (note 9).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- The Group has not designated any debt instruments as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other (losses) gains, net" line item. Fair value is determined in the manner described in note 5.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative.

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, including bills receivables and other receivables, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event; or

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Impairment losses on plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on plant and equipment and right-of-use assets (Continued)

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGU s, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Fair value measurement

When measuring fair value except for the Group's leasing transaction, net realisable value of inventories and value in use of plant and equipment and right-of-use assets for the purpose of impairment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Depreciation and useful lives of plant and equipment

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

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

As at 31 March 2021, there is no revision of the estimated useful lives, residual values and the related depreciation charges of the plant and equipment with carrying amount of approximately HK$135,637,000 (2020: HK$132,010,000).

Impairment of plant and equipment and right-of-use assets

At the end of the reporting period, the Group's management reviews the carrying amount of the Group's plant and equipment and right-of-use assets of approximately HK$135,637,000 and HK$90,125,000 respectively (2020: HK$132,010,000 and HK$42,364,000) and identified if there is any indication for possible impairment. If any such indication exists, the recoverable amount of the CGUs in which the assets belonged, which is determined based on the higher of fair value less cost of disposal and value-in-use, is estimated in order to determine the extent of the impairment loss. No impairment loss of plant and equipment and right-of-use assets have been recognised for the years ended 31 March 2021 and 2020.

Net realisable value of inventories

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

As at 31 March 2021, the carrying amount of inventories of approximately HK$90,802,000 (2020: HK$64,642,000), net of accumulated provision of write-down of approximately HK$6,013,000 (2020: HK$12,458,000). Reversal of write-down of inventories of approximately HK$6,795,000 (2020: HK$3,272,000) and write-off of inventories of approximately HK$765,000 (2020: nil) have been recognised to the profit and loss for the year ended 31 March 2021. No write-down of inventories was recognised for the years ended 31 March 2021 and 2020.

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade receivables

The Group uses a provision matrix to calculate the ECL for trade receivables as at 31 March 2021. The provision rates are based on days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially by reference to past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2021, the carrying amount of trade receivables is approximately HK$166,551,000 (2020: HK$157,621,000). No provision for ECL for trade receivables has been recognised for the years ended 31 March 2021 and 2020.

Income taxes

As at 31 March 2021, deferred income tax assets of approximately HK$1,975,000 (2020: HK$667,000) have been recognised in the Group's consolidated financial statements in relation to deductible temporary differences of approximately HK$13,167,000 (2020: HK$4,452,000). No deferred income tax asset has been recognised on the un-utilised tax losses of approximately HK$49,894,000 (2020: HK$41,953,000) due to the unpredictability of future profit streams. The realisability of the deferred income tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred income tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. Further details are contained in note 25.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised cost	**583,384**	571,410
Financial assets at FVTPL		
– Equity instruments at FVTPL	**27**	–
Financial liabilities		
Financial liabilities at amortised cost	**259,669**	260,871

The Group's major financial instruments include trade and bill receivables, other receivables and deposits, time deposits with maturity over three months, restricted bank deposits, cash and cash equivalents, financial asset at FVTPL, unsecured borrowings from a related company and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors

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

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 57% of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 100% of costs is denominated in the group entity's respective functional currency.

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

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

	Assets		Liabilities	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
US$	**168,406**	153,253	**8,347**	8,511

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

As at 31 March 2021, if the functional currencies of the Group's entities had strengthened/weakened by 5% (2020: 5%) against US$, with all other variables held constant, the profit before tax for the year ended 31 March 2021 would increase/decrease by approximately HK$8,003,000 (2020: increase/decrease by HK$7,237,000), respectively, mainly as a result of foreign exchange gain/loss on translation of US$ denominated financial assets and liabilities.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to time deposits with maturity over three months and lease liabilities. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposure to cash flow interest rates is mainly attributable to its variable rate unsecured borrowings from a related company, amount due from a related company, short-term bank deposits and bank balances. The Group's variable interest rate borrowings as at 31 March 2021 and 2020, are as follows:

	2021 HK$'000	2020 HK$'000
Short-term bank deposits and bank balances	**171,897**	312,794
Amount due from a related company	**–**	7,796
Variable interest rate borrowings	**(166,000)**	(166,000)
	5,897	154,590

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk (Continued)

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

As at 31 March 2021, if the interest rates had been 50 basis-points (2020: 50 basis-points) higher/lower, with all other variables held constant, the net effect on the profit before tax for the year would have been HK$29,000 higher/lower (2020: HK$773,000 higher/lower).

(iii) Credit risk

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

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

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other financial instruments, including bills receivables and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered amounts due from related companies to be low risk and thus the impairment assessment during the year was limited to 12-month ECL.

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

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management uses the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL	
		Trade receivables	Other financial assets
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	Lifetime ECL (simplified approach)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

For the year ended 31 March 2021

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	**Performing**	**Lifetime ECL (simplified approach)**	**166,551**	**–**	**166,551**
Bills receivables	**Performing**	**12-month ECL**	**6,119**	**–**	**6,119**
Other receivables	**Performing**	**12-month ECL**	**6,587**	**–**	**6,587**
Other receivables	**Default**	**Lifetime ECL – credit impaired**	**4,000**	**(4,000)**	**–**
				(4,000)	

For the year ended 31 March 2020

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss Allowance HK$'000	Net carrying amount HK$'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	157,621	–	157,621
Bills receivables	Performing	12-month ECL	8,159	–	8,159
Other receivables	Performing	12-month ECL	19,276	–	19,276
Other receivables	Default	Lifetime ECL – credit impaired	4,000	(4,000)	–
				(4,000)	

The Group has concentration of credit risk as 11% (2020: 11%) and 36% (2020: 43%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. No significant collectability issues have been identified in the past.

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

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

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 repayable on demand clause are included in the earliest time band regardless of the probability of a related company choosing to exercise their rights. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

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

	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
At 31 March 2021					
Unsecured borrowings from a related company	**166,000**	**–**	**–**	**166,000**	**166,000**
Trade and other payables	**93,669**	**–**	**–**	**93,669**	**93,669**
	259,669	**–**	**–**	**259,669**	**259,669**
Lease liabilities	**26,306**	**18,446**	**56,450**	**101,202**	**83,768**
At 31 March 2020					
Unsecured borrowings from a related company	166,000	–	–	166,000	166,000
Trade and other payables	94,871	–	–	94,871	94,871
	260,871	–	–	260,871	260,871
Lease liabilities	31,500	16,919	1,879	50,298	48,089

As at 31 March 2021, unsecured borrowings from a related company in aggregate of HK$166,000,000 (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 do not believe that it is probable that the related company will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$166,000,000 (2020: HK$166,000,000) and approximately HK$781,000 (2020: HK$781,000) respectively.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Capital risk management

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

The Group monitors capital on the basis of the debt-to-asset ratio. The ratio is calculated as total debt divided by total assets. Total debt is calculated as interest-bearing borrowings and lease liabilities.

	2021 HK$'000	2020 HK$'000
Total debt	**249,768**	214,089
Total assets	**920,249**	825,309
Debt-to-asset ratio	**27%**	26%

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

(c) Fair value measurement

Fair value measurement recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 March 2021			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial asset at FVTPL				
Listed equity instruments	27	–	–	27

There were no transfers between levels of fair value hierarchy during the year.

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement (Continued)

Fair value of financial assets that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instrument	Fair value hierarchy	Fair value as at 31.3.2021 HK$'000	Fair value as at 31.3.2020 HK$'000	Valuation technique and key inputs
Listed equity instruments	Level 1	**27**	–	Quoted bid prices in an active market

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

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

6. REVENUE

Revenue represents sales of precision metal products to external parties exclude sales related taxes. Revenue from contracts with customers within the scope of HKFRS 15 are recognised at a point in time.

7. SEGMENT INFORMATION

The chief operating decision-makers ("**CODM**") are identified as the executive directors 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.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit from each segment without allocation of other (losses)/gains, net, distribution and selling expenses, general and administrative expenses, loss on disposal of subsidiaries, 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, financial asset at FVTPL, time deposits with maturity over three months, restricted bank deposits, cash and cash equivalents, current income tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred income tax liabilities, unsecured borrowings from a related company, current income tax liabilities and other unallocated head office and corporate liabilities.

Capital expenditures comprise of additions to plant and equipment and right-of-use assets.

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

7. SEGMENT INFORMATION (Continued)

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

(i) FOR THE YEAR ENDED 31 MARCH 2021:

	Metal stamping HK$'000	Metal lathing HK$'000	Total HK$'000
Segment revenue			
Sales	406,383	271,987	678,370
Intersegment sales	(42)	–	(42)
Sales to external customers	406,341	271,987	678,328
Cost of sales	(323,711)	(202,642)	(526,353)
Segment profit	82,630	69,345	151,975
Unallocated expenses			(123,971)
Finance income			4,579
Finance costs			(11,254)
Profit before tax			21,329
Income tax expense			(2,926)
Profit for the year			18,403

	Metal stamping HK$'000	Metal lathing HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit:				
Depreciation of plant and equipment	6,782	21,375	289	28,446
Depreciation of right-of-use assets	17,405	10,379	1,901	29,685

7. SEGMENT INFORMATION (Continued)

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

(ii) FOR THE YEAR ENDED 31 MARCH 2020:

	Metal stamping HK$'000	Metal lathing HK$'000	Total HK$'000
Segment revenue			
Sales	684,567	303,646	988,213
Intersegment sales	(227)	(1,242)	(1,469)
Sales to external customers	684,340	302,404	986,744
Cost of sales	(512,075)	(239,600)	(751,675)
Segment profit	172,265	62,804	235,069
Unallocated expenses			(208,661)
Finance income			894
Finance costs			(18,611)
Profit before tax			8,691
Income tax expense			(8,059)
Profit for the year			632

	Metal stamping HK$'000	Metal lathing HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit:				
Depreciation of plant and equipment	12,283	15,246	3,023	30,552
Depreciation of right-of-use assets	33,792	10,443	2,325	46,560

7. SEGMENT INFORMATION (Continued)

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

(i) AS AT 31 MARCH 2021:

	Metal stamping HK$'000	Metal lathing HK$'000	Total HK$'000
Segment assets	199,346	304,546	503,892
Reconciliation			
Corporate and other unallocated assets			
Deferred income tax assets			1,975
Current income tax recoverable			2,829
Financial asset at FVTPL			27
Time deposits with maturity over three months			160,000
Restricted bank deposits			675
Cash and cash equivalents			243,452
Other unallocated head office and corporate assets			7,399
Total assets			920,249
Segment liabilities	60,342	123,091	183,433
Reconciliation			
Corporate and other unallocated liabilities			
Deferred income tax liabilities			2,136
Unsecured borrowings from a related company			166,000
Current income tax liabilities			3,581
Other unallocated head office and corporate liabilities			5,468
Total liabilities			360,618
Segmental capital expenditures	12,868	87,589	100,457
Total capital expenditures			100,457

7. SEGMENT INFORMATION (Continued)

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

(ii) AS AT 31 MARCH 2020:

	Metal stamping HK$'000	Metal lathing HK$'000	Total HK$'000
Segment assets	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			17,193
Total assets			825,309
Segment liabilities	72,942	62,348	135,290
Reconciliation			
Corporate and other unallocated liabilities			
Deferred income tax liabilities			879
Unsecured borrowings from a related company			166,000
Current income tax liabilities			3,361
Other unallocated head office and corporate liabilities			7,670
Total liabilities			313,200
Segmental capital expenditures	10,965	15,066	26,031
Reconciliation			
Other unallocated head office and corporate capital expenditures			6,580
Total capital expenditures			32,611

7. SEGMENT INFORMATION (Continued)

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

(i) FOR THE YEAR ENDED 31 MARCH 2021

	Metal stamping HK$'000	Metal lathing HK$'000	Total HK$'000
Geographical region			
The PRC	281,298	196,848	478,146
North America	42,655	27,562	70,217
Europe	20,303	47,201	67,504
Singapore	10,870	38	10,908
Japan	9	–	9
Others	51,206	338	51,544
Total	406,341	271,987	678,328

(ii) FOR THE YEAR ENDED 31 MARCH 2020

	Metal stamping HK$'000	Metal lathing HK$'000	Total HK$'000
Geographical region			
The PRC	405,990	241,172	647,162
North America	106,296	28,806	135,102
Europe	34,805	31,787	66,592
Singapore	114,424	97	114,521
Japan	10,304	–	10,304
Others	12,521	542	13,063
Total	684,340	302,404	986,744

7. SEGMENT INFORMATION (Continued)

(d) The non-current assets, other than deposits and deferred income tax assets, of the Group as at 31 March 2021 and 2020 are as follows:

	2021 HK$'000	2020 HK$'000
The PRC	**227,546**	167,420
Hong Kong	**4,611**	6,954
	232,157	174,374

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

	2021 HK$'000	2020 HK$'000
Customer A[1]	**112,550**	113,599
Customer B[2]	**78,487**	N/A[3]

1 Revenue from metal stamping
2 Revenue from metal lathing
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. OTHER (LOSSES)/GAINS, NET

	2021 HK$'000	2020 HK$'000
Loss on disposal of plant and equipment	**(183)**	(2,521)
Reversal of impairment of plant and equipment	**–**	217
Exchange (losses)/gains, net	**(14,215)**	12,476
Government subsidies (Note)	**6,109**	14,056
Fair value gain on financial asset at FVTPL	**15**	–
Others	**(17)**	1,811
	(8,291)	26,039

Note: The amounts represented the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the years ended 31 March 2021 and 2020.

During the year ended 31 March 2021, the Group recognised government grants of HK$840,000 in respect of COVID-19 related subsidies, which related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

9. FINANCE COSTS AND FINANCE INCOME

	2021 HK$'000	2020 HK$'000
Finance costs		
Interest expense on bank borrowings	–	28
Interest expense on unsecured borrowings from a related company	8,715	11,020
Interest expense on lease liabilities	2,539	7,563
	11,254	18,611
Finance income		
Interest income on bank balances and deposits	4,319	859
Interest income on amounts due from a related company	260	35
	4,579	894

10. PROFIT BEFORE TAX

Profit for the year has been arrived at after charging:

	2021 HK$'000	2020 HK$'000
Staff costs		
Directors' emoluments (note 12)	5,068	5,068
Other staff:		
– salaries and other allowances	146,350	229,579
– retirement benefits scheme contributions (excluding Directors)	3,538	5,746
	154,956	240,393
Auditor's remuneration		
– audit services	1,020	1,270
– non-audit services	378	420
Cost of inventories sold (Note (a))	532,383	754,947
Depreciation of plant and equipment	28,446	30,552
Depreciation of right of-use assets	29,685	46,560
Research and development expenses (Note (b))	29,586	39,277

Notes:

(a) Included in cost of sales was reversal of write-down of inventories of approximately HK$6,795,000 (2020: HK$3,272,000) which were sold at profit during the year ended 31 March 2021 and write-off of inventories of approximately HK$765,000 (2020: nil).

(b) Included in research and development expenses was staff cost of approximately HK$16,497,000 (2020: HK$17,012,000) which has been included in staff costs disclosure above.

11. EMPLOYEE BENEFITS EXPENSE

	2021 HK$'000	2020 HK$'000
Short-term employee benefits (Note (a))	**151,400**	234,629
Retirement benefits schemes contributions	**3,556**	5,764
Total employee benefits expense (including Directors)	**154,956**	240,393

(i) HONG KONG

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

(ii) THE PRC, OTHER THAN HONG KONG

The employees in the Group who work in the PRC are required to participate in pension schemes operated by the local governments. The Group is required to contribute 5% to 8% (2020: 5% to 8%) of their payroll costs to the schemes. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes.

Notes:

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2020: one) director whose emoluments are reflected in the analysis shown in note 12. The emoluments payable to the remaining four (2020: four) individuals during the year ended 31 March 2021 are as follows:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**6,178**	10,050
Retirement benefits schemes contributions	**109**	71
	6,287	10,121

11. EMPLOYEE BENEFITS EXPENSE (Continued)

Notes: (Continued)

(b) Five highest paid individuals (Continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follow:

	Number of individuals 2021	2020
Remuneration bands:		
HK$1,000,001 to HK$2,000,000	**4**	1
HK$2,000,001 to HK$3,000,000	–	2
HK$3,000,001 to HK$4,000,000	–	1

(c) For the year ended 31 March 2021, no remuneration were paid by the Group (2020: nil) to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which any of the five highest paid individuals waived or agreed to waive any of the remuneration.

12. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND THE LISTING RULES)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The remunerations paid or payable of each to the 6 (2020: 6) directors, including the chief executive, were as follows:

For the year ended 31 March 2021

	Executive directors		Non-executive director	Independent non-executive directors			
	Sun Kwok Wah Peter ("Mr. Sun") HK$'000	Wong Chi Kwok ("Mr. Wong") HK$'000	Zhang Haifeng HK$'000	Wan Kam To HK$'000	Zhao Yue HK$'000	Shen Zheqing HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings:							
Fees	–	300	150	400	150	150	1,150
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings:							
Salaries	3,900	–	–	–	–	–	3,900
Retirement benefits schemes contributions	18	–	–	–	–	–	18
Total emoluments	3,918	300	150	400	150	150	5,068

12. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND THE LISTING RULES) (Continued)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 March 2020

	Executive directors		Non-executive director	Independent non-executive directors			
	Mr. Sun	Mr. Wong	Zhang Haifeng	Wan Kam To	Zhao Yue	Shen Zheqing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings:							
Fees	–	300	150	400	150	150	1,150
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings:							
Salaries	3,900	–	–	–	–	–	3,900
Retirement benefits schemes contributions	18	–	–	–	–	–	18
Total emoluments	3,918	300	150	400	150	150	5,068

Mr. Sun was the chief executive of the Company for years ended 31 March 2021 and 2020.

(B) DIRECTORS' TERMINATION BENEFITS

No termination benefits was provided to or receivable by any director during the year as compensation for the early termination of appointment (2020: nil).

(C) WAIVER OF EMOLUMENTS

No directors waived or agreed to waive any emoluments during the years ended 31 March 2021 and 2020.

(D) INDUCEMENT TO JOIN OR UPON JOINING THE GROUP

No emoluments have been paid by the Group to the Directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 March 2021 and 2020.

13. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current income tax		
– Hong Kong profits tax	–	1,983
– The PRC	**2,531**	3,841
– Withholding tax	**604**	8,189
Adjustments in respect of		
– Over-provision in prior years	**(275)**	(174)
	2,860	13,839
Deferred income tax (note 25)	**66**	(5,780)
Total	**2,926**	8,059

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

Below are the major tax jurisdictions that the Group operates in for the years ended 31 March 2021 and 2020.

(A) HONG KONG PROFITS TAX

For the year ended 31 March 2020, 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%. For the year ended 31 March 2021, no Hong Kong profits tax has been provided 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 year ended 31 March 2021 is provided at the rate of 25% (2020: 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 year ended 31 March 2021, a lower 5% (2020: 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. INCOME TAX EXPENSE (Continued)

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

	2021 HK$'000	2020 HK$'000
Profit before tax	**21,329**	8,691
Tax calculated at the standard tax rate of the respective entities	**2,261**	696
Tax effect of income not taxable for tax purpose	**(1,475)**	(91)
Tax effect of expenses not deductible for tax purpose	**2,421**	9,642
Tax effect of super deduction on research and development expense	**(3,177)**	(4,419)
Over-provision in prior years	**(275)**	(174)
Deferred income tax charged in respect of withholding income tax on undistributed profits	**1,861**	1,787
Effect of two-tiered profits tax rates regime	**–**	(165)
Utilisation of tax losses previously not recognised	**–**	(580)
Tax losses for which no deferred income tax asset was recognised	**1,310**	1,383
Tax effect of tax exemption (Note)	**–**	(20)
Income tax expense	**2,926**	8,059

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2019/20 of HK$20,000 per case.

14. EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE

	2021	2020
Profit attributable to owners of the Company (HK$'000)	**17,923**	644
Number of shares in issue ('000)	**600,000**	600,000
Basic and diluted earnings per share (HK cents per share)	**2.99**	0.11

Basic earnings per share for the years ended 31 March 2021 and 2020 is calculated by dividing the profit attributable to owners of the Company by 600,000,000 ordinary shares in issue during the years ended 31 March 2021 and 2020.

Diluted earnings per share is the same as basic earnings per share as the Company had no potential ordinary share in issue during the years ended 31 March 2021 and 2020.

15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

16. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and office equipment HK$'000	Construction in-progress HK$'000	Total HK$'000
At 31 March 2019						
Cost	36,995	433,435	28,932	39,906	554	539,822
Accumulated depreciation	(31,745)	(254,180)	(13,662)	(32,600)	–	(332,187)
Accumulated impairment	(1,985)	(14,533)	–	(667)	–	(17,185)
Net book amount	3,265	164,722	15,270	6,639	554	190,450
Year ended 31 March 2020						
Opening net book amount	3,265	164,722	15,270	6,639	554	190,450
Impact on initial adoption of HKFRS 16	–	(19,799)	(769)	–	–	(20,568)
Additions	7,180	12,785	1,051	1,375	1,948	24,339
Disposals	–	(3,352)	–	(10)	–	(3,362)
Disposal of subsidiaries (note 28)	(418)	(24,763)	(10,494)	(2,779)	–	(38,454)
Transfers	–	806	–	18	(824)	–
Depreciation	(1,997)	(23,488)	(3,469)	(1,598)	–	(30,552)
Reversal of impairment loss	–	217	–	–	–	217
Transfer from right-of-use assets (note 17)	–	16,777	–	–	–	16,777
Exchange differences	(287)	(6,147)	(97)	(214)	(92)	(6,837)
Closing net book amount	7,743	117,758	1,492	3,431	1,586	132,010
At 31 March 2020						
Cost	**32,224**	**291,704**	**3,160**	**12,968**	**1,586**	**341,642**
Accumulated depreciation	**(24,481)**	**(167,460)**	**(1,668)**	**(9,537)**	**–**	**(203,146)**
Accumulated impairment	**–**	**(6,486)**	**–**	**–**	**–**	**(6,486)**
Net book amount	**7,743**	**117,758**	**1,492**	**3,431**	**1,586**	**132,010**
Year ended 31 March 2021						
Opening net book amount	**7,743**	**117,758**	**1,492**	**3,431**	**1,586**	**132,010**
Additions	**1,371**	**11,652**	**384**	**1,561**	**7,093**	**22,061**
Disposals	**–**	**(139)**	**(40)**	**(34)**	**–**	**(213)**
Transfers	**–**	**479**	**–**	**506**	**(985)**	**–**
Depreciation	**(5,772)**	**(21,115)**	**(507)**	**(1,052)**	**–**	**(28,446)**
Exchange differences	**394**	**8,987**	**74**	**320**	**450**	**10,225**
Closing net book amount	**3,736**	**117,622**	**1,403**	**4,732**	**8,144**	**135,637**
At 31 March 2021						
Cost	**36,261**	**326,308**	**3,275**	**15,888**	**8,144**	**389,876**
Accumulated depreciation	**(32,525)**	**(202,200)**	**(1,872)**	**(11,156)**	**–**	**(247,753)**
Accumulated impairment	**–**	**(6,486)**	**–**	**–**	**–**	**(6,486)**
Net book amount	**3,736**	**117,622**	**1,403**	**4,732**	**8,144**	**135,637**

17. LEASES

(i) RIGHT-OF-USE ASSETS

	Plant and machinery HK$'000	Motor vehicles HK$'000	Buildings HK$'000	Total HK$'000
Year ended 31 March 2020				
At 1 April 2019	19,799	769	150,274	170,842
Additions	–	–	8,272	8,272
Depreciation	(2,061)	(155)	(44,344)	(46,560)
Disposal of subsidiaries (note 28)	–	–	(66,026)	(66,026)
Exchange differences	(961)	–	(6,426)	(7,387)
Transfer to plant and equipment (note 16)	(16,777)	–	–	(16,777)
Closing net book amount	–	614	41,750	42,364
At 31 March 2020				
Cost	–	769	66,374	67,143
Accumulated depreciation	–	(155)	(24,624)	(24,779)
Net book amount	–	614	41,750	42,364
Year ended 31 March 2021				
Opening net book amount	**–**	**614**	**41,750**	**42,364**
Additions	**11,329**	**–**	**60,672**	**72,001**
Depreciation	**(438)**	**(155)**	**(29,092)**	**(29,685)**
Exchange differences	**573**	**–**	**4,872**	**5,445**
Closing net book amount	**11,464**	**459**	**78,202**	**90,125**
At 31 March 2021				
Cost	**11,925**	**769**	**133,349**	**146,043**
Accumulated depreciation	**(461)**	**(310)**	**(55,147)**	**(55,918)**
Net book amount	**11,464**	**459**	**78,202**	**90,125**

The Group has lease arrangements for office premises, factories, carparks, motor vehicles and plant and machineries located in Hong Kong and the PRC. The lease terms are generally ranged from two to six years (2020: two to three years).

Additions to the right-of-use assets for the year ended 31 March 2021 amounted to approximately HK$72,001,000, due to new lease of machineries, office premises and factory (2020: HK$8,272,000, due to new lease of office premises and carparks and factory).

The right-of-use assets of approximately HK$16,777,000 have been transferred to plant and equipment since respective lease liabilities have been fully settled during the year ended 31 March 2020. No transfer of right-of-use assets during the year ended 31 March 2021.

17. LEASES (Continued)

(ii) LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Non-current	**62,928**	18,362
Current	**20,840**	29,727
	83,768	48,089

AMOUNTS PAYABLE UNDER LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Within one year	**20,840**	29,727
After one year but within two years	**14,361**	16,532
After two years but within five years	**48,567**	1,830
	83,768	48,089
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(20,840)**	(29,727)
Amount due for settlement after 12 months	**62,928**	18,362

As at 31 March 2021, the lease liabilities in respect of leased motor vehicles and machineries under hire purchase agreements amounted to approximately HK$53,000 and HK$7,124,000 respectively were secured by the lessor's title to the leased assets (2020: leased motor vehicles amounted to approximately HK$359,000).

During the year ended 31 March 2021, the Group entered into a number of new lease agreements for machineries, office premises and factory and recognised lease liabilities of approximately HK$66,181,000 (2020: new lease of office premises, carparks and factory and recognised lease liabilities of approximately HK$8,272,000).

17. LEASES (Continued)

(iii) AMOUNT RECOGNISED IN PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Depreciation of right-of-use assets	**29,685**	46,560
Interest expense on lease liabilities	**2,539**	7,563
Expense relating to short-term leases	**402**	344

(iv) OTHER

During the year ended 31 March 2021, the total cash outflow for leases amounted to HK$38,637,000 (2020: HK$54,739,000).

Restrictions or covenants on leases

As at 31 March 2021, lease liabilities of approximately HK$83,768,000 are recognised with related right-of-use assets of approximately HK$90,125,000 (2020: lease liabilities of approximately HK$48,089,000 and related right-of-use assets of approximately HK$42,364,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**30,096**	27,752
Work in progress	**17,206**	16,823
Finished goods	**43,500**	20,067
	90,802	64,642

As at 31 March 2021, the carrying amount of inventories of approximately HK$90,802,000 (2020: HK$64,642,000), has been net of accumulated provision of write-down of approximately HK$6,013,000 (2020: HK$12,458,000). The Group recognised amount of approximately HK$6,795,000 (2020: HK$3,272,000) in respect of the reversal of write-down of inventories which were sold at profit for the year ended 31 March 2021. No write-down of inventories to their net realisable values was recognised for the years ended 31 March 2021 and 2020. The amount has been included in the cost of sales in the consolidated profit or loss and other comprehensive income.

19. TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Bills receivables (Note (a))	**6,119**	8,159
Trade receivables (Note (b))		
– third parties	**166,515**	157,510
– a related company	**36**	111
	166,551	157,621
	172,670	165,780

At as 31 March 2021, the gross amount of trade receivables and bills receivables arising from contracts with customers amounted to approximately HK$166,551,000 and HK$6,119,000 (31 March 2020: HK$157,621,000 and HK$8,159,000 and 1 April 2019: HK$229,688,000 and HK$7,605,000) respectively.

The Group did not hold any collaterals over these balances.

Notes:

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

	2021 HK$'000	2020 HK$'000
Up to 3 months	**6,119**	8,159

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the counterparties are banks with high credit ratings, no additional loss allowance was provided on the Group's bills receivables during the years ended 31 March 2021 and 2020.

(b) The Group normally grants credit periods of 30 to 90 days (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.

	2021 HK$'000	2020 HK$'000
Up to 3 months	**152,952**	127,321
3 to 6 months	**9,753**	28,053
6 months to 1 year	**3,838**	2,215
1 to 2 years	**8**	32
	166,551	157,621

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Due to the financial uncertainty arising from COVID-19, the Group has increased the expected loss rate for trade receivables based on their judgment as to the impact of COVID-19 on the trade receivable portfolio.

19. TRADE AND BILLS RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The lifetime ECL for trade receivables based on the past due status of customers collectively that are not individually significant as follows:

For the year ended 31 March 2021	Range of expected loss rate	Carrying amount HK$'000
Current to 1 month past due	0.22% to 0.26%	154,455
1 month to 3 months past due	0.37% to 0.70%	11,249
More than 3 months past due	1.68% to 3.33%	847
		166,551

For the year ended 31 March 2020	Range of expected loss rate	Carrying amount HK$'000
Current to 1 month past due	0.15% to 0.24%	139,986
1 month to 3 months past due	0.22% to 0.61%	7,519
More than 3 months past due	0.98% to 2.02%	10,116
		157,621

The changes in range of expected loss rate were mainly due to the change of macro-economic and the recession in one of the customers' industry.

For the years ended 31 March 2021 and 2020, the directors of the Company consider the ECL of trade receivables is immaterial.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Non-current asset		
Prepayments and deposits	**8,945**	3,255
Current assets		
Prepayments, deposits and other receivables	**13,112**	21,592
Amounts due from related companies (Note (b))	**–**	7,816
Amounts due from non-controlling shareholders (Note (c))	**4,000**	4,000
	17,112	33,408
Less: allowance for impairment losses (Note (a))	**(4,000)**	(4,000)
	13,112	29,408
	22,057	32,663

The Group did not hold any collaterals over these balances.

Notes:

(a) The Group recognised lifetime ECL and 12-month ECL for other receivables based on individually significant customers as follows:

For the year ended 31 March 2021

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Other receivables – Default	100%	4,000	(4,000)	–
Other receivables – Performing	*	6,587	–	6,587
		10,587	(4,000)	6,587

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) The Group recognised lifetime ECL and 12-month ECL for other receivables based on individually significant customers as follows: (Continued)

For the year ended 31 March 2020

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Other receivables – Default	100%	4,000	(4,000)	–
Other receivables – Performing	*	19,276	–	19,276
		23,276	(4,000)	19,276

*: For the remaining balance of other receivables, it has low risk of default or has not been significantly increased in credit risk since initial recognition. The directors of the Company consider the ECL is immaterial.

The movement in the impairment allowance for other receivables and amounts due from non-controlling shareholders during the years ended 31 March 2021 and 2020 are as follows:

	2021 HK$'000	2020 HK$'000
At 1 April	**4,000**	4,794
Disposal of subsidiaries	**–**	(794)
At 31 March	**4,000**	4,000

(b) The Group recognise 12-month ECL for amounts due from related companies. The amounts are unsecured and repayable on demand. As at 31 March 2020, except for balance of approximately HK$7,796,000 carrying interest at prime rate per annum, the remaining balances are interest-free. The balance had been fully received during the year ended 31 March 2021.

(c) The Group recognise lifetime ECL for amounts due from non-controlling shareholders. The balances are unsecured, non-interest bearing and repayable on demand.

21. FINANCIAL ASSET AT FVTPL

Financial asset at FVTPL comprise:

	2021 HK$'000	2020 HK$'000
Financial asset measured at FVTPL – Equity securities listed in Hong Kong	**27**	–

22. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS/TIME DEPOSITS WITH MATURITY OVER THREE MONTHS

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**193,452**	148,110
Bank deposits	**210,675**	238,244
	404,127	386,354
Less: Time deposits with maturity over three months (note (ii))	**(160,000)**	–
Restricted bank deposits (note (iii))	**(675)**	–
Cash and cash equivalents (note (i))	**243,452**	386,354

(i) Cash and cash equivalents comprise bank balances at market rates which ranged from 0.01% to 0.50% per annum (2020: 0.01% to 0.50% per annum) and short-term bank deposits at market interest rate at 0.08% per annum (2020: 2.0% per annum) with a maturity date of 3 months for the years ended 31 March 2021 and 2020.

(ii) Time deposits carry interest rate ranged from 0.2% to 0.29% per annum (2020: nil) with an original maturity of 6 months for the year ended 31 March 2021.

(iii) Restricted bank deposits are for certain import purchases in the PRC.

(iv) As at 31 March 2021, the Group's cash and cash equivalents included balances of approximately HK$112,146,000 (2020: HK$71,870,000), which were bank balances in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Details of impairment assessment of bank balances and bank deposits are set out in note 5.

23. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital HK$'000	Share premium HK$'000	Total HK$'000
ORDINARY SHARE OF HK$0.1 EACH				
Authorised				
At 31 March 2020 and 2021	4,500,000,000	450,000		
Issued and fully paid				
At 31 March 2020 and 2021	600,000,000	60,000	26,135	86,135

24. RESERVES

(a) During the year ended 31 March 2012, as part of the re-organisation, KFM Group Limited ("**KFM BVI**") acquired 100% of the issued share capital of Kingdom Fine Metal Limited ("**KFM HK**") on 11 October 2011 and KFM-HK acquired the issued share capital of 49% and 10% of Kingdom (Reliance) Precision Parts Manufactory Limited ("**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 gained 100% control of the companies. The subscription of new shares of KFM BVI was accounted for by the Group using merger method and approximately HK$3,500,000 was recognised in capital reserve which mainly represented 100%, 49% and 10% of the aggregated issued share capital of KFM HK, KRP HK and KPP HK respectively.

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

During the year ended 31 March 2020, entire equity interest in KFM HK was disposed and resulting a debit of approximately HK$1,087,000 to the 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.

25. DEFERRED INCOME TAX

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

	2021 HK$'000	2020 HK$'000
Deferred income tax assets	**1,975**	667
Deferred income tax liabilities	**(2,136)**	(879)
	(161)	(212)

The movements in deferred income tax assets and liabilities during the years ended 31 March 2021 and 2020 are as follows:

	2021 HK$'000	2020 HK$'000
Deferred income tax assets:		
At 1 April	**667**	1,890
Disposal of subsidiaries (note 28)	**–**	(601)
Credited/(charged) to profit or loss	**1,191**	(622)
Exchange differences	**117**	–
At 31 March	**1,975**	667
Deferred income tax liabilities:		
At 1 April	**(879)**	(7,327)
Disposal of subsidiaries (note 28)	**–**	46
(Charged)/credited to profit or loss	**(1,257)**	6,402
At 31 March	**(2,136)**	(879)

25. DEFERRED INCOME TAX (Continued)

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

	Provision of severance payments HK$'000	Accelerated accounting (tax) depreciation HK$'000	Undistributed profits from subsidiaries HK$'000 (note)	Total HK$'000
At 1 April 2019	–	1,890	(7,327)	(5,437)
Disposal of subsidiaries (note 28)	–	(601)	46	(555)
(Charged)/credited to profit or loss (note 13)	–	(622)	6,402	5,780
At 31 March 2020 and 1 April 2020	**–**	**667**	**(879)**	**(212)**
Credited/(charged) to profit or loss (note 13)	**1,282**	**(91)**	**(1,257)**	**(66)**
Exchange differences	**68**	**49**	**–**	**117**
At 31 March 2021	**1,350**	**625**	**(2,136)**	**(161)**

Note: Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred income tax has been provided for in the consolidated financial statements in respect of temporary taxable difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$42,720,000 (2020: HK$17,580,000) as the Group considered the temporary differences will be reversed in the foreseeable future upon declaration of dividends of subsidiaries.

As at 31 March 2021, deferred income tax assets of approximately HK$1,975,000 (2020: HK$667,000) have been recognised in the Group's consolidated financial statements in relation to deductible temporary differences of approximately HK$13,167,000 (2020: HK$4,452,000).

The Group did not recognise deferred income tax assets of approximately HK$8,232,000 (2020: HK$6,922,000) due to the unpredictability of future profit stream in respect of tax losses amounting to approximately HK$49,894,000 (2020: HK$41,953,000) available for offset against future profits which can be carried forward indefinitely.

26. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables (Note (a))		
– third parties	**74,018**	67,164
– related companies	**–**	2,080
	74,018	69,244
Accruals and other payables (Note (b))	**31,115**	25,627
	105,133	94,871

26. TRADE AND OTHER PAYABLES (Continued)

Notes:

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

	2021 HK$'000	2020 HK$'000
Up to 3 months	**73,168**	63,673
3 to 6 months	**658**	5,417
6 months to 1 year	**54**	91
1 to 2 years	**138**	63
	74,018	69,244

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

(b) Included in the Group's accruals and other payables as at 31 March 2021 were accrued directors' emoluments and provision of severance payments in relation to the relocation of factory of approximately HK$71,000 and HK$9,000,000 (2020: HK$421,000 and nil) respectively.

27. UNSECURED BORROWINGS FROM A RELATED COMPANY

	2021 HK$'000	2020 HK$'000
Due for repayment within 1 year which contains a repayment on demand clause	**166,000**	166,000

As at 31 March 2021, unsecured borrowings of HK$166,000,000 (2020: HK$166,000,000) were advanced from KIG, a company in which a director of the Company, Mr. Wong, has beneficial interests in, of which HK$166,000,000 (2020: HK$166,000,000) contain a repayment on demand clause.

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

Subsequent to the year ended 31 March 2021, the Group renewed unsecured borrowings of HK$106,000,000 and HK$30,000,000 with KIG for another 1 year in April 2021 and June 2021 respectively at the prime rate of 5.25% per annum.

28. DISPOSAL OF SUBSIDIARIES

FOR THE YEAR ENDED 31 MARCH 2020

*KFM BVI AND ITS SUBSIDIARIES (COLLECTIVELY REFERRED TO AS THE “**KFM GROUP**”)*

On 22 January 2020, Able Elite Holdings Limited (“**Able Elite**”), a wholly-owned direct subsidiary of the Company, entered into a sale and purchase agreement with KIG, a related company of the Group, to dispose of its 100% equity interest in KFM BVI, which was an investment holding company and in metal stamping segment prior to the disposal, at a consideration of HK$44,000,000. The consideration was used to off-set partial of the unsecured borrowings from KIG on a dollar-to-dollar basis. The Group lost its control over KFM Group and KFM Group ceased to be the subsidiaries of the Group after the completion of abovementioned disposal on 13 March 2020. The net assets of KFM Group at the date of control was lost were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	38,454
Intangible assets	–
Goodwill	–
Interest in an associate	–
Right-of-use assets	66,026
Deferred income tax assets	601
Inventories	26,885
Trade receivables	62,821
Prepayments, deposits and other receivables	21,636
Cash and cash equivalents	29,477
Trade and other payables (Note)	(111,051)
Lease liabilities	(69,364)
Current income tax liabilities	(2,182)
Deferred income tax liabilities	(46)
Net assets disposed of	63,257

Note: Included in trade and other payables was amount due to the Group of approximately HK$20,261,000 which was unsecured, carrying interest at prime rate per annum and repayable on demand.

28. DISPOSAL OF SUBSIDIARIES (Continued)

FOR THE YEAR ENDED 31 MARCH 2020 (Continued)

KFM BVI AND ITS SUBSIDIARIES (COLLECTIVELY REFERRED TO AS THE "KFM GROUP") (Continued)

	HK$'000
Loss on disposal of KFM Group:	
Consideration	44,000
Net assets disposed of	(63,257)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	(7,529)
Loss on disposal of subsidiaries	(26,786)
Net cash outflow arising on disposal:	
Cash consideration received	–
Less: cash and cash equivalents disposed of	(29,477)
	(29,477)

29. COMMITMENTS

CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Authorised or contracted for but not provided:		
– Plant and machinery	**48,486**	11,284
– Capital investments	**5,270**	5,270
	53,756	16,554

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(A) NAME AND RELATIONSHIP WITH RELATED PARTIES

Name	Relationship
Mr. Sun	An executive director and the chief executive of the Group
KIG	A related company in which Mr. Wong, the executive director of the Company, has beneficial interests
KIG Real Estate Holdings Limited ("**KREH**")	A related company in which Mr. Sun and Mr. Wong, the executive directors of the Company, have beneficial interests
Innotech Advanced Products Limited ("**Innotech**")	A subsidiary of Gold Joy (HK) Industrial Limited which is owned by a connected party of Mr. Sun
Dongguan Tech-in Technical Electrical & Mechanical Products Limited ("**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

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(B) MATERIAL RELATED PARTY TRANSACTIONS

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

	2021 HK$'000	2020 HK$'000
Purchase of products from related companies:		
KFM HK	**597**	–
KFM SZ	**1,855**	–
Dongguan Tech-in	**127**	1,020
	2,579	1,020
Purchase of plant and machineries from related company:		
KFM SZ	**1,250**	–
Finance costs – interest expense on unsecured borrowings from a related company:		
KIG	**8,715**	11,020
Finance costs – interest expense on lease liabilities:		
KPST Suzhou	**794**	1,521
GECI	**240**	181
Finance income – interest income from amount due from a related company:		
KFM HK	**260**	35
Lease payments:		
KPST Suzhou	**20,743**	16,586
GECI	**2,050**	2,050
Loss on disposal of subsidiaries:		
KIG	**–**	(26,786)

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(C) BALANCES WITH RELATED COMPANIES

	2021 HK$'000	2020 HK$'000
Amounts due from related companies		
GECI	–	20
KFM HK	–	7,796
	–	7,816
Amounts due from non-controlling shareholders	**4,000**	4,000
Less: Provision for impairment	**(4,000)**	(4,000)
	–	–
Trade receivables from a related company		
KFM SZ	**36**	111
Trade payables to related companies		
KFM HK	–	(83)
KFM SZ	–	(1,968)
Dongguan Tech-in	–	(29)
	–	(2,080)
Lease liabilities		
KPST Suzhou	**(5,908)**	(24,687)
GECI	**(3,746)**	(5,556)
Unsecured borrowings from a related company		
KIG	**(166,000)**	(166,000)

30. 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 from KPST Suzhou. The amount of rent payable by the Group under the lease is approximately HK$1,419,000 per month. As at 31 March 2021, the carrying amount of such lease liabilities is approximately HK$5,908,000 (2020: HK$24,687,000). During the year ended 31 March 2021, the Group has made lease payment of approximately HK$20,743,000 (2020: HK$16,586,000) to KPST Suzhou.

In 2019, the Group entered into three three-year leases in respect of one office premises and two carparks with GECI respectively. The amount of rents payable by the Group under these leases is approximately HK$171,000 per month in total. As at 31 March 2021, the carrying amount of such lease liabilities is approximately HK$3,746,000 (2020: HK$5,556,000). During the year ended 31 March 2021, the Group has made lease payment of approximately HK$2,050,000 (2020: HK$2,050,000) to GECI.

(D) KEY MANAGEMENT COMPENSATION

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

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**8,664**	12,476
Retirement benefits schemes contributions	**54**	71
	8,718	12,547

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

FOR THE YEAR ENDED 31 MARCH 2021

			Non-cash changes				
	1 April 2020 HK$'000	Financing cash flows HK$'000	New lease arrangements HK$'000	Interest cost incurred HK$'000	Purchase of right-of-use assets (note 32) HK$'000	Exchange differences HK$'000	31 March 2021 HK$'000
Lease liabilities	48,089	(35,696)	58,653	–	7,528	5,194	83,768
Unsecured borrowings from a related company	166,000	–	–	–	–	–	166,000
Interest payable (included in trade and other payable)	1,313	(11,254)	–	11,254	–	–	1,313
	215,402	(46,950)	58,653	11,254	7,528	5,194	251,081

FOR THE YEAR ENDED 31 MARCH 2020

			Non-cash changes				
	1 April 2019 HK$'000	Financing cash flows HK$'000	Purchase/ (disposal) of plant and equipment (note 32) HK$'000	Interest cost incurred HK$'000	Off-set/ disposed upon the disposal of subsidiaries (note 28) HK$'000	Exchange differences HK$'000	31 March 2020 HK$'000
Lease liabilities	162,634	(46,832)	8,272	–	(69,364)	(6,621)	48,089
Unsecured borrowings from a related company	200,000	10,000	–	–	(44,000)	–	166,000
Interest payable (included in trade and other payable)	3,225	(20,523)	–	18,611	–	–	1,313
	365,859	(57,355)	8,272	18,611	(113,364)	(6,621)	215,402

32. NON-CASH TRANSACTIONS

During the year ended 31 March 2021, the Group entered into new arrangements in respect of office premises and factory. Right-of-use assets and lease liabilities of approximately HK$60,672,000 (included payment made before the commencement date of approximately HK$2,019,000) and HK$58,653,000 respectively were recognised at the commencement of the leases.

During the year ended 31 March 2021, the Group entered into a finance lease arrangement of approximately HK$7,528,000 in respect of plant and machineries with capital value at the commencement of the lease of approximately HK$11,329,000.

During the year ended 31 March 2020, the Group entered in to sale and purchase agreement in respect of disposal of the KFM Group at the consideration of HK$44,000,000. The consideration was used to off-set partial unsecured borrowings from a related company in a dollar-to-dollar basis.

During the year ended 31 March 2020, the Group entered into new arrangements in respect of office premises, carparks and factory. Right-of-use assets and lease liabilities of approximately HK$8,272,000 were recognised at the commencement of the leases.

During the year ended 31 March 2020, as a result of the disposal of the KFM Group on 13 March 2020, KFM HK, being an indirect wholly-owned subsidiary of the Company before 13 March 2020, became a related company of the Company on or after 13 March 2020. As at 31 March 2020, an amount due from KFM HK of approximately HK$7,796,000 became amount due from a related company. The balance had been fully received during the year ended 31 March 2021.

33. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current asset			
Investment in subsidiaries		**90,734**	90,734
Current assets			
Amounts due from a subsidiary	(i)	**60,000**	63,000
Financial asset at FVTPL		**27**	–
Time deposits with maturity over three months		**100,000**	–
Cash and cash equivalents		**71,198**	171,455
Total current assets		**231,225**	234,455
Total assets		**321,959**	325,189
EQUITY			
Capital and reserves		**60,000**	60,000
Share capital			
Share premium		**26,135**	26,135
Retained profits	(ii)	**235,824**	239,054
Total equity		**321,959**	325,189

Notes:

(i) The amount is are unsecured, non-interest bearing and repayable on demand.

(ii) Retained profits:

	Retained profits HK$'000
At 1 April 2019	246,209
Loss for the year	(7,155)
At 31 March 2020 and 1 April 2020	239,054
Loss for the year	(3,230)
At 31 March 2021	**235,824**

34. SUBSIDIARIES

The following is a list of the subsidiaries directly or indirectly held by the Company at 31 March 2021 and 2020:

Company name	Place of incorporation/ establishment/operation and kind of legal entity	Issued and fully paid up capital/ registered capital	Percentage of equity interest attributable to the Company				Principle activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Able Elite	BVI, limited liability company	US$6,000,000	100%	–	100%	–	Investment holding
Fast Great Consultants Limited	Hong Kong, limited liability company	HK$1	–	100%	–	100%	Investment holding
Fortune Reliance Smart Technology (Shanghai) Ltd* (富賚德智能科技(上海)有限公司)	Shanghai, the PRC, wholly foreign-owned enterprise	US$780,000	–	60%	–	60%	Manufacturing of senor products in the PRC
KFM Kingdom Management Limited	Hong Kong, limited liability company	HK$1	–	100%	–	100%	Provision of management services in Hong Kong
KRP-Shenzhen	Shenzhen, the PRC, wholly foreign-owned enterprise	US$8,500,000	–	100%	–	100%	Manufacturing and sale of fine metal products in the PRC
Kingdom (Reliance) Precision Parts Manufactory Holdings Limited	BVI, limited liability company	US$2	–	100%	–	100%	Investment holding
KRP-HK	Hong Kong, limited liability company	HK$5,000,000	–	100%	–	100%	Sale of fine metal products in Hong Kong and the PRC
Kingdom (Reliance) Smart Technology Limited	Hong Kong, limited liability company	HK$10,000,000	–	60%	–	60%	Investment holding
Kingdom Medical Engineering Holdings Limited#	BVI, limited liability company	US$10,000	–	–	–	100%	Investment holding
Kingdom Precision Product (Suzhou) Company Limited* (金德精密配件(蘇州)有限公司)	Suzhou, the PRC, wholly foreign-owned enterprise	US$15,570,880	–	100%	–	100%	Manufacturing and sale of fine metal products in the PRC
Kingdom Precision Product Holdings Limited	BVI, limited liability company	US$1	–	100%	–	100%	Investment holding
KPP-HK	Hong Kong, limited liability company	HK$10,000	–	100%	–	100%	Sale of fine metal products in Hong Kong and the PRC
Kingdom Reliance Mechatronic Components (Shanghai) Manufactory Limited* (金德利賚精密機電部件(上海)有限公司)	Shanghai, the PRC, wholly foreign-owned enterprise	US$3,530,000	–	100%	–	100%	Manufacturing and sale of fine metal products in the PRC

34. SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment/operation and kind of legal entity	Issued and fully paid up capital/ registered capital	Percentage of equity interest attributable to the Company 2021 Direct	2021 Indirect	2020 Direct	2020 Indirect	Principle activities
Ningbo Hongka Smart Technology Limited* (寧波港華智能科技有限公司)	Ningbo, the PRC, wholly foreign-owned enterprise	US$160,000	–	**60%**	–	60%	Trading of senor products in the PRC
Smart Galaxy Holdings Limited	BVI, limited liability company	US$1	**100%**	–	100%	–	Investment holding
KFM Kingdom Services Holdings Limited	BVI, limited liability company	US$1	–	**100%**	–	100%	Investment holding
KFM Kingdom Services Limited	Hong Kong, limited liability company	HK$1	–	**100%**	–	100%	Provision of management services in Hong Kong
Kingdom Reliance Technology (Huizhou) Co., Ltd* (德利賚精密智造(惠州)有限公司@)	Huizhou, the PRC, wholly foreign-owned enterprise	RMB28,000,000	–	**100%**	–	–	Manufacturing and sale of fine metal products in the PRC

Subsidiary deregistrated during the year ended 31 March 2021

@ Subsidiary incorporated during the year ended 31 March 2021

* The English name is for identification purpose only

None of the subsidiaries had issued any debt securities at the end of the years ended 31 March 2021 and 2020.

None of the subsidiaries have non-controlling interests that are material to the Group.

FIVE YEAR FINANCIAL SUMMARY

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

	Years ended 31 March				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Results					
Revenue	**678,328**	986,744	1,006,441	983,935	879,478
Cost of sales	**(526,353)**	(751,675)	(754,201)	(687,750)	(669,649)
Gross profit	**151,975**	235,069	252,240	296,185	209,829
Other (losses)/gains, net	**(8,291)**	26,039	44,735	(24,646)	16,040
Distribution and selling expenses	**(9,606)**	(21,562)	(25,074)	(21,228)	(20,140)
General and administrative expenses	**(106,074)**	(186,352)	(192,984)	(190,875)	(193,698)
Finance income	**4,579**	894	388	136	207
Finance costs	**(11,254)**	(18,611)	(17,460)	(20,156)	(16,654)
(Loss)/gain on disposal of subsidiaries	**–**	(26,786)	3,884	–	–
Profit/(loss) before income tax	**21,329**	8,691	65,729	39,416	(4,416)
Income tax expense	**(2,926)**	(8,059)	(15,037)	(4,212)	(12,638)
Profit/(loss) for the year	**18,403**	632	50,692	35,204	(17,054)
Other comprehensive income/(expenses)					
Currency translation differences	**29,119**	(20,368)	(36,737)	52,114	(30,288)
Release of exchange reserve	**–**	7,529	8,631	–	–
Total comprehensive income/(expense)	**47,522**	(12,207)	22,586	87,318	(47,342)
Profit/(loss) for the year attributable to:					
Owners of the Company	**17,923**	644	49,658	35,064	(15,481)
Total comprehensive income/(expenses) attributable to:					
Owners of the Company	**47,042**	(12,195)	21,552	87,178	(45,769)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company					
– Basic and diluted (HK cents)	**2.99**	0.11	8.28	5.84	(2.58)
Dividends	**–**	–	–	–	–

FIVE YEAR FINANCIAL SUMMARY

	As at 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**920,249**	825,309	930,602	1,097,043	901,209
Total liabilities	**(360,618)**	(313,200)	(406,286)	(595,313)	(486,797)
Net assets	**559,631**	512,109	524,316	501,730	414,412

BASIS OF PRESENTATION

The reorganisation has been accounted for using merger accounting and, accordingly, the financial information for the years ended 31 March 2017 as contained in "Five Years Financial Summary" had been prepared as if the structure of the Group resulting from the reorganisation had been in existence.