

KFM KINGDOM

KFM KINGDOM HOLDINGS LIMITED

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

Our Goals are
FAR AND HIGH

We cultivate for
TOMORROW

**2022
INTERIM
REPORT**



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Corporate Information

Non-executive Director

Mr. Zhang Haifeng (Chairman)

Executive Directors

Mr. Sun Kwok Wah Peter
(Chief Executive Officer)

Mr. Wong Chi Kwok

Independent non-executive Directors and audit committee

Mr. Wan Kam To (Chairman)

Ms. Zhao Yue

Mr. Shen Zheqing

Remuneration committee

Ms. Zhao Yue (Chairman)

Mr. Zhang Haifeng

Mr. Wan Kam To

Nomination committee

Mr. Zhang Haifeng (Chairman)

Mr. Sun Kwok Wah Peter

Mr. Wan Kam To

Ms. Zhao Yue

Mr. Shen Zheqing

Headquarters and principal place of business in Hong Kong

Workshop C, 31/F, TML Tower

3 Hoi Shing Road, Tsuen Wan

New Territories, Hong Kong

Principal place of business in the PRC

881 South Jinshan Road, Gaoxin District, Suzhou

Jiangsu Province, the PRC

Registered office

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Company secretary

Mr. Kwok For Chi

Authorised representatives

Mr. Sun Kwok Wah Peter

Mr. Kwok For Chi

Legal adviser as to Hong Kong law

Chiu & Partners

Auditor

SHINEWING (HK) CPA Limited

Registered Public Interest Entity Auditor

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
17/F, Far East Finance Centre
No. 16 Harcourt Road
Hong Kong

Website

www.kingdom.com.hk

Stock code

3816

Review of Interim Results

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of KFM Kingdom Holdings Limited (the “**Company**”) would like to announce the interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 September 2022 (the “**Reporting Period**”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), together with the comparative figures for the corresponding period of 2021.

The interim results and the interim condensed consolidated financial information of the Group for the Reporting Period, after being reviewed by the audit committee of the Company (the “**Audit Committee**”) and by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, were approved by the Board on 25 November 2022.

Business Review

During the Reporting Period, the disputes between the People’s Republic of China (“**PRC**”) and the United States of America (the “**US**”), Russia-Ukraine conflicts, sanctions on Russia and COVID-19 pandemic continuously affected the business environment of the Group and created significant uncertainties on the global economy. In particular, Shanghai implemented lock-down measures to restrict the movement in Shanghai following the outbreak of COVID-19 with a new variant of the coronavirus. Meanwhile, the Group was also under the pressure from the increase in material cost, labour cost and production costs in China. As such, the Group was still subject to uncertainties of global economic downturn, reduced demands, surging operating cost and fluctuation of currency exchange rates.

During the Reporting Period, the Group recorded revenue of approximately HK\$343.1 million, with an increase by approximately HK\$79.6 million or 30.2% as compared to a revenue of approximately HK\$263.5 million during the corresponding period last year. The increase was mainly due to the growth in the revenue derived from the customers engaged in the network and data storage industry as a result of surging demands arising from an acceleration and wider spread of digitalisation of business processes and higher volume of the internet activities subsequent to the outbreak of the pandemic.

The total gross profit of the Group increased by approximately HK\$18.1 million or 40.1% from approximately HK\$45.1 million during the corresponding period last year to approximately HK\$63.2 million during the Reporting Period. Due to the fact that the Group strived to control production costs and continued to review the product mix on a regular basis, the overall gross profit margin of the Group increased from approximately 17.1% in the corresponding period last year to approximately 18.4% during the Reporting Period.

During the Reporting Period, the Group recorded a net profit of approximately HK\$33.0 million. During the corresponding period last year, a profit from the continuing operations amounted to approximately HK\$8.1 million and a loss from the discontinued operations amounted to approximately HK\$73.8 million, which in aggregate amounted to a net loss of approximately HK\$65.7 million for the Group. The turn around from net loss to net profit during the Reporting Period was mainly attributable to (i) the disposal of a loss making business unit in its metal lathing segment; (ii) an increase in revenue derived from the customers engaged in the network and data storage industry as a result of the surging demands arising from an acceleration and wider spread of digitalisation of business processes and higher volume of the internet activities subsequent to the outbreak of the pandemic; and (iii) the depreciation of Renminbi against United States dollars during the Reporting Period.

Financial Review

Revenue

During the Reporting Period, revenue of the Group was approximately HK\$343.1 million, representing an increase of approximately HK\$79.6 million or 30.2% from approximately HK\$263.5 million for the corresponding period last year. The increase was mainly due to an increase in number of orders from customers who engaged in network and data storage industry during the Reporting Period.

Geographically, South East Asia, the PRC, Europe and North America continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 45.0%, 37.2%, 11.6% and 4.6% of the Group's revenue, respectively, for the Reporting Period. Details of a breakdown of revenue generated by different geographical locations are set out in Note 6 to this interim condensed consolidated financial information.

Review of Interim Results (Continued)

Cost of sales

Cost of sales primarily comprises the direct costs associated with the manufacturing of the Group's products. It mainly consists of direct materials, direct labour, processing fee and other direct overheads. Set out below is the breakdown of the Group's cost of sales:

	Six months ended 30 September			
	2022 HK\$'000 (Unaudited)	%	2021 HK\$'000 (Unaudited)	%
Direct material	200,361	71.6	153,168	70.1
Direct labour	49,316	17.6	40,908	18.7
Processing fee	17,822	6.4	22,642	10.4
Change in inventory of finished goods and work in progress	(7,441)	(2.7)	(14,224)	(6.5)
Other direct overheads	19,778	7.1	15,890	7.3
	279,836	100.0	218,384	100.0

During the Reporting Period, cost of sales of the Group increased by approximately HK\$61.4 million or 28.1% as compared to the same of the corresponding period last year. The increase was primarily due to growth in the revenue.

Gross profit and gross profit margin

During the Reporting Period, the gross profit margin of the Group was approximately 18.4%, with an increase by approximately 1.3% as compared to approximately 17.1% in the corresponding period last year. The increase of gross profit margin was mainly due to the change in product mix as well as a better control of production costs during the Reporting Period.

Other gains, net

During the Reporting Period, the Group recorded other gains, net which amounted to approximately HK\$16.9 million. In the corresponding period last year, the Group recorded other gains, net of approximately HK\$0.6 million. The other gains, net during the Reporting Period was mainly comprising a net exchange gain upon Renminbi depreciation of approximately HK\$16.3 million and government subsidies of approximately HK\$0.6 million.

Distribution and selling expenses

Distribution and selling expenses represented the expenses incurred for the promotion and selling of the Group's products. It mainly comprises, among others, salaries and related costs for the sales and marketing staff, travelling and transportation costs, and marketing expenses.

Distribution and selling expenses slightly increased by approximately HK\$0.1 million from approximately HK\$3.3 million for the six months ended 30 September 2021 to approximately HK\$3.4 million for the Reporting Period.

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 costs incurred by the Group.

The general and administrative expenses of the Group increased from approximately HK\$30.7 million for the corresponding period last year to approximately HK\$33.7 million for the Reporting Period. The increase was mainly due to the increase in personnel, research and development costs during the Reporting Period, which is in line with the growth of the revenue.

Finance costs

The Group's finance costs represented interest expenses on bank borrowings and finance costs of operating lease.

During the Reporting Period, the Group's finance costs was approximately HK\$4.6 million, as compared to approximately HK\$1.7 million for the corresponding period last year. The increase in finance costs was mainly due to an increase in average balances of bank borrowings and an increase in lease liabilities as compared to corresponding period last year.

Income tax expense

The Group's income tax expense amounted to approximately HK\$6.6 million for the Reporting Period, while the Group's income tax expense for the corresponding period last year amounted to approximately HK\$2.2 million. The increase was mainly attributable to the increase in taxable profits during the Reporting Period.

Review of Interim Results (Continued)

Profit attributable to owners of the Company

For the Reporting Period, profit attributable to owners of the Company amounted to approximately HK\$33.0 million. During the corresponding period last year, profit attributable to owners of the Company from the continuing operations amounted to approximately HK\$8.1 million and loss attributable to owners of the Company from the discontinued operations amounted to approximately HK\$73.8 million upon making a provision of approximately HK\$64.0 million for the impairment loss on the remeasurement to the fair value less costs to sell of the discontinued operations, which in aggregate amounted to a net loss of approximately HK\$65.7 million for the Group during the corresponding period last year.

Liquidity, Financial and Capital Resources

Financial resources and liquidity

The Group's current assets comprise mainly cash and cash equivalents, trade and other receivables and inventories. As at 30 September 2022 and 31 March 2022, the Group's total current assets amounted to approximately HK\$596.9 million and HK\$567.2 million respectively, which represented approximately 76.1% and 73.0% of the Group's total assets as at 30 September 2022 and 31 March 2022, respectively.

Capital structure

The Group's capital structure is summarised as follows:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Bank borrowings	50,730	36,580
Total debts	50,730	36,580
Shareholders' equity	518,886	504,663
Gearing ratio		
— Total debts to shareholders' equity ratio [#]	9.8%	7.2%

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

For the Reporting Period, the Group generally financed its operation primarily with internal generated cash flows and bank borrowings.

Details of the Group's bank borrowings as at 30 September 2022 are set out in Note 25 to this interim condensed consolidated financial information.

As at 30 September 2022, the Group's bank borrowings were denominated in Renminbi.

The capital structure of the Group consists of equity attributable to the equity holder of the Company (comprising issued share capital and reserves) and bank borrowings. The Directors will review the capital structure regularly. As part of such review, the Directors will consider the cost of capital and the optimal use of debt and equity so as to maximise the return to owners.

Capital expenditure

During the Reporting Period, the Group acquired plant and equipment of approximately HK\$2.6 million, as compared to the six months ended 30 September 2021 of approximately HK\$4.3 million.

The Group financed its capital expenditure through cash flows generated from operating activities and bank borrowings.

Charges on the Group's assets

As at 30 September 2022 and 31 March 2022, no borrowing of the Group was secured by assets of the Group.

Foreign currency exposure

Each individual group entity has its own functional currency. Foreign exchange risk to each individual group entity arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group operates mainly in Hong Kong and the PRC. The Group's Hong Kong entities are exposed to foreign exchange risk arising from Renminbi, while the Group's PRC entities are exposed to foreign exchange risk arising from United States dollars.

Review of Interim Results (Continued)

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

Capital commitments

Details of the Group's capital commitments as at 30 September 2022 are set out in Note 26 to this interim condensed consolidated financial information.

Contingent liabilities

As at 30 September 2022, the Group had no material contingent liabilities.

Outlook and Strategy

The world is facing difficulty and uncertainty in the business environment during the year. Global economy is threatened by a downturn possibly followed by hyperinflation, rising interest rate, Russia-Ukraine conflicts, energy crisis in Europe and the virus-variant infections. In addition, the China-US political tension and their trade disputes will likely subsist for a period of time. The China-US trade dispute has driven deglobalisation and caused disruption on the global supply chains. Business environment in China is expected to experience stagnant economic growth and face problems including high operating costs. The difficulties faced by the manufacturing industries in China will likely linger in the foreseeable future. The increasing labour, material and production costs in China will remain to be the 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.

Looking forward, the deglobalisation will continue causing disruption on the global supply chains, the hyperinflation, the rapid interest rate uptrend and the pandemic of coronavirus will remain to be the major factors to affect the global economy and business environment, probably a recession around the world. Notwithstanding the adversity, the Group has been making its best effort to cope with the challenges by streamlining its operations for optimal efficiency and taking appropriate actions such as adopting a more prudent financial policy to mitigate those impacts. In order to reduce the political risk from trade disputes between China-US causing deglobalisation, the Group has to consider a strategy to diversify and reorganise supply chains and to develop a new production base located outside China, especially in Southeast Asia.

Furthermore, the Group has been striving to explore more new customers in the region to broaden its customer base, notably seen in the business which has been benefited from the surge of demands from the data and network industry arising from an acceleration and wider spread of digitalisation of business processes and higher volume of the internet activities since the pandemic. The Group will also put more efforts in maintaining good relationships with existing customers of the Group. 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.

Employees and Remuneration Policy

As at 30 September 2022, the Group had a total number of 1,024 employees (as at 30 September 2021: 1,555). The Group determined the remuneration packages of all employees based on several factors including individual qualifications, contribution to the Group, performance and years of experience of the respective staff.

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

The Group maintains good relationship with the Group's employees. The Group did not have any labour strikes or other labour disturbances that would have interfered with the Group's operations during the Reporting Period.

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

Share option scheme

The Company has adopted share options schemes under which it may grant options to eligible participants to subscribe for shares of the Company. The share option scheme (the "**Old Share Option Scheme**"), adopted by the Company on 22 September 2012 was terminated and an ordinary resolution was passed on 23 August 2022 to adopt a new share option scheme (the "**New Share Option Scheme**").

Both the Old and the New Share Option Scheme were established for the purpose of providing incentives or rewards for the contribution of Directors and eligible persons. The New Share Option Scheme will remain in force for a period of ten years from adoption of the New Share Option Scheme. The New Share Option Scheme will expire on 22 August 2032.

Review of Interim Results (Continued)

Under the New Share Option Scheme, the Directors may at their discretion grant options to (i) any employee (whether full time or part-time employee, including any executive Director but excluding any independent non-executive Director) of the Company or any of its subsidiaries; and (ii) any non-executive Directors to take up the options to subscribe for 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 at the date of approval of the New Share Option Scheme. 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 with such grantee and his close associates or associates abstained from voting in accordance with the Listing Rules.

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

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

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

As at 30 September 2022, no Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules.

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

As at 30 September 2022, the following person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

Notes:

- 1 The letter “L” denotes the corporation/person’s long position in our shares.
- 2 These shares were held by MFL, which is owned as to 40% by Mr. Cheung Yuen Tung (formerly known as Mr. Zhang Yongdong).

Review of Interim Results (Continued)

Corporate Governance

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Reporting Period.

Model Code for Securities Transactions by Directors

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

The Board confirmed that, having made specific enquiry, the Directors have complied in full with the required standards as set out in the Model Code and its code of conduct during the Reporting Period.

Interim Dividend

The Board does not recommend payment of any interim dividend for the Reporting Period.

Subsequent Event

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

Audit Committee

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

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

Substantial Acquisitions and Disposals of Subsidiaries and Associated Corporations

The Group did not conduct any disposals or acquisitions for its subsidiaries and associated corporations during the Reporting Period.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the Reporting Period.

By order of the Board
Zhang Haifeng
Chairman

Hong Kong, 25 November 2022

Report on Review of Interim Condensed Consolidated Financial Information



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE BOARD OF DIRECTORS OF KFM KINGDOM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial information of KFM Kingdom Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 18 to 54, which comprise the interim condensed consolidated statement of financial position as at 30 September 2022 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Scope of Review

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

Conclusion

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lau Kai Wong

Practising Certificate Number: P06623

Hong Kong

25 November 2022

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

For the six months ended 30 September 2022

	Notes	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Continuing operations			
Revenue	6	343,073	263,453
Cost of sales		(279,836)	(218,384)
Gross profit		63,237	45,069
Other gains, net	8	16,872	611
Distribution and selling expenses		(3,382)	(3,307)
General and administrative expenses		(33,743)	(30,697)
Finance income	9	1,194	315
Finance costs	9	(4,628)	(1,652)
Profit before tax	10	39,550	10,339
Income tax expense	11	(6,597)	(2,247)
Profit for the period from continuing operations		32,953	8,092
Discontinued operations			
Loss for the period from discontinued operations	12	—	(73,810)
Profit/(loss) for the period		32,953	(65,718)
Other comprehensive expense for the period:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(18,730)	(391)
Total comprehensive income/(expense) for the period		14,223	(66,109)

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 September 2022

	Notes	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to owners of the Company:			
— from continuing operations		32,953	8,092
— from discontinued operations		—	(73,838)
Profit/(loss) for the period attributable to owners of the Company:		32,953	(65,746)
Profit for the period attributable to non-controlling interests:			
— from continuing operations		—	—
— from discontinued operations		—	28
Profit for the period attributable to non-controlling interests:		—	28
Profit/(loss) for the period		32,953	(65,718)
Total comprehensive income/(expense) attributable to:			
— Owners of the Company		14,223	(66,137)
— Non-controlling interests		—	28
		14,223	(66,109)
EARNINGS/(LOSS) PER SHARE	13		
From continuing and discontinued operations			
— Basic and diluted (HK cents)		5.49	(10.96)
From continuing operations			
— Basic and diluted (HK cents)		5.49	1.35

Interim Condensed Consolidated Statement of Financial Position

At 30 September 2022

	Notes	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	15	46,199	50,437
Right-of-use assets	16	90,594	109,029
Prepayments, deposits and other receivable	19	51,145	49,866
Total non-current assets		187,938	209,332
Current assets			
Inventories	17	121,156	112,120
Trade receivables	18	184,175	141,121
Prepayments, deposits and other receivables	19	17,065	9,722
Financial asset at fair value through profit or loss		5	8
Time deposits with maturity over three months	20	216,272	221,009
Restricted bank deposits	20	314	341
Cash and cash equivalents	20	57,910	82,841
Total current assets		596,897	567,162
Total assets		784,835	776,494
EQUITY			
Capital and reserves			
Share capital	21	60,000	60,000
Share premium	21	26,135	26,135
Reserves	22	432,751	418,528
Total equity		518,886	504,663

Interim Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2022

		30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	81,463	96,154
Deferred income tax liabilities	23	2,821	656
Total non-current liabilities		84,284	96,810
Current liabilities			
Trade and other payables	24	113,214	124,807
Lease liabilities	16	14,469	10,953
Bank borrowings	25	50,730	36,580
Current income tax liabilities		3,252	2,681
Total current liabilities		181,665	175,021
Total liabilities		265,949	271,831
Total equity and liabilities		784,835	776,494
Net current assets		415,232	392,141
Total assets less current liabilities		603,170	601,473

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Balance at 1 April 2022 (audited)	60,000	26,135	1	33,149	23,238	362,140	504,663	—	504,663
Profit for the period	—	—	—	—	—	32,953	32,953	—	32,953
Other comprehensive expense for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	(18,730)	—	(18,730)	—	(18,730)
Total comprehensive (expense)/income for the period	—	—	—	—	(18,730)	32,953	14,223	—	14,223
Transfer of retained profits to statutory reserve	—	—	—	4,356	—	(4,356)	—	—	—
Balance at 30 September 2022 (unaudited)	60,000	26,135	1	37,505	4,508	390,737	518,886	—	518,886

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 September 2022

	Attributable to owners of the Company						Total	Non- controlling interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000			
Balance at 1 April 2021 (audited)	60,000	26,135	2,358	53,332	25,895	387,792	555,512	4,119	559,631
(Loss)/profit for the period	—	—	—	—	—	(65,746)	(65,746)	28	(65,718)
Other comprehensive expense for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	(391)	—	(391)	—	(391)
Total comprehensive (expense)/income for the period	—	—	—	—	(391)	(65,746)	(66,137)	28	(66,109)
Transfer of retained profits to statutory reserve	—	—	—	1,518	—	(1,518)	—	—	—
Balance at 30 September 2021 (unaudited)	60,000	26,135	2,358	54,850	25,504	320,528	489,375	4,147	493,522

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Operating activities		
Net cash (used in)/generated from operations	(33,057)	6,937
Income tax paid, net	(3,712)	(947)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(36,769)	5,990
Investing activities		
Interest received	1,194	456
Proceeds from disposal of plant and equipment	—	1,366
Placement of restricted bank deposits	—	(1,924)
Placement of bank deposits with maturity over three months	(115,263)	(219,082)
Withdrawal of restricted bank deposits	—	1,448
Withdrawal of bank deposits with maturity over three months	120,000	160,000
Prepayments for acquisition of plant and equipment	(1,522)	(41,711)
Deposits received for disposal of discontinued operations	—	30,000
Purchase of plant and equipment	(1,236)	(5,442)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	3,173	(74,889)
Financing activities		
Repayment of unsecured borrowings from a related company	—	(30,000)
Repayment of bank borrowings	(6,000)	—
New bank borrowings raised	24,000	—
Receipts of government subsidies	578	490
Payment of lease liabilities	(2,609)	(8,299)
Interest paid	(4,628)	(6,951)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	11,341	(44,760)

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,255)	(113,659)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	82,841	243,452
Net foreign exchange difference	(2,676)	(1,220)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTING BANK BALANCES AND CASH	57,910	128,573

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2022

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 Act., Cap. 22 (Act. 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is Workshop C, 31/F., TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 October 2012. The immediate holding company and controlling shareholder of the Company is Massive Force Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the manufacturing and sales of precision metal stamping products.

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

This interim condensed consolidated financial information was approved by the directors of the Company for issue on 25 November 2022.

This interim condensed consolidated financial information has not been audited.

2. Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 September 2022 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

3. Principal Accounting Policies

The interim condensed consolidated financial information has been prepared on the historical cost basis, except for certain financial instruments which have been measured at fair values at the end of each reporting period.

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2022:

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual improvement to HKFRSs 2018–2020 cycle

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in this interim condensed consolidated financial information.

4. Estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Group's annual financial statements for the year ended 31 March 2022 as described in those consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

5. Financial Risk Management

(a) Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2022.

There have been no changes in the risk management policies of the Group since 31 March 2022.

(b) Liquidity risk

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

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

5. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from interest rate 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 30 September 2022					
(Unaudited)					
Trade and other payables	112,631	—	—	112,631	112,631
Bank borrowings	51,868	—	—	51,868	50,730
	164,499	—	—	164,499	163,361
Lease liabilities	20,927	21,913	72,499	115,339	95,932
At 31 March 2022					
(Audited)					
Trade and other payables	124,521	—	—	124,521	124,521
Bank borrowings	37,758	—	—	37,758	36,580
	162,279	—	—	162,279	161,101
Lease liabilities	23,713	22,744	90,868	137,325	107,107

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

6. Revenue

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

Set out below is the disaggregation of the Group's revenue from continuing operations from contracts with customers:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Geographical region		
South East Asia	154,412	35,713
The People's Republic of China (the "PRC")	127,701	152,306
Europe	39,721	17,415
North America	15,837	55,857
Others	5,402	2,162
	343,073	263,453

7. Segment Information

The chief operating decision-makers ("CODM") are identified as the executive directors of the Company and senior management of the Group.

During the six months ended 30 September 2021, an operating segment regarding the metal lathing was classified as discontinued operations, which are in more details in note 12. Since then, the Group operates in one business unit based on its products, and has only one reportable segment which is metal stamping. As such, no segmental analysis has been presented. The Group conducts its principal operation in Mainland China. Management monitors the operating results of its business unit for the purpose of making decisions about resources allocation and performance assessment.

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

7. Segment Information (Continued)

Geographic information

The non-current assets, other than deposits, of the Group as at 30 September 2022 and 31 March 2022 are as follows:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
The PRC	144,488	164,423
Hong Kong	2,686	3,902
	147,174	168,325

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group from continuing operations are as follows:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	89,409	44,951
Customer B	88,065	36,708
Customer C	71,346	59,617

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

8. Other Gains, Net

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Continuing operations		
Loss on disposal of plant and equipment	(3)	(118)
Reversal of impairment of plant and equipment	—	602
Exchange gain/(losses), net	16,268	(573)
Fair value loss on financial assets at fair value through profit or loss	(3)	(19)
Government subsidies (Note)	578	152
Others	32	567
	16,872	611

Note: The amount represented the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the six months ended 30 September 2022 and 2021.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

9. Finance Income and Finance Costs

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Continuing operations		
Finance income		
Interest income on bank balances and deposits	196	315
Interest income on other receivables	998	—
	1,194	315
Continuing operations		
Finance costs		
Interest expense on bank borrowings	813	—
Interest expense on unsecured borrowings from a related company	—	1,426
Interest expense on lease liabilities	3,815	226
	4,628	1,652

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

10. Profit Before Tax

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

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Continuing operations		
Cost of inventories sold	279,836	218,384
Depreciation of plant and equipment	2,970	2,875
Depreciation of right-of-use assets	10,248	9,459
Reversal of impairment loss	—	(602)

11. Income Tax Expense

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Continuing operations		
Current income tax:		
— The PRC	4,432	1,139
Deferred income tax (Note 23)	2,165	1,108
Total	6,597	2,247

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

11. Income Tax Expense (Continued)

Below are the major tax jurisdictions that the Group operates in for the six months ended 30 September 2022 and 2021:

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the six months ended 30 September 2022 and 2021 as there were no assessable profits generated in Hong Kong during the six months ended 30 September 2022 and 2021.

(b) The PRC Enterprise Income Tax (the "PRC EIT")

The PRC EIT is provided on the assessable income of the Group's PRC subsidiaries, adjusted for items which are not taxable or deductible for the PRC EIT purpose. The statutory PRC EIT tax rate for the six months ended 30 September 2022 is provided at the rate of 25% (2021: 25%).

A PRC subsidiary was recognised by the PRC government as "High and New Technology Enterprise" and was eligible to a preferential tax rate of 15% for a period of three calendar years, with effective from 1 December 2021.

(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 company outside the PRC when the PRC subsidiary declares dividend out of profits earned after 1 January 2008. During the six months ended 30 September 2022, a lower 5% (2021: 5%) PRC dividend withholding tax rate was adopted since (i) the immediate holding company of the PRC subsidiary is incorporated in Hong Kong and fulfils certain requirements under the tax treaty arrangements between the PRC and Hong Kong; and (ii) successful application has been made in the year ended 31 March 2018.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

12. Discontinued Operations

In August 2021, the Group entered into a sale and purchase agreement to dispose of its metal lathing business entirely through the sale of all of its shareholding in its indirect wholly-owned subsidiary, Kingdom (Reliance) Precision Parts Manufactory Holdings Limited (“**KRP BVI**”), to Cosmic Master Holdings Limited (the “**Purchaser**”), a connected company (being Mr. Lam Kin Shun is a director of a then subsidiary of the Group and the ultimate beneficial owner of the Purchaser) (the “**Disposal**”). KRP BVI is an investment holding company and its subsidiaries are engaged in the manufacturing and sales of metal lathing products. The Disposal was completed on 20 December 2021, on which date control of KRP BVI was passed to the Purchaser.

Details (including the facts and circumstances, the expected manner and timing of the Disposal as well as the terms of the sale and purchase agreement and the reasons for the Disposal) are set out in the Company’s announcements dated 13 August 2021, 3 September 2021, 17 September 2021, 4 October 2021, 26 October 2021, 22 November 2021, 30 November 2021, 10 December 2021, 20 December 2021 and the Company’s circular dated 15 December 2021.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

12. Discontinued Operations (Continued)

Loss from discontinued operations

The results of the discontinued operations for the six months ended 30 September 2021, which had been included in the interim condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Six months ended 30 September 2021 HK\$'000 (Unaudited)
Revenue	126,825
Cost of sales	(103,315)
Other gains, net	52
Distribution and selling expenses	(2,350)
General and administrative expenses	(24,543)
Finance income	141
Finance costs	(5,299)
Loss before tax	(8,489)
Income tax expense	(1,328)
Loss for the period	(9,817)
Loss on remeasurement to fair value less costs to sell	(63,993)
Loss for the period from discontinued operations	(73,810)

The Group engaged an independent valuer not connected to the Group, to assess the fair value less costs to sell of the abovementioned disposal group as a cash-generating unit. With reference to the valuation report issued, loss on remeasurement to fair value less costs to sell of approximately HK\$63,993,000 were recognised, of which of approximately HK\$36,476,000 and HK\$27,517,000 were allocated to plant and equipment and right-of-use assets respectively.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

12. Discontinued Operations (Continued)

Loss from discontinued operations (Continued)

Loss for the period from discontinued operation including the following:

	Six months ended 30 September 2021 HK\$'000 (Unaudited)
Finance income	
Interest income on bank balances and deposits	141
Finance costs	
Interest expense on unsecured borrowings from a related company	2,626
Interest expense on lease liabilities	2,673
	5,299
Gain on disposal of plant and equipment	33
Cost of inventories sold	103,315
Depreciation of plant and equipment	5,693
Depreciation of right-of-use assets	6,748
Reversal of impairment loss	472
Employee benefit expenses	30,006

During the six months ended 30 September 2021, the metal lathing business contributed approximately HK\$574,000 to the Group's net operating cash flows, paid approximately HK\$39,534,000 in respect of investing activities and paid approximately HK\$5,810,000 in respect of financing activities.

During the six months ended 30 September 2021, cumulative amount of HK\$8,302,000 relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

13. Earnings/(Loss) Per Share

Basic and diluted earnings/(loss) per share

	Six months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
Profit/(loss) attributable to owners of the Company (HK\$'000)		
— from continuing operations	32,953	8,092
— from discontinued operations	—	(73,838)
	32,953	(65,746)
Weighted average number of shares in issue ('000)	600,000	600,000
Basic and diluted earnings/(loss) per share (HK cents per share)		
— from continuing operations	5.49	1.35
— from discontinued operations	—	(12.31)
	5.49	(10.96)

Basic earnings/(loss) per share for the six months ended 30 September 2022 and 2021 is calculated by dividing the profit/(loss) attributable to owners of the Company by 600,000,000 ordinary shares in issue during the period.

Diluted earnings/(loss) per share is same as basic earnings/(loss) per share as the Company had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2022 and 2021.

14. Dividend

No dividend was paid, declared or proposed during the six months ended 30 September 2022, nor has any dividend been proposed since the end of the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

15. Plant and Equipment

	Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
At 1 April (Audited)	50,437	135,637
Reclassified as held for sale	—	(92,546)
Additions	2,624	4,828
Disposals	(3)	(1,451)
Depreciation	(2,970)	(8,568)
Reversal of impairment loss	—	1,074
Transfer from right-of-use assets (Note)	—	434
Exchange differences	(3,889)	(723)
At 30 September (Unaudited)	46,199	38,685

Note: Plant and equipment of approximately HK\$434,000 has been transferred from the right-of-use assets since respective lease liabilities had been fully settled during the six months ended 30 September 2021.

16. Right-Of-Use Assets and Lease Liabilities

(i) Right-of-use assets

As at 30 September 2022, the Group has lease arrangements for office premises, factories and carparks of approximately HK\$751,000, HK\$89,798,000, HK\$45,000 (31 March 2022: HK\$1,653,000, HK\$107,282,000, HK\$94,000), respectively. The lease terms are generally ranged from two to six years (31 March 2022: two to six years).

During the six months ended 30 September 2022 and 2021, there was no addition of right-of-use assets.

(ii) Lease liabilities

As at 30 September 2022, the carrying amount of lease liabilities was approximately HK\$95,932,000 (31 March 2022: HK\$107,107,000).

During the six months ended 30 September 2022 and 2021, there was no new lease agreements entered into.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

16. Right-Of-Use Assets and Lease Liabilities (Continued)

(iii) Amount recognised in profit or loss

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Depreciation of right-of-use assets	10,248	16,207
Interest expense on lease liabilities	3,815	2,899
Expense relating to short-term leases	1,219	—

(iv) Other

At 30 September 2022 and 2021, there are no committed leases but not yet commenced.

During the six months ended 30 September 2022, the total cash outflow for leases amounted to approximately HK\$7,643,000 (30 September 2021: HK\$11,198,000) which includes payments of principal and interest portion of lease liabilities and short-term leases.

17. Inventories

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Raw materials	59,887	58,291
Work in progress	18,263	20,335
Finished goods	43,006	33,494
	121,156	112,120

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

18. Trade Receivables

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivables (Note)	184,175	141,121

Note:

The Group normally grants credit periods of 30 to 120 days (31 March 2022: 30 to 120 days). The following is an ageing analysis of trade receivables presented based on the date of delivery, which approximates the respective revenue recognition dates, at the end of the reporting period.

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Up to 3 months	183,934	138,470
3 to 6 months	241	2,651
	184,175	141,121

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

19. Prepayments, Deposits and Other Receivables

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Non-current asset		
Prepayments and deposits	13,145	11,866
Other receivable from an independent third party (Note)	38,000	38,000
	51,145	49,866
Current assets		
Prepayments, deposits and other receivables	17,065	9,722
	68,210	59,588

Note: The balance represented amount due from KRP BVI, a former subsidiary of the Group, and was unsecured, carrying interest at 5.25% per annum and repayable within three years from 20 December 2021.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

20. Cash and Cash Equivalents/Restricted Bank Deposits/Time Deposits with Maturity over Three Months

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Cash and bank balances	58,224	83,182
Bank deposits	216,272	221,009
	274,496	304,191
Less:		
Time deposits with maturity over three months (Note (i))	(216,272)	(221,009)
Restricted bank deposits (Note (ii))	(314)	(341)
Cash and cash equivalents	57,910	82,841

Notes:

- (i) As at 30 September 2022, time deposits carry interest rate ranged from 0.25% to 3.5% per annum (31 March 2022: 0.10% to 0.40% per annum) with an original maturity of 6 to 12 months (31 March 2022: 6 to 12 months).
- (ii) Restricted bank deposits are restricted for certain import purchases in the PRC.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

21. Share Capital and Share Premium

Ordinary shares of HK\$0.1 each	Number of shares	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised				
At 30 September 2022				
and 31 March 2022	4,500,000,000	450,000		
Issued and fully paid				
At 30 September 2022				
and 31 March 2022	600,000,000	60,000	26,135	86,135

22. Reserves

(a) Capital reserve

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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

22. Reserves (Continued)

(a) Capital reserve (Continued)

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.

During the year ended 31 March 2022, entire equity interest in KRP BVI was disposed and resulting a debit of approximately HK\$2,357,000 to the capital reserve.

(b) Statutory reserve

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

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

23. Deferred Income Tax

The analysis of deferred income tax liabilities is as follows:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Deferred income tax liabilities	(2,821)	(656)

The movements in deferred income tax liabilities during the six months ended 30 September 2022 and 2021 are as follows:

	Undistributable profits from subsidiaries HK\$'000	Total HK\$'000
At 1 April 2022 (Audited)	(656)	(656)
Charged to profit or loss (Note 11)	(2,165)	(2,165)
At 30 September 2022 (Unaudited)	(2,821)	(2,821)

	Accelerated accounting/(tax) depreciation HK\$'000	Undistributable profits from subsidiaries HK\$'000	Total HK\$'000
At 1 April 2021 (Audited)	1,975	(2,136)	(161)
Less: deferred income tax (assets)/liabilities related to discontinued operations	(1,608)	1,813	205
	367	(323)	44
Charged to profit or loss of continuing operations (Note 11)	(358)	(750)	(1,108)
Exchange difference	(9)	—	(9)
At 30 September 2021 (Unaudited)	—	(1,073)	(1,073)

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

24. Trade and Other Payables

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade payables (Note)	99,641	109,672
Accruals and other payables	13,573	15,135
	113,214	124,807

Note:

The ageing analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Up to 3 months	99,536	109,557
3 to 6 months	—	—
6 months to 1 year	—	61
1 to 2 years	105	54
	99,641	109,672

The average credit period on purchase of goods is from 30 to 90 days (31 March 2022: 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

25. Bank Borrowings

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Unsecured bank borrowings	50,730	36,580

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within one year	50,730	36,580

As at 30 September 2022, the Group has fixed-rate and variable-rate borrowings denominated in RMB at fixed rates ranged from 3.9% to 4% and floating rates calculated based on the Loan Prime Rate ("LPR"), respectively.

As at 31 March 2022, the Group has variable-rate borrowings denominated in RMB at floating rates calculated based on the LPR.

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Effective interest rate:		
Fixed-rate borrowings	3.9% to 4%	—
Variable-rate borrowings	4.3% to 4.35%	3.85% to 4.3%

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

25. Bank Borrowings (Continued)

As at 30 September 2022, the Group's banking borrowings with carrying amount of approximately HK\$22,230,000 (31 March 2022: HK\$24,180,000) are subject to the fulfilment of covenants relating to certain of the Group's financial ratios including debt asset ratio not higher than 50% and current ratio not less than 1.0. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 5. As at 30 September 2022, none of the covenants relating to drawn down facilities had been breached (31 March 2022: nil).

As at 30 September 2022, bank borrowings of approximately HK\$28,500,000 (31 March 2022: HK\$12,400,000) are guaranteed by a related party was set out in note 27(b).

26. Capital Commitments

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Authorised or contracted for but not provided:		
— Plant and machinery	5,785	7,347

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

27. Significant Related Party Transactions

(a) Name and relationship with related parties

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

* The English name is for identification purpose only

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

27. Significant Related Party Transactions (Continued)

(b) Material related party transactions

During the six months ended 30 September 2022 and 2021, the Group had the following material transactions with related parties, which were entered into at terms mutually agreed.

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Continuing operations		
Purchase of products from related parties		
— Dongguan Tech-in	—	140
Finance costs — interest expense on unsecured borrowings from a related company		
— KIG	—	1,426
Finance costs — interest expense on lease liabilities		
— KPST Suzhou	3,782	116
— GECI	33	84
Lease payments		
— KPST Suzhou	5,399	5,809
— GECI	1,025	1,025

As at 30 September 2022, bank borrowings of approximately HK\$28,500,000 (31 March 2022: HK\$12,400,000) are guaranteed by KPST Suzhou.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

27. Significant Related Party Transactions (Continued)

(c) Balances with related companies

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Lease liabilities		
— KPST Suzhou	95,086	105,269
— GECl	846	1,838

In September 2021, the Group entered into a six-year lease in respect of a factory from KPST Suzhou. The amount of rent payable by the Group under the lease is approximately HK\$1,776,000 per month. As at 30 September 2022, the carrying amount of such lease liabilities is approximately HK\$95,086,000 (31 March 2022: HK\$105,269,000).

In 2019, the Group entered into three three-year leases in respect of one office premises and two car parks with GECl respectively. The amount of rent payable by the Group under the lease is approximately HK\$171,000 per month in total. As at 30 September 2022, the carrying amount of such lease liabilities is approximately HK\$846,000 (31 March 2022: HK\$1,838,000).

(d) Key management compensation

Key management personnel includes directors and senior managements of the Company. The compensation paid or payable to key management personnel amounted to approximately HK\$4,076,000 for the six months ended 30 September 2022 (six months ended 30 September 2021: HK\$3,711,000).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2022

28. Fair Value Measurement of Financial Instrument

Some of the Group's financial assets are measured at fair value at the end of the reporting period.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques 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.

The following table provides the fair value measurement hierarchy of the Group's financial assets as at 30 September 2022 and 31 March 2022. The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instrument	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		30/9/2022 HK\$'000 (Unaudited)	31/3/2022 HK\$'000 (Audited)	
Listed equity instruments	Level 1	5	8	Quoted bid prices in an active market

There were no transfer between levels of fair value hierarchy in the current and prior periods.