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KFM KINGDOM HOLDINGS LIMITED

KFM 金德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3816)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of KFM Kingdom Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 March 2023 (the “**Year**”) prepared in accordance with 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 year ended 31 March 2022.

For and on behalf of
KFM KINGDOM HOLDINGS LIMITED
ZHANG HAIFENG
Chairman

Hong Kong, 26 June 2023

As at the date of this announcement, the executive Directors are Mr. Sun Kwok Wah Peter and Mr. Wong Chi Kwok; the non-executive Director is Mr. Zhang Haifeng (Chairman); and the independent non-executive Directors are Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations			
Revenue	4	605,101	612,190
Cost of sales		<u>(501,824)</u>	<u>(512,270)</u>
Gross profit		103,277	99,920
Other gains/(losses), net	5	8,621	(4,016)
Distribution and selling expenses		(6,270)	(6,980)
General and administrative expenses		(75,524)	(65,862)
Finance income		6,158	1,033
Finance costs		<u>(8,527)</u>	<u>(5,517)</u>
Profit before tax	6	27,735	18,578
Income tax expense	7	<u>(5,069)</u>	<u>(5,247)</u>
Profit for the year from continuing operations		22,666	13,331
Discontinued operations			
Loss for the year from discontinued operations	8	<u>—</u>	<u>(61,350)</u>
Profit/(loss) for the year		<u>22,666</u>	<u>(48,019)</u>
Other comprehensive (expense)/income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(14,211)	12,363
Release of exchange reserve upon disposal of subsidiaries		<u>—</u>	<u>(15,020)</u>
Other comprehensive expense for the year		<u>(14,211)</u>	<u>(2,657)</u>
Total comprehensive income/(expense) for the year		<u>8,455</u>	<u>(50,676)</u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company			
— from continuing operations		22,666	13,331
— from discontinued operations		<u>—</u>	<u>(61,523)</u>
Profit/(loss) for the year attributable to owners of the Company		<u>22,666</u>	<u>(48,192)</u>
Profit for the year attributable to non-controlling interests			
— from continuing operations		—	—
— from discontinued operations		<u>—</u>	<u>173</u>
Profit for the year attributable to non-controlling interests		<u>—</u>	<u>173</u>
		<u>22,666</u>	<u>(48,019)</u>
Total comprehensive income/(expense) attributable to:			
— Owners of the Company		8,455	(50,849)
— Non-controlling interests		<u>—</u>	<u>173</u>
		<u>8,455</u>	<u>(50,676)</u>
EARNINGS/(LOSS) PER SHARE			
From continuing and discontinued operations			
— Basic and diluted (HK cents)	<i>9</i>	<u>3.78</u>	<u>(8.03)</u>
From continuing operations			
— Basic and diluted (HK cents)	<i>9</i>	<u>3.78</u>	<u>2.22</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Plant and equipment	<i>11</i>	49,671	50,437
Right-of-use assets		84,501	109,029
Prepayments, deposits and other receivables		47,695	49,866
		<hr/>	<hr/>
Total non-current assets		181,867	209,332
		<hr/>	<hr/>
Current assets			
Inventories	<i>12</i>	128,812	112,120
Trade receivables	<i>13</i>	110,847	141,121
Prepayments, deposits and other receivables		12,692	9,730
Current income tax recoverable		970	—
Time deposits with maturity over three months		196,741	221,009
Restricted bank deposits		—	341
Cash and cash equivalents		96,803	82,841
		<hr/>	<hr/>
Total current assets		546,865	567,162
		<hr/>	<hr/>
Total assets		728,732	776,494
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Capital and reserves			
Share capital	<i>14</i>	60,000	60,000
Share premium	<i>14</i>	26,135	26,135
Reserves		426,983	418,528
		<hr/>	<hr/>
Total equity		513,118	504,663
		<hr/>	<hr/>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		74,114	96,154
Bank borrowings		11,400	—
Deferred income tax liabilities		172	656
		<hr/>	<hr/>
Total non-current liabilities		85,686	96,810
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>15</i>	98,488	124,807
Lease liabilities		17,841	10,953
Bank borrowings		11,286	36,580
Current income tax liabilities		2,313	2,681
		<hr/>	<hr/>
Total current liabilities		129,928	175,021
		<hr/>	<hr/>
Total liabilities		215,614	271,831
		<hr/>	<hr/>
Total equity and liabilities		728,732	776,494
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		416,937	392,141
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		598,804	601,473
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2021	60,000	26,135	2,358	53,332	25,895	387,792	555,512	4,119	559,631
(Loss)/profit for the year	—	—	—	—	—	(48,192)	(48,192)	173	(48,019)
Other comprehensive income/ (expense) for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	12,363	—	12,363	—	12,363
Release of exchange reserve upon disposal of subsidiaries (note 8)	—	—	—	—	(15,020)	—	(15,020)	—	(15,020)
Total comprehensive (expense)/ income for the year	—	—	—	—	(2,657)	(48,192)	(50,849)	173	(50,676)
Disposal of subsidiaries	—	—	(2,357)	(20,294)	—	22,651	—	(4,292)	(4,292)
Transfer of retained profits to statutory reserve	—	—	—	111	—	(111)	—	—	—
Balance at 31 March 2022	<u>60,000</u>	<u>26,135</u>	<u>1</u>	<u>33,149</u>	<u>23,238</u>	<u>362,140</u>	<u>504,663</u>	<u>—</u>	<u>504,663</u>

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2022	60,000	26,135	1	33,149	23,238	362,140	504,663	—	504,663
Profit for the year	—	—	—	—	—	22,666	22,666	—	22,666
Other comprehensive expense for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	(14,211)	—	(14,211)	—	(14,211)
Total comprehensive (expense)/ income for the year	—	—	—	—	(14,211)	22,666	8,455	—	8,455
Transfer of retained profits to statutory reserve	—	—	—	5,139	—	(5,139)	—	—	—
Balance at 31 March 2023	<u>60,000</u>	<u>26,135</u>	<u>1</u>	<u>38,288</u>	<u>9,027</u>	<u>379,667</u>	<u>513,118</u>	<u>—</u>	<u>513,118</u>

NOTES

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

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

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

3. 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 following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2022.

Amendments to HKFRS 3	Reference to the 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
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

The application of 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.

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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts ¹
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 ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ 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.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the “**2020 Amendments**”) clarify the requirements for classifying liabilities as current or non-current. Amendments to HKAS 1 Non-current Liabilities with Covenants issued in 2022 (the “**2022 Amendments**”) further clarify the requirements for classification of non-current liabilities with covenants. The amendments specify that if an entity’s right to defer settlement of a liability is subject to the entity complying with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered as settlement of a liability.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group's outstanding liabilities as at 31 March 2023, the application of the amendments will not result in change in the classification of the Group's liabilities.

4. REVENUE

Revenue represents sales of high 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 contracts with customers from continuing operation:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Geographical region		
South East Asia	246,559	221,173
The People's Republic of China ("PRC")	235,915	292,351
Europe	81,271	56,122
North America	30,844	33,467
Others	10,512	9,077
	<u>605,101</u>	<u>612,190</u>

5. OTHER GAINS/(LOSSES), NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Loss on disposal of plant and equipment	(40)	(272)
Exchange gains/(losses), net	7,800	(5,133)
Government subsidies (<i>Note</i>)	737	540
Others	124	849
	<u>8,621</u>	<u>(4,016)</u>

Note:

The amount represented the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the years ended 31 March 2023 and 2022.

6. PROFIT BEFORE TAX

Profit for the year has been arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Staff costs		
Directors' emoluments	5,068	5,068
Other staff:		
— salaries and other allowances	114,640	117,158
— retirement benefits scheme contributions (excluding directors)	<u>2,597</u>	<u>2,314</u>
	<u>122,305</u>	<u>124,540</u>
Continuing operations		
Auditor's remuneration		
— audit services	850	1,020
— non-audit services	270	550
Cost of inventories sold (<i>Note (a)</i>)	502,035	511,249
Depreciation of plant and equipment	5,733	5,768
Depreciation of right-of-use assets	19,915	19,863
Research and development expenses (<i>Note (b)</i>)	<u>26,547</u>	<u>19,203</u>

Notes:

- (a) Included in cost of sales was reversal of write-down of inventories of approximately HK\$211,000 which were sold at profit (2022: write-down of inventories of HK\$1,021,000) during the year ended 31 March 2023.
- (b) Included in research and development expenses was staff cost of approximately HK\$12,714,000 (2022: HK\$10,665,000) which has been included in staff costs disclosure above.

7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Current income tax		
— Hong Kong Profits tax	—	—
— The PRC	3,241	3,466
— Withholding tax	2,312	1,280
Over provision in prior years		
— Hong Kong Profits tax	—	(202)
	<u>5,553</u>	<u>4,544</u>
Deferred income tax	<u>(484)</u>	<u>703</u>
	<u><u>5,069</u></u>	<u><u>5,247</u></u>

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 2023 and 2022.

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the years ended 31 March 2023 and 2022 as there were no assessable profits generated during the years ended 31 March 2023 and 2022.

(b) The PRC enterprise income tax (the "PRC EIT")

The PRC EIT is provided on the assessable income of the Company's PRC subsidiary, 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 2023 is provided at the rate of 25% (2022: 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.

(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 subsidiary declare dividend out of profits earned after 1 January 2008. During the year ended 31 March 2023, a lower 5% (2022: 5%) PRC dividend withholding tax rate was adopted since the immediate holding company of the PRC subsidiary is incorporated in Hong Kong and fulfill certain requirements under the tax treaty arrangements between the PRC and Hong Kong.

8. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES

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 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 manufacture and sales of metal lathing products. The Disposal was completed on 20 December 2021, on which date control of KRP BVI 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, 15 December 2021 and 20 December 2021 and the Company’s circular dated 15 December 2021.

Loss from discontinued operations

The results of the discontinued operations for the period from 1 April 2021 to 20 December 2021, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the period from 1 April 2021 to 20 December 2021 HK\$’000
Revenue	186,030
Cost of sales	<u>(149,344)</u>
Gross profit	36,686
Other losses, net	(1,425)
Distribution and selling expenses	(3,826)
General and administrative expenses	(30,032)
Finance income	190
Finance costs	<u>(8,020)</u>
Loss before tax	(6,427)
Income tax expense	<u>(276)</u>
Loss for the period	(6,703)
Loss on remeasurement to fair value less costs to sell (<i>note</i>)	(63,993)
Gain on disposal of subsidiaries	<u>9,346</u>
Loss for the period from discontinued operations	<u><u>(61,350)</u></u>

Note:

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.

Loss for the period from discontinued operations including the following:

	For the period from 1 April 2021 to 20 December 2021 HK\$'000
Other losses, net	
Gain on disposal of plant and equipment	33
Exchange losses, net	(2,482)
Government subsidies (<i>note (a)</i>)	399
Other	625
	<u> </u>
	(1,425)
	<u> </u>
Finance income	
Interest income on bank balances and deposits	190
	<u> </u>
Finance costs	
Interest expense on unsecured borrowings from a related company	3,938
Interest expense on lease liabilities	4,082
	<u> </u>
	8,020
	<u> </u>
Auditor's remuneration	—
Cost of inventories sold (<i>note (b)</i>)	149,344
Depreciation of plant and equipment	5,693
Depreciation of right-of-use assets	6,748
Employee benefit expenses	50,745
	<u> </u>

Notes:

- (a) The amount represents the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the period from 1 April 2021 to 20 December 2021.
- (b) No reversal of write-down of inventories and no write-off of inventories were included in the cost of sales during the period from 1 April 2021 to 20 December 2021.

During the period from 1 April 2021 to 20 December 2021, the metal lathing business paid approximately HK\$11,998,000 to the Group's net operating cash flows, paid approximately HK\$51,573,000 in respect of investing activities and paid approximately HK\$12,428,000 in respect of financing activities.

HK\$'000

Analysis of assets and liabilities over which control was lost as at the date of disposal:

Property, plant and equipment	70,043
Right-of-use assets	46,115
Deferred income tax assets	1,373
Inventories	68,305
Trade and bills receivables	102,788
Prepayments, deposits and other receivables	47,145
Cash and cash equivalents	22,632
Trade and other payables (<i>note</i>)	(104,981)
Unsecured borrowings from a related company	(100,000)
Lease liabilities	(73,063)
Current income tax liabilities	(2,971)
Deferred income tax liabilities	(1,420)
	<hr/>
Net assets disposed of	<u><u>75,966</u></u>

Note: Included in trade and other payable was amount due to the Group of approximately HK\$40,736,000 which was unsecured, carrying interest at 5.25% per annum and repayable within three years. As at 31 March 2022, the amount due to the Group was approximately HK\$38,000,000.

HK\$'000

Gain on disposal of subsidiaries:

Consideration	66,000
Net assets disposed of	(75,966)
Non-controlling interests	4,292
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	15,020
	<hr/>
Gain on disposal of subsidiaries	<u><u>9,346</u></u>

Net cash inflow arising on disposal:

Cash consideration received	66,000
Less: cash and cash equivalents disposed of	(22,632)
	<hr/>
	<u><u>43,368</u></u>

9. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share

	2023	2022
Profit/(loss) attributable to owners of the Company (<i>HK\$'000</i>)		
— from continuing operations	22,666	13,331
— from discontinued operations	—	(61,523)
	<u>22,666</u>	<u>(48,192)</u>
Weighted average number of shares in issue (<i>'000</i>)	<u>600,000</u>	<u>600,000</u>
Basic and diluted earnings/(loss) per share (<i>HK cents per share</i>)		
— from continuing operations	3.78	2.22
— from discontinued operations	—	(10.25)
	<u>3.78</u>	<u>(8.03)</u>

Basic earnings/(loss) per share for the years ended 31 March 2023 and 2022 is calculated by dividing the profit/(loss) attributable to owners of the Company by 600,000,000 ordinary shares in issue during the years ended 31 March 2023 and 2022.

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the Company had no potential ordinary share in issue during the years ended 31 March 2023 and 2022.

10. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

11. PLANT AND EQUIPMENT

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 April	50,437	135,637
Additions	8,905	33,484
Transfer from right-of-use assets	—	433
Disposals	(44)	(3,382)
Disposal of subsidiaries* (<i>note 8</i>)	—	(106,519)
Depreciation	(5,733)	(11,461)
Exchange differences	(3,894)	2,245
	<u>49,671</u>	<u>50,437</u>
At 31 March	49,671	50,437

* Included loss on remeasurement to fair value less costs to sell of approximately HK\$36,476,000.

12. INVENTORIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Raw materials	53,988	58,291
Work in progress	20,596	20,335
Finished goods	54,228	33,494
	<u>128,812</u>	<u>112,120</u>

13. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)		
— third parties	110,847	141,121
	<u>110,847</u>	<u>141,121</u>

As at 1 April 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 respectively.

The Group did not hold any collaterals over these balances.

Note:

- (a) The Group normally grants credit periods of 30 to 120 days (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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Up to 3 months	107,365	138,470
3 to 6 months	3,404	2,651
6 months to 1 year	78	—
	<u>110,847</u>	<u>141,121</u>

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
Ordinary share of HK\$0.1 each				
Authorised				
At 1 April 2021, 31 March 2022 and 31 March 2023	<u>4,500,000,000</u>	<u>450,000</u>		
Issued and fully paid				
At 1 April 2021, 31 March 2022 and 31 March 2023	<u>600,000,000</u>	<u>60,000</u>	<u>26,135</u>	<u>86,135</u>

15. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables (<i>Note (a)</i>)	84,663	109,672
Accruals and other payables (<i>Note (b)</i>)	<u>13,825</u>	<u>15,135</u>
	<u>98,488</u>	<u>124,807</u>

Notes:

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Up to 3 months	84,110	109,557
3 to 6 months	446	—
6 months to 1 year	2	61
1 to 2 years	<u>105</u>	<u>54</u>
	<u>84,663</u>	<u>109,672</u>

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 2023 were accrued directors' emoluments of approximately HK\$71,000 (2022: HK\$71,000).

16. COMMITMENTS

Capital commitments

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Authorised or contracted for but not provided:		
— Plant and machinery	15,546	7,347
— Leasehold improvement	<u>1,073</u>	<u>—</u>
	<u><u>16,619</u></u>	<u><u>7,347</u></u>

FINANCIAL REVIEW

Revenue

During the Year, revenue of the Group was approximately HK\$605.1 million, representing a decrease of approximately HK\$7.1 million or 1.2% from approximately HK\$612.2 million for the corresponding period last year. The decrease was mainly due to a decrease in number of orders from customers who engaged in medical and test equipment and financial equipment industries during the Year.

Geographically, South East Asia, the People's Republic of China ("PRC"), Europe and North America continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 40.7%, 39.0%, 13.4% and 5.1% of the Group's revenue, respectively, for the Year. Details of a breakdown of revenue generated by different geographical locations are set out in Note 4 to this annual results announcement.

Cost of sales

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

	2023		2022	
	HK\$'000	%	HK\$'000	%
Direct materials	360,615	71.9	364,903	71.2
Direct labour	89,362	17.8	92,496	18.1
Processing fee	35,284	7.0	46,185	9.0
Changes in inventory	(20,995)	(4.2)	(24,405)	(4.8)
Other direct overheads	37,558	7.5	33,091	6.5
	<u>501,824</u>	<u>100.0</u>	<u>512,270</u>	<u>100.0</u>

During the Year, cost of sales of the Group decreased by approximately HK\$10.4 million or 2.0% as compared to the same of the corresponding period last year. The decrease was primarily due to decrease in raw material cost, processing fee and direct labour cost.

The percentage of cost of sales to the total revenue during the Year was approximately 82.9%, representing a decrease of approximately 0.8%, as compared to approximately 83.7% in the corresponding period last year.

Gross profit and gross profit margin

During the Year, the gross profit of the Group was approximately HK\$103.3 million, representing an increase of approximately HK\$3.4 million or 3.4% from approximately HK\$99.9 million for the corresponding period last year. In respect of the gross profit margin of the Group was approximately 17.1% during the Year, with an increase by approximately 0.8% as compared to approximately 16.3% in the corresponding period last year. The increase of gross profit and gross profit margin were mainly due to the change of product mix as well as a better control of production costs during the Year.

Other gains/(losses), net

During the Year, the Group recorded other gains, net which amounted to approximately HK\$8.6 million. In the corresponding period last year, the Group recorded other losses, net of approximately HK\$4.0 million. We recorded other gains, net during the Year mainly due to a net exchange gain upon RMB depreciation of approximately HK\$7.8 million and receipt of government subsidies of approximately HK0.7 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 decreased by approximately HK\$0.7 million from approximately HK\$7.0 million for the year ended 31 March 2022 to approximately HK\$6.3 million for the Year, which is mainly in line with the decrease of the revenue.

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\$65.9 million for the corresponding period last year to approximately HK\$75.5 million for the Year. The increase was mainly due to the increase in research and development costs during the Year as compared with the corresponding period last year.

Finance costs

The Group's finance costs represented interest expenses on finance lease and bank borrowings. During the Year, the Group's finance costs was approximately HK\$8.5 million, as compared to approximately HK\$5.5 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 lease liabilities as compared to corresponding period last year.

Income tax expense

The Group's income tax expense amounted to approximately HK\$5.1 million for the Year, while the Group's income tax expense for the corresponding period last year amounted to approximately HK\$5.2 million. The details are set out in the note 7 to this annual results announcement.

Profit attributable to owners of the Company

For the Year, profit attributable to owners of the Company amounted to approximately HK\$22.7 million. For the corresponding period last year, profit attributable to owners of the Company from the continuing operations amounted to approximately HK\$13.3 million and loss attributable to owners of the Company from the discontinued operations amounted to approximately HK\$61.5 million upon a loss on remeasurement to fair value less costs to sell of approximately HK\$63.9 million together with a net gain from the disposal of the discontinued operations of approximately HK\$9.3 million, which in aggregate amounted to a net loss of approximately HK\$48.2 million for the Group. The improvement in the financial performance of the Group during the Year was mainly attributable to (i) the Disposal; (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) an increase in other gains due to depreciation of Renminbi against United States dollars during the Year.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources and liquidity

The Group's current assets comprise mainly cash and cash equivalents, trade receivables, prepayments, deposits and other receivables and inventories. As at 31 March 2023 and 31 March 2022, the Group's total current assets amounted to approximately HK\$546.9 million and HK\$567.2 million respectively, which represented approximately 75.0% and 73.0% of the Group's total assets as at 31 March 2023 and 2022, respectively.

Capital structure

The Group's capital structure is summarised as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank borrowings	<u>22,686</u>	<u>36,580</u>
Total debts	<u>22,686</u>	<u>36,580</u>
Shareholders' equity	<u>513,118</u>	<u>504,663</u>
Gearing ratio		
— Total debts to shareholders' equity [#]	<u>4.4%</u>	<u>7.2%</u>

[#] 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, the Group generally financed its operation primarily with internal generated cash flows and bank borrowings.

As at 31 March 2023, the Group's bank borrowings were denominated in Renminbi.

The capital structure of the Group consists of equity attributable to the equity holders 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 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, the Group acquired plant and machinery of approximately HK\$8.9 million, as compared to the year ended 31 March 2022 of approximately HK\$33.5 million.

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

Charges on the Group's assets

As at 31 March 2023 and 2022, no bank 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 the United States dollars.

The Group has been managing 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 2023 are set out in note 16 to this annual results announcement.

Contingent liabilities

As at 31 March 2023, the Group had no material contingent liabilities.

Subsequent event

The Group has no material subsequent events up to the date of this consolidated financial statements.

BUSINESS REVIEW

During the Year, the business environment was affected by a number of global issues such as the political tension between the PRC and the United States of America (the "US"), coronavirus, Russia-Ukraine conflicts and energy crisis in Europe. Deglobalisation, fluctuation of currency exchange, hyperinflation and rising interest rate also created significant uncertainties on the global economy. In terms of the COVID-19 pandemic, the PRC government started to relax its COVID-19 restrictions at the end of 2022 and fully resumed to normal since January 2023. Such change in government policies created an opportunity for the economy to recuperate in the first half of 2023. Although facing these major challenges, the Group has made its best effort to cope with this difficult business environment. Meanwhile, the Group was still under the pressure from the increase in material cost, labour cost and production costs in China.

During the Year, the Group recorded a revenue of approximately HK\$605.1 million, with a slight decrease by approximately HK\$7.1 million or 1.2% as compared to a revenue of approximately HK\$612.2 million during the corresponding period last year. The decrease was mainly due to a decrease in number of orders from customers who engaged in medical and test equipment and financial equipment industries during the Year.

The total gross profit of the Group increased by approximately HK\$3.4 million or 3.4% from approximately HK\$99.9 million during the corresponding period last year to approximately HK\$103.3 million during the Year. Moreover, due to the change in product mix as well as a better control of production costs, the overall gross profit margin of the Group increased from approximately 16.3% during the corresponding period last year to approximately 17.1% during the Year.

The Group recorded an increase of approximately HK\$9.6 million in general and administrative expenses to approximately HK\$75.5 million from approximately HK\$65.9 million in the corresponding period last year. The increase was mainly due to the increase in research and development costs during the Year.

As such, the Group recorded a net profit of approximately HK\$22.7 million during the Year, as compared with a net loss of approximately HK\$48.0 million (taking into account of discontinued operations from the disposal of a loss making business unit in its metal lathing segment (the “Disposal”)) or a net profit of approximately HK\$13.3 million (without taking into account of discontinued operations from the Disposal) during the corresponding period last year. The improvement in the financial performance of the Group during the Year was mainly attributable to (i) the Disposal; (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) an increase in other gains due to depreciation of Renminbi against United States dollars during the Year.

OUTLOOK AND STRATEGY

For the year to come, the China-US political tension and Russia-Ukraine conflicts will likely subsist for a period of time. Business environment is expected to experience stagnant economic growth and face problems of uncertainties. Global economy is also threatened by hyperinflation, continuing raise of interest rate and deglobalisation.

In the coming year, it is expected that the China-US political tension may drive deglobalisation and cause disruption on the global supply chains, the hyperinflation and the interest rate uptrend will remain to be the major factors to affect the global economy and business environment. In the view of deglobalisation, certain customers continue to relocate their businesses to the Southeast Asia. In order to better serve these customers, the Group has decided to invest a new production base in Malaysia during the Year.

Furthermore, due to the easing control to the pandemic of COVID-19 in the world and the slowdown of global economy, it may result the market of network and data storage industry as well as medical and test equipment industry to become shrinking. Management of the Group has noted that a number of major technology companies are implementing cost control and reducing their orders. It is expected that demands from network and data storage industry will likely decrease in the foreseeable future. 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group had a total number of 974 full-time employees (2022: 1,053). 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.

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

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the Year (2022: nil).

No interim dividend was paid during the Year (2022: nil).

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 2023 (the "AGM"), the register of members of the Company will be closed from Friday, 18 August 2023 to Wednesday, 23 August 2023, 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 Thursday, 17 August 2023.

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 Year.

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 and up to the date of this annual results announcement.

REVIEW OF ACCOUNTS

The Company’s audit committee has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the Year.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this annual results announcement have been agreed by the Group’s auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this annual results announcement.

SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED CORPORATIONS

For the Year, the Group did not conduct any disposals or acquisitions for its subsidiaries and associated corporations.

PURCHASE, SALE OR REDEMPTIONS 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.kingdom.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2023 annual report containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the said websites in due course.