

ANNUAL REPORT
2023



Our Goals are
Far and High

We cultivate for
Tomorrow

KFM
KINGDOM  **DOM**

KFM KINGDOM HOLDINGS LIMITED

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

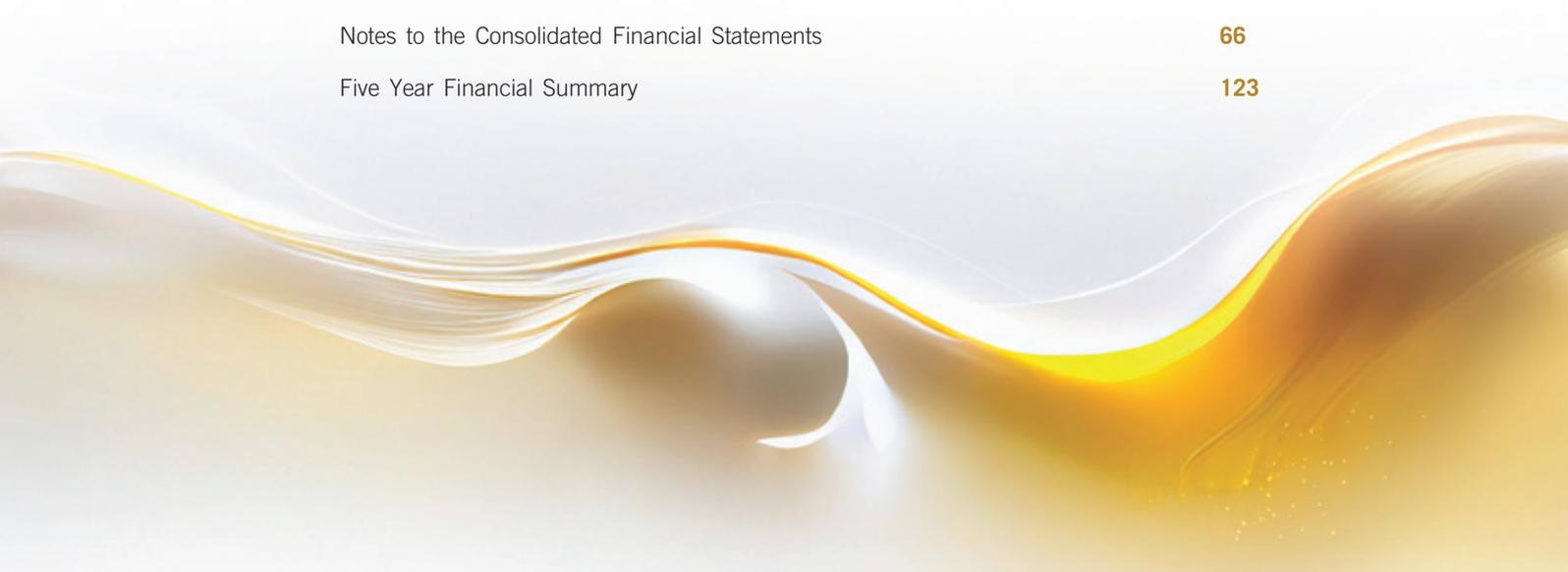


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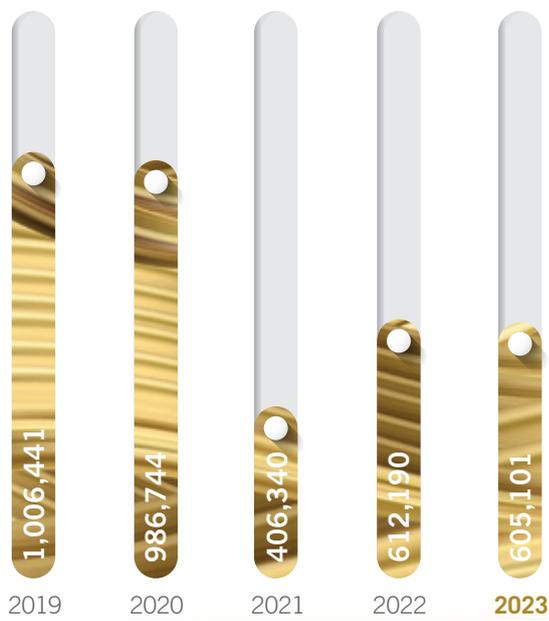
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Financial Highlights

REVENUE

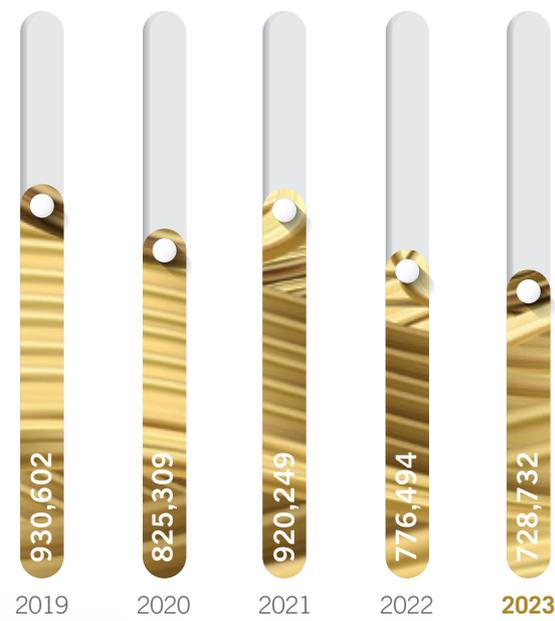
Year ended 31 March (HK\$'000)



(Restated)

TOTAL ASSETS

As of 31 March (HK\$'000)



Corporate Information

NON-EXECUTIVE DIRECTOR

Mr. Zhang Haifeng (Chairman)

EXECUTIVE DIRECTORS

Mr. Sun Kwok Wah Peter (Chief Executive Officer)
Mr. Wong Chi Kwok

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Wan Kam To (Chairman)
Ms. Zhao Yue
Mr. Shen Zheqing

REMUNERATION COMMITTEE

Ms. Zhao Yue (Chairman)
Mr. Zhang Haifeng
Mr. Wan Kam To

NOMINATION COMMITTEE

Mr. Zhang Haifeng (Chairman)
Mr. Sun Kwok Wah Peter
Mr. Wan Kam To
Ms. Zhao Yue
Mr. Shen Zheqing

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Workshop C, 31/F
TML Tower, 3 Hoi Shing Road, Tsuen Wan
New Territories, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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 ADVISERS 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



Chairman's Statement



DEAR SHAREHOLDERS,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of KFM Kingdom Holdings Limited (the “**Company**”), I would like to present the operating and financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2023.

FINANCIAL PERFORMANCE

During the year ended 31 March 2023, the revenue of the Group decreased by approximately 1.2% to approximately HK\$605.1 million from approximately HK\$612.2 million of the same during last year. The decrease in revenue 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.

During the year ended 31 March 2023, the gross profit margin of the Group was approximately 17.1%, as compared to approximately 16.3% in the corresponding period last year. The increase of approximately 0.8% in the gross profit margin of the Group was mainly due to the change of product mix as well as a better control of production costs during the year.

In respect of overall performance, the Group recorded a net profit of approximately HK\$22.7 million for the year ended 31 March 2023, as compared to a net loss of approximately HK\$48.0 million for the year ended 31 March 2022. The profit for this year was mainly attributable to no disposal loss during the year, an increase in revenue derived from the customers engaged in the network and data storage industry, and the depreciation of Renminbi against United States dollars.

OUTLOOK

Looking forward, the economic environment remains overshadowed with uncertainties from the subsisting impact of the deglobalisation, high interest rate and the escalating tensions between the major powers.

The difficulties faced by manufacturing industries in China are expected to subsist in the future. In term 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.

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

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

ACKNOWLEDGEMENT

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

Zhang Haifeng

Chairman

Hong Kong

26 June 2023

Business Review

BUSINESS REVIEW

During the year ended 31 March 2023 (the “**Year**”), the business environment was affected by a number of global issues such as the political tension between the People’s Republic of China (“**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.

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 7 to this consolidated financial statements.

Cost of sales

Cost of sales primarily comprises the direct costs associated with the manufacturing of the Group's products. It consists mainly of direct materials, direct labour, processing fee and other direct overheads. 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
	501,824	100.0	512,270	100.0

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.

BUSINESS REVIEW

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 HK\$0.7 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 13 to this consolidated financial statements.

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

[#] 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.

BUSINESS REVIEW

Capital commitments

Details of the Group's capital commitments as at 31 March 2023 are set out in note 28 to the consolidated financial statements.

Contingent liabilities

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

Future plans for material investments and capital assets

Save as those disclosed in this annual report, the Group currently has no other plan for material investments and capital assets.

Subsequent event

The Group has no material subsequent events up to date of this annual report.

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.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 March 2023.

CORPORATE GOVERNANCE PRACTICES

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

The Board is of the view that the Company has complied with the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the year ended 31 March 2023.

THE BOARD OF DIRECTORS

Responsibilities

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

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

Board Composition

The Board currently comprises six members, consisting of two executive Directors, one non-executive Director and three independent non-executive Directors. The biographical details of the Board members are set out on pages 43 to 44 of this Annual Report. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

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

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

Board Diversity Policy

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

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

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

CORPORATE GOVERNANCE REPORT

The following measurable objectives have been set for implementing the Board Diversity Policy:

1. ensuring that there is no limitation on gender on selection of Directors and there shall be at least one female member on the Board;
2. inclusion of candidates for Board members with working experience in other industries; and
3. inclusion of candidates for Board members with knowledge and skills in different aspects.

As at the date of this annual report, the above objectives have been achieved.

In terms of gender diversity, the Board is a mixed-gender board with female representation brought by Ms. Zhao Yue, an independent non-executive Director. The Board recognises the importance and benefits of gender diversity at Board level and shall continue to take initiatives to identify suitable female candidates for board succession planning and enhancement of gender diversity in the Board.

At present, the Nomination Committee considers that an appropriate balance of gender diversity of the Board is maintained. The Nomination Committee will monitor the Group's business needs and consider further appointment of female directors as appropriate.

As at 31 March 2023, the Group had 659 male employees (2022: 750 male employees) and 315 female employees (2022: 303 female employees) and the male-to-female ratio in the workforce, including the senior management, was approximately 2.1:1 (2022: 2.5:1), which is regarded by the Board as satisfactory and in line with the industry which the Group operates its businesses in.

The Company will continue to take gender diversity into consideration during recruitment and increase the female proportion at all levels over time, such that there is a pipeline of female senior management and potential successors to the Board in the future.

Appointments, Re-election and Removal of Directors

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

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

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

Chairman and chief executive officer

Under CG Code C.2.1, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. For the year ended 31 March 2023, the roles of the Chairman and the chief executive officer have been performed by Mr. Zhang Haifeng and Mr. Sun Kwok Wah Peter respectively.

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

Directors' continuous training and development

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

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

The Directors are committed to complying with the CG Code C.1.4 on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received during the year to the Company.

CORPORATE GOVERNANCE REPORT

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

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

Notes:

A: attending training/seminars

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

Board and general meetings and attendance

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

For the year ended 31 March 2023, the Company has adopted the practice of holding board meetings regularly for at least four times a year in approximately quarterly intervals. At least 14 days' notice is given to all Directors for all regular board meetings and all Directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all Directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept by the company secretary and are available to all Directors for inspection.

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

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

Name of Directors	Number of attendance	
	Board meetings	General meeting
Non-executive Director		
Mr. Zhang Haifeng (Chairman)	4/4	1/1
Executive Directors		
Mr. Sun Kwok Wah Peter	4/4	1/1
Mr. Wong Chi Kwok	4/4	1/1
Independent non-executive Directors		
Mr. Wan Kam To	4/4	1/1
Ms. Zhao Yue	4/4	1/1
Mr. Shen Zheqing	4/4	1/1

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 26 June 2023, the date of this Annual Report.

BOARD COMMITTEES

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

Audit committee

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

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

CORPORATE GOVERNANCE REPORT

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

Membership and attendance of members

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

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2022, and interim condensed consolidated financial statements for the six months ended 30 September 2022. The audit committee has discussed the financial information with the management and the external and internal auditors of the Company during the year before submission to the Board for approval and the Group's risk management with the risk management personnels.

Nomination committee

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

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

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

Membership and attendance of members

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

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

Remuneration committee

The Company established a remuneration committee on 22 September 2012 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The primary functions of the remuneration committee of the Company are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, to make recommendations to the board on the remuneration packages of individual executive directors and senior management, review performance based remuneration, ensure none of the Directors determine their own remuneration and review and approve matters relating to share schemes under Chapter 17 of the Listing Rules. The full terms of reference are available on the Company's website (www.kingdom.com.hk) and the Stock Exchange's website.

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

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

Membership and attendance of members

Members	Attendance/ Number of meeting
Independent non-executive Directors	
Ms. Zhao Yue (Chairman)	2/2
Mr. Wan Kam To	2/2
Non-executive Director	
Mr. Zhang Haifeng	2/2

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

Details of the Directors' emoluments and retirement benefits and remuneration payable to members of senior management are disclosed in the notes 12 and 29(d) to the consolidated financial statements respectively.

Nomination policy

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

1. *Objective*

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

2. *Selection criteria*

The selection criteria specified in the Nomination Policy include:

- commitment of available time and ability to devote sufficient time and attention to the affairs of the Company;
- reputation for integrity;
- accomplishment and experience in the relevant industry(ies);
- effectiveness in carrying out the responsibilities of the Board; and
- diversity in all its aspects as set out in the board diversity policy of the Company.

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

3. *Nomination procedures*

- (i) For filling a casual vacancy, the nomination committee shall make recommendations for the Board’s consideration and approval. For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.
- (ii) Until the publication of circular to the shareholders of the Company (the “**Shareholders**”), the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.
- (iii) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from the Shareholders, a circular will be sent to the Shareholders. The circular will set out the lodgment period for the Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to the Shareholders.
- (iv) A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

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

4. *Review of the Nomination Policy*

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

Corporate Governance Functions

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

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with the relevant legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

FINANCIAL REPORTING AND AUDIT

Directors' responsibility for financial statements

The Directors acknowledge their responsibility for preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the year end date and of the Group's results and cash flows for the financial year then ended. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to code provision D.1.1 of the CG Code, management would provide such explanation and information to the Board in order to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. As at the date of this report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The consolidated financial statements for the year ended 31 March 2023 are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

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

Auditor's Remuneration

For the year ended 31 March 2023, the Group's external auditor and its affiliated firm provided the following services to the Group:

	HK\$'000
Audit services	850
Non-audit services	
— Interim review services	270
— Taxation (Note)	74
Total	1,194

Note: Services performed by an affiliated firm of SHINEWING (HK) CPA Limited

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Board reviews the adequacy and effectiveness of the Group's risk management and internal control systems. Several areas have been considered during such reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems. These reviews also cover the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's internal audit, risk management and financial reporting functions. For the year ended 31 March 2023, the Board considered such systems effective and adequate throughout the year.

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

SHAREHOLDERS' RIGHT

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

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

Procedures for putting forward proposals at general meetings by shareholders

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

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

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

- (a) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;
- (b) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company; and
- (c) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

COMMUNICATION WITH SHAREHOLDERS

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

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

The Board reviewed the implementation and effectiveness of the above shareholders' communication policy during the year ended 31 March 2023 and concluded that it was effective.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2023, by a special resolution passed at an annual general meeting held on 23 August 2022, the articles of association were amended and a new set of articles of association was adopted to (i) bring the constitution of the Company in line with amendments made to applicable laws of the Cayman Islands and the Listing Rules; and (ii) incorporate certain housekeeping amendments for the purpose of clarifying existing practices and making consequential amendments in line with the aforesaid amendments.

The amended and restated articles of association are available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

ABOUT THE REPORT

This Environmental, Social and Governance Report (the “**Report**”) allows stakeholders to have better understandings about the progress and direction of the Group’s sustainable development. Through this Report, stakeholders including shareholders, employees, customers, suppliers, creditors, regulators and the general public will be given a channel to review the performance of the Group in terms of environmental, social and governance (the “**ESG**”) aspects.

SCOPE OF THE REPORT

The Report covers the plant of the Group located in Suzhou of the People’s Republic of China (the “**PRC**”). The plant is principally engaged in the manufacturing of precision metal (referred to as “**Business Unit**”). The Report covers the financial year ended 31 March 2023 and discloses the Group’s corporate social responsibility managing approach and performance. Due to the fact that Business Units of Shenzhen Xili and Shanghai had been disposed of on 20 December 2021, the comparative figures of ESG performance for the year ended 31 March 2022 disclosed in the Report for the Business Units of Shenzhen Xili and Shanghai were presented up to the end of December 2021.

BOARD STATEMENT

The Group’s sustainable development strategy contains different issues include integrating environmental considerations into business, strengthening staffs’ ability, caring community, improving corporate social responsibility performance, enhancing the transparency and so on. The Group devotes effort to mitigate the environment and natural resource impacts from production processes, and strives to balance the advantages between environment, market and society. In terms of employee’s development, we insist on treating all employees equally, so as to develop the future with employees together.

In response to the worldwide tendency of sustainable development, the Group has been satisfying the stakeholders’ demands continuously under the changing environmental control requirements. The Group’s principle of corporate social responsibility is to strengthen the environmental and social management and to promote the value of sustainable development to the stakeholders. For the ESG managing strategy, the management reports to the Board regularly for the managing performance of the ESG related issues and risks as well as the monitor of sustainability and corporate social responsibility matters, and review the existing policies to meet the Group’s social and development needs. The Board supervises the ESG relevant objectives and progress in order to maximise returns to the Group.

The Group has established review procedures to guarantee the presented materials in the Report are accurate and reliable. The ESG report has been reviewed and approved by the Board after discussion with the relevant management of the Group regarding the effectiveness of the corporate social responsibility system. Looking forward to the future challenges, we will continue to improve the ESG controls and deepen the management of sustainable development.

REPORTING PRINCIPLES

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules, which is prepared on the basis of four reporting principles of Materiality, Quantitative, Balance and Consistency. To allow stakeholders to have better understandings about the performance of the Group in terms of environmental, social and governance aspects, this Report complies with the “comply or explain” requirement to disclose the environmental key performance indicators (the “KPIs”).

Reporting principles	Definition	Response
Materiality	Focusing on environmental, social and governance issues which have significant impact on the Group and stakeholders.	The Group has conducted a materiality analysis in identified important environmental, social and governance issues based on factors such as the nature of the Group’s business and the expectations of stakeholders.
Quantitative	The data of key performance indicators should be measurable and comparable when appropriate.	The key performance indicators for the ESG components of the Group are derived from the statistics of the relevant departments. In order to ensure the accuracy of the environmental KPIs, the Group has performed carbon assessment with standards of the Reporting Guidance on Environmental KPIs issued by The Stock Exchange of Hong Kong Limited (the “ Stock Exchange ”).
Balance	The Group shall objectively and realistically report the performance of the year in respect of the environmental, social and governance aspects.	In the process of preparing the Report, the Group focuses on the elaboration of environmental, social and governance outcomes, and describes the difficulties encountered and response plans.
Consistency	Consistent disclosure and statistical method shall be adopted for the disclosure of the report, in order to make the key performance indicators comparable and understand corporate performance.	The same statistical method as in prior years has been adopted in this Report. Please refer to the each section of this report for the annual comparative statistical data.

MATERIALITY ASSESSMENT

In order to identify the materiality of environmental, social and governance issues to formulate an appropriate management strategies and determine the direction of this Report, the management has conducted a relevant materiality assessment. The materiality assessment considered our operation reviews and communication of stakeholders. Based on the materiality assessment, the material ESG issues for the Group are shown as follows:

Material issues	Corresponding sections
A. Environmental	
— Greenhouse gas emission	Emissions, climate change
— Energy efficiency	Emissions, use of resources
— Effective use of resources	Emissions, use of resources
B. Social	
— Occupational health and safety	Health and safety, development and training
— Employee skills development	Health and safety, development and training
— Quality assurance and product responsibility	Supply chain management, product responsibility
— Data security and protecting intellectual property	Intellectual property protection
— Prevention of corruption and bribery	Anti-corruption

ENVIRONMENTAL PROTECTION

Emissions

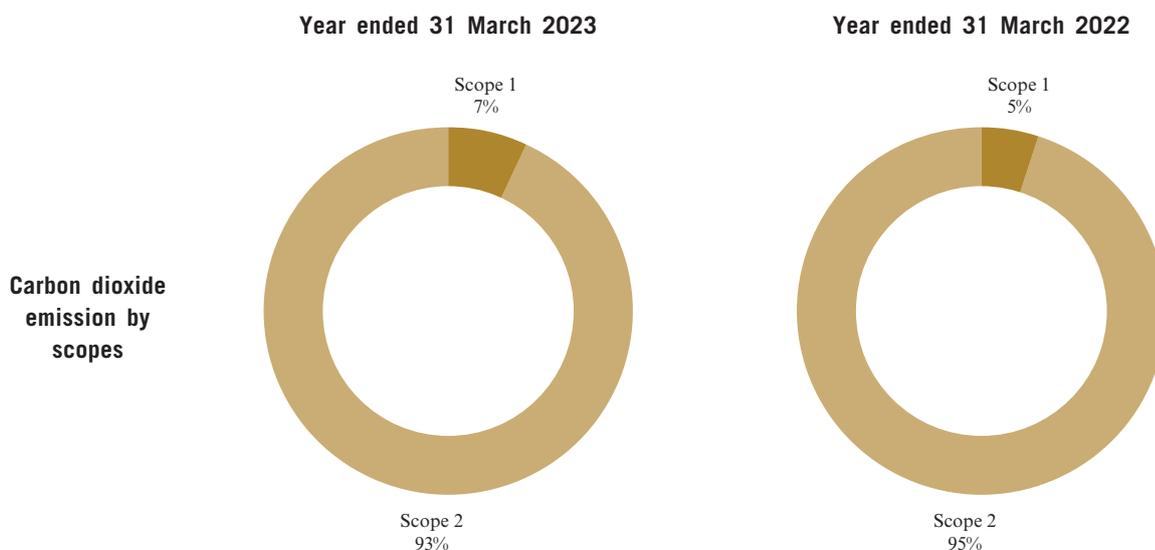
Business Unit complies with the following laws promulgated by the Government of the PRC on waste gas, sewage emission and noise pollution:

- Law of the PRC on the prevention and control of atmospheric pollution
- Water pollution prevention and control law of the PRC
- Law of the PRC on prevention and control of pollution from environmental noise

It is the Group’s policy to comply with the relevant laws and regulations which have a direct impact on the business and operation of the Business Unit. To maintain an environmental friendly production environment, the pollutants discharged have been closely monitored by the Business Unit. In 1998, we obtained the first International Certification of Environmental Management System (ISO 14001). The certificate reflects our effectiveness in environmental controls and it is renewed regularly. For the year ended 31 March 2023, the results of environmental detecting reports of Business Unit reflected that the waste emissions generated by our production processes were under good control and abided by the relevant rules and regulations of the PRC.

The overall emission of carbon dioxide by Business Unit for the year ended 31 March 2023 was approximately 4,937 tonnes, representing a decrease of approximately 4,886 tonnes or 49.7% from approximately 9,823 tonnes for the corresponding period last year. Most of carbon dioxide emission was generated by our main energy consumption of electricity. The decrease in carbon dioxide emission was mainly due to the reduction of two Business Units during the year ended 31 March 2023.

Business Unit is engaged in precision metal processing and assembly business and primarily generate carbon dioxide by consuming electricity which is energy indirect greenhouse gas emission (Scope 2) during the production process. The consumption of natural gas, gasoline and diesel oil is direct greenhouse gas emission (Scope 1) that was much less than the energy indirect greenhouse gas emission. The proportion of carbon dioxide emission by scopes for the years ended 31 March 2023 and 2022 were as follows:

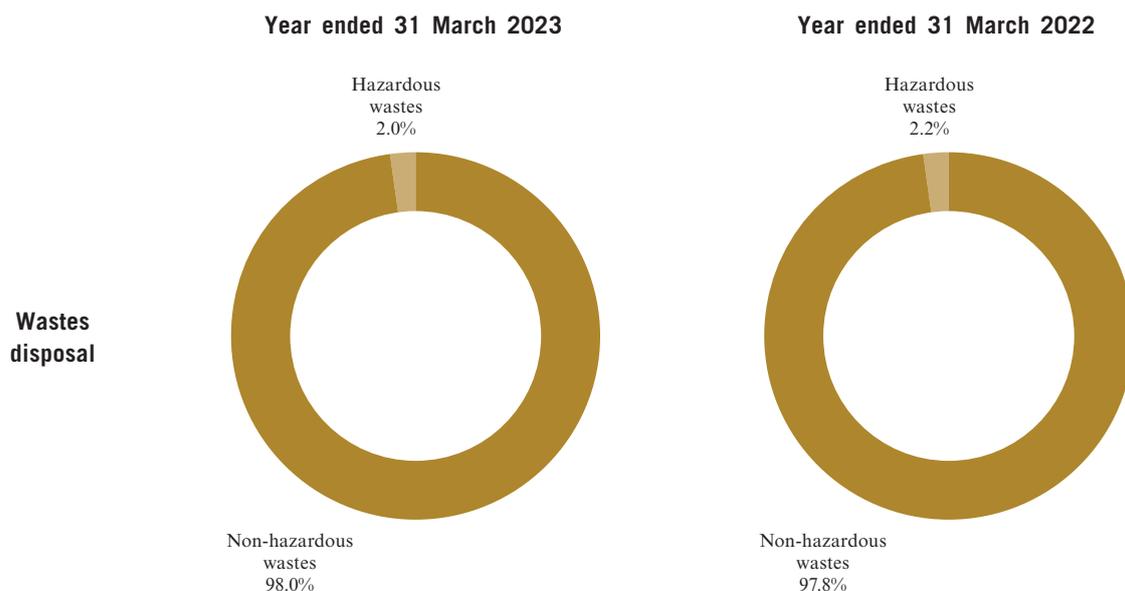


Business Unit has implemented various measures to save the energy consumed during the production process and thereby reduce the emission of greenhouse gas. Solar board and intelligent energy saving on-off switches were introduced to Business Unit. Besides, the waste disposal was implemented in compliance with International Certification of Environmental Management System (ISO 14001). For future environmental improvement, we aim to continuously reduce the emission of greenhouse gas and improve the efficiency of using electricity and water resources. In order to achieve the objective, we will maximise the effectiveness of using resources by encouraging employees to reduce the use of resources and replacing inefficient equipment.

To properly handle non-hazardous and hazardous wastes generated from our production process, Business Unit has well established procedures to prevent the occurrence of the adverse impact to the environment. Under the procedures of wastes management and the aim of continuous wastes reduction, all wastes are systemically classified, stored in separate warehouses, and disposed of or recycled to the companies which are authorised by the PRC government. In order to minimise the material wastage, we will continuously improve the production processes and enhance the use of reusable materials during the production.

For the year ended 31 March 2023, the non-hazardous wastes, including metals, wooden boxes, plastics and non-chemical wastes, being disposed of amounted to approximately 1,777 tonnes (2022: approximately 2,283 tonnes) and the hazardous wastes, including electronic items and chemical wastes, being disposed of amounted to approximately 37 tonnes (2022: approximately 52 tonnes).

The proportion of non-hazardous wastes and hazardous wastes for the years ended 31 March 2023 and 2022 were as follows:



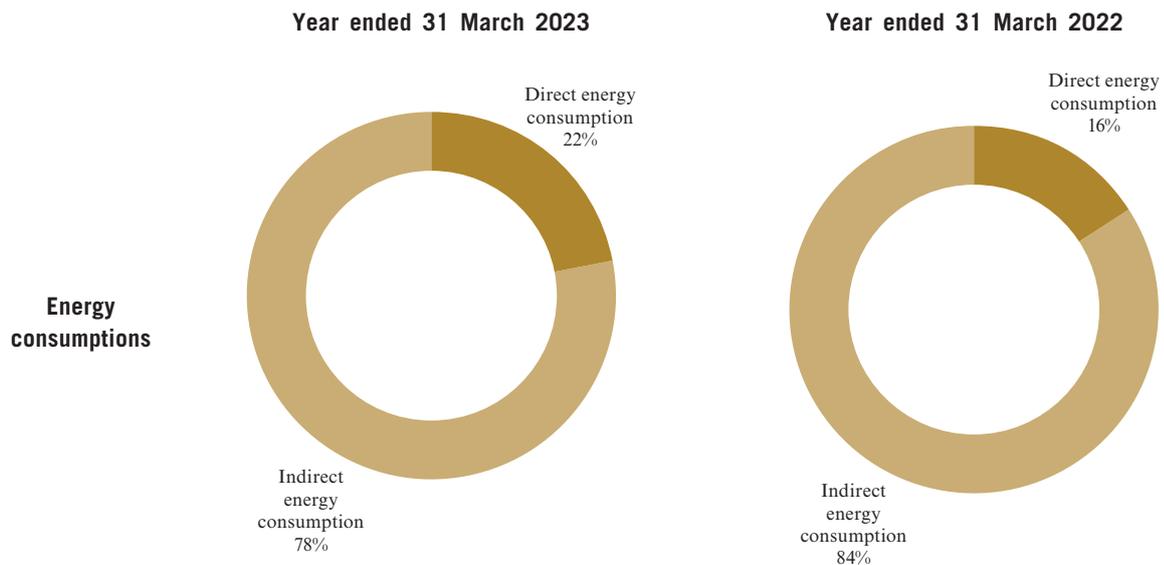
Use of Resources

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

The consumption of electricity resources (Indirect energy consumption) by Business Unit decreased by approximately 5.73 million kilowatt per hour or 50.2% from approximately 11.42 million kilowatt per hour for the year ended 31 March 2022 to approximately 5.69 million kilowatt per hour for the year ended 31 March 2023. The decrease in consumption of electricity resource was mainly due to the reduction of two Business Units for the year.

In respect of direct energy consumption by Business Unit, it decreased by approximately 0.6 million kilowatt per hour or 27.3% from approximately 2.2 million kilowatt per hour for the year ended 31 March 2022 to approximately 1.6 million kilowatt per hour for the year ended 31 March 2023. The decrease in the direct energy consumption was mainly due to the reduction of two Business Units for the year.

The proportion of indirect energy consumption and direct energy consumption for the years ended 31 March 2023 and 2022 were as follows:



For the overall consumption of water resource by Business Unit, it decreased by approximately 15.3 thousand tonnes or 34.2% from approximately 44.7 thousand tonnes for the year ended 31 March 2022 to approximately 29.4 thousand tonnes for the year ended 31 March 2023. The decrease in consumption of water resource was mainly due to the reduction of two Business Units during the year. In order to reduce the consumption of water, management will enhance employees' training and resources control to save water. During the year ended 31 March 2023, the Group did not have any issue in sourcing water that is fit for purpose.

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

For the year ended 31 March 2023, the rate of usage of recyclable packaging materials was approximately 18% (2022: approximately 6%) on the sale of total products. The increased rate of usage of recyclable packaging materials was mainly due to the reduction of two Business Units during the year. According to the Group's policy, we will continuously encourage customers to use recyclable packaging material for appropriate production orders.

The Environment and Natural Resources

The Group is aware of certain natural resources are used in production processes, such as water and paper for product packaging that may have impact to environment. To minimise the environmental impact and reduce resource consumption as stipulated in the Group's policies, a set of environmental controls and measures has been implemented. The controls include replacing the energy-inefficient electrical equipment, employees' training on saving resources, reducing the use of paper by double sided printing and wastes separation for recycling. Eventually, a large amount of metal, paper and plastic have been reduced, reused or recycled by Business Unit.

Climate Change

In 2020, the PRC government announced that it would strive to achieve carbon neutrality by 2060, which demonstrates the PRC Government's emphasis on climate change control. The Group has examined the risks and opportunities brought from climate change and improved the environmental management during the operation. Besides, as mentioned in the emissions section above, we have obtained the International Certification of Environmental Management System (ISO 14001) and it is renewed regularly. The certificate reflects that we have a set of environmental protection system, policies and guidelines in place to facilitate the measures of environmental management and climate change mitigation.

In respect of climate change, extreme weather such as high temperature, storm and heavy rains are likely to become more frequent in the future. In order to mitigate the climate risks resulting from extreme weather, we have used most of our plant's roof to install many solar boards to reduce greenhouse gas emission through less consumption of electricity resource from production. In addition, the Group is considering that existing equipment which are using petrochemical energy may be replaced by those using electric energy, if the equipment exceed their useful life. For example, when a gasoline vehicle is broken and out of its useful life, this vehicle may be replaced by electric vehicle or hybrid electric vehicle.

In the future, the Group will continue to review the current policies, consider new climate issues that have a significant impact to the Group, and more comprehensively and effectively deal with the relevant risks and opportunities brought by various environmental problem.

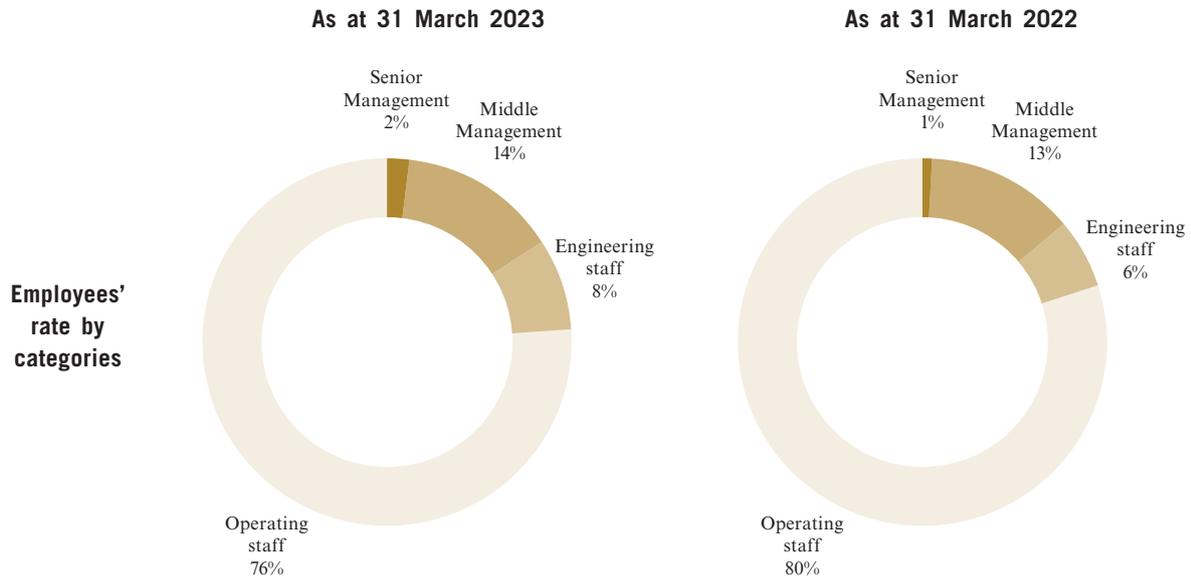
WORKING ENVIRONMENT

Basic Information

As at 31 March 2023, the Group employed a total of 974 employees (2022: 1,053 employees). The Group persists in the principle of fair and equal opportunities regardless of age, gender, marital status, ethnicity, nationality, religion or disability on recruitment, and always treats staff as the most important asset and appoints them according to their ability and suitability. The Group complied with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The remuneration policy is determined with regard to the employees' qualification, experience and performance on their jobs, and with reference to the current market situation.

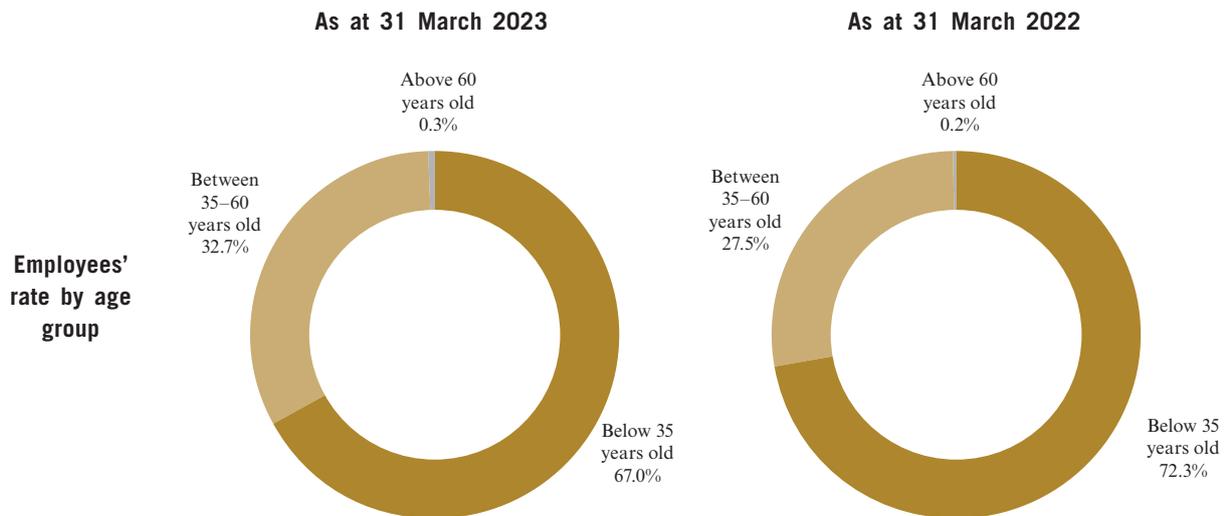
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The proportion of employee by categories as at 31 March 2023 and 2022 were set out below:



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

The employees' rate by age group as at 31 March 2023 and 2022 were set out below:



Health and Safety

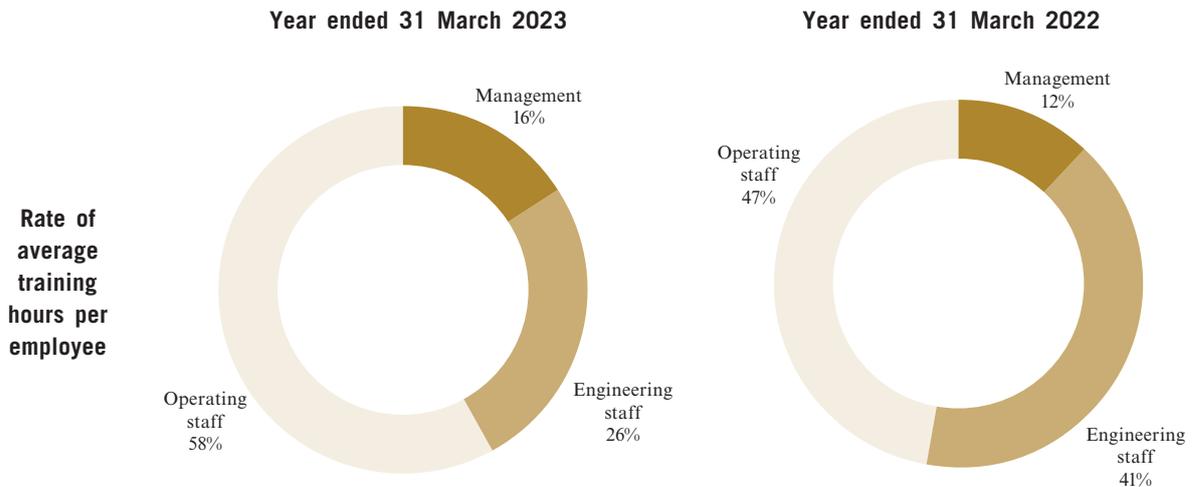
Employees’ health and safety are important to the Group. The Group complied with relevant laws and regulations that have a significant impact on the Group relating to the provision of a safe working environment and protection of employees from occupational hazards. A set of policies have been adopted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

To enhance the employees’ awareness of health and safety manners, the Group has determined an objective to maintain zero significant casualty event. In order to achieve this objective, Business Unit made efforts to promote employees’ health and safety conditions and launched a series of regular training activities to ensure that the employees understand the relevant laws and regulations. Several specific trainings are provided to employees in risky working positions and help them to properly use the protective equipment and methods. For the years ended 31 March 2023, 2022 and 2021, Business Unit sustained zero fatality due to work-related accident. The health and safety controls will be continuously reviewed and maintained by the management.

Development and Training

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

The proportion of average training hours per employee for the years ended 31 March 2023 and 2022 were as follows:



In response to enhance the employees’ competitiveness, we aim to achieve a higher training coverage rate to employees if they are willing to be trained. In order to achieve the objective, we will continually improve the development and training system, encourage employees to perform self-studying, and search for some training workshops in specialised areas which are provided by external training institutions.

Labour Standards

Business Unit follows the Group's policies to maintain a high standard on the labour working conditions. All employees working in Business Unit must be over 18 years old, and they should follow the free-will principle if they work on overtime duties. Steps were taken to prevent child and forced labour which include policy to require human resource department to check candidates' resident identity document before recruitment interview, random on-site inspection and so on. In case child and/or forced labour is identified, it will be directly reported to the relevant management for further action. For the years ended 31 March 2023 and 2022, the Group has complied with relevant laws and regulations relating to preventing child and forced labour and no child labour was employed by Business Unit. The management will closely and regularly monitor the employment practices and relevant control procedures to avoid any child labour in Business Unit.

For the year ended 31 March 2023, an employee of Business Unit in Suzhou obtained an Award of Excellent Worker in Human Resources which was issued by Association of Enterprise of Harmonious Labour Relationship of Suzhou in 2022. The management will continuously enhance our policy to improve the labour protection.

OPERATING PRACTICES

Supply Chain Management

Supply chain management links to the product quality control system, and therefore Business Unit implemented strict controls to select suppliers. Our policies require our suppliers to pass a high level scrutiny procedure mandatorily before they become our qualified suppliers. Based on the scrutiny procedure, suppliers are subject to the assessments and onsite audits on their product quality, environmental friendliness as well as suitability and quality consistency tests conducted by our specialised department. After the suppliers pass the audits and assessments, they are enrolled into the "List of Qualified Suppliers" and Business Unit only place purchasing orders to the suppliers on the said list. It would be of higher chance for the suppliers to be included into the "List of Qualified Suppliers" if they achieved the International Quality Certification of The Quality Management System (ISO 9001) or the International Certification of Environmental Management System (ISO 14001).

In addition, the suppliers on the "List of Qualified Suppliers" are subject to yearly performance assessment for managing risks including environmental and social areas from the supply chain. The assessment includes review on the supplier's production quality and integrity, social responsibility, market price comparison and other considerations. The suppliers may be required to carry out some improvements if the assessment result is unqualified. Furthermore, if the suppliers do not meet our requirements after their improvements, they may be eliminated from the "List of Qualified Suppliers".

Product Responsibility

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

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

For the improvement of product quality, in case the management receives a feedback on product quality from customers, we will immediately communicate with relevant customer to resolve the quality problem. If necessary, a technician will be arranged to conduct further on-site investigation in the customer's warehouse. Accordingly, all returned products are taken to necessary defect measurements for our further improvement. For the years ended 31 March 2023 and 2022, all products that had been recalled from customers were in relation to the product quality defect without any significant problem in relation to the health and safety issues.

Intellectual Property Protection

As a responsible company, the Group treats intellectual property rights as important assets. The Group's policy requires employees to carefully handle business confidential information. We have provided training to employees to ensure that they understand and comply with the guidelines on intellectual property protection. The labour contract has clearly stipulated that employees shall abide by the principle of business secrets. The Group may require individual personnel to sign confidentiality commitments on specific matters subject to circumstances.

Furthermore, the Group does not allow any leakage of confidential information. If an employee is found to be leaking business secrets, the Group will immediately terminate his or her labour contract, and reserve the right to pursue the economic and legal liabilities of the parties concerned. At the same time, the joint liability of other relevant personnel shall be investigated. In the supplier contract, the Group requires mutual respect on each other's intellectual property rights and joint compliance with relevant laws and regulations. In the future, the Group will regularly review the policy of intellectual property protection to ensure that the information of the Group, customers and suppliers is appropriately protected.

In addition, data protection and privacy are very important to the Group. We have implemented information technology policy and measures for data protection. The measures include setting variety levels of password as the first line of defense against unauthorised access, physical control such as computer servers locked in a server room, technical safeguards such as regular update firewall and antivirus software, daily data backup and so on. The Group will regularly update information technology managing technique to reduce the relevant risks from data protection and privacy.

ANTI-CORRUPTION

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

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

1. All employees are prohibited from giving and accepting of bribes, the acceptance of valuables, the embezzlement of funds, extortion, fraud, and money laundering;
2. Travel and entertainment with definite business purposes shall apply the principle of thrifty and necessity. Excessive claim of travel expenses, incompliant dining expenses and reception of unrelated persons at Business Unit' expenses are not allowed; and
3. A whistle-blowing system has been implemented in Business Unit. All employees are allowed to make direct contact to senior management through the whistle-blowing system for any reason in regard to the operation of Business Unit.

In order to maintain a higher level of ethic to employees, the Group has provided anti-corruption training to directors and employees to ensure that their integrity is kept in an acceptable level. The internal control division has been reviewing the Group's policies to confirm that the Group has an honest system. In the long run, the Group will regularly provide anti-corruption training to employees to maintain a high ethic level.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the years ended 31 March 2023 and 2022, the Group complied with laws and regulations relating to bribery, extortion, fraud and money laundering, and there were no legal cases regarding corrupt practices which were brought against the Group or its employees. The management applied sound controls to the anti-corruption and maintained a clean working environment with integrity in Business Unit.

COMMUNITY INVESTMENT

Contribution to Society

Business Unit has been playing a positive role in taking social responsibilities and promoting a harmonious social development to communities that include the areas of education, environmental concerns, labour needs, health, culture and sports as important directions for our long-term development of society contribution.

The management and employees of Business Unit has been taking their own initiatives in helping, supporting and participating the activities of local community and neighbour. For the year ended 31 March 2023, the Group performed the followings:

1. Business Unit in Suzhou has been employing disabled residents as our employees;
2. An employee of Business Unit in Suzhou provided training and speech for the topic of “Model of Labour” to Suzhou’s primary and high schools in 2022;
3. An employee of Business Unit in Suzhou obtained an Award of Excellent Worker in Human Resources which was issued by Association of Enterprise of Harmonious Labour Relationship of Suzhou in 2022; and
4. Business Unit in Suzhou has organized employees to participate the Suzhou’s community sport games including basketball and badminton games in October 2022.

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

SUMMARY OF KEY PERFORMANCE INDICATORS

The following environmental and social performance data are prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange:

Data for environment:

Environmental KPIs	Unit	2023	2022
Total Greenhouse gas emission	Tonnes (CO ₂)	4,937	9,823
Scope 1 — Direct emissions	Tonnes (CO ₂)	332	460
Scope 2 — Energy indirect emissions	Tonnes (CO ₂)	4,605	9,363
Intensity of total greenhouse gas emissions	kg (CO ₂)/unit (Product)	0.173	0.095
Total non-hazardous waste produced	Tonnes	1,777	2,283
Intensity of non-hazardous waste produced	g/unit (Product)	62.40	22.11
Total hazardous waste produced	Tonnes	37	52
Intensity of hazardous waste produced	g/unit (Product)	1.29	0.50
Total energy consumption	kWh	7,329,155	13,669,320
Direct energy consumption	kWh	1,643,001	2,249,305
Intensity of direct energy consumption	kWh/unit (Product)	0.06	0.02
Indirect energy consumption	kWh	5,686,154	11,420,015
Intensity of indirect energy consumption	kWh/unit (Product)	0.20	0.11
Water consumption	Tonnes	29,424	44,686
Intensity of water consumption	kg/unit (Product)	1.03	0.43
Total packaging material	Tonnes	1,017	851
Intensity of total packaging material	g/unit (Product)	35.72	8.24

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data for employment:

Employment KPIs	Unit	2023	2022
Employee profile			
Total workforce	No. of people	974	1,053
<i>Total workforce by gender:</i>			
Male	No. of people	659	750
Female	No. of people	315	303
<i>Total workforce by employment type:</i>			
Full time	No. of people	974	1,053
Part time	No. of people	0	0
<i>Total workforce by employee category:</i>			
Senior management	No. of people	21	16
Middle management	No. of people	137	134
Engineer	No. of people	76	60
General staff	No. of people	740	843
<i>Total workforce by age group:</i>			
Below 35	No. of people	653	761
35–60	No. of people	318	290
Over 60	No. of people	3	2
<i>Total workforce by geographical region:</i>			
Suzhou	No. of people	966	1,041
Hong Kong	No. of people	8	12

Employment KPIs	Unit	2023	2022
Employee turnover			
Employee turnover rate	Percentage (%)	19.0	23.4
<i>Employee turnover rate by gender:</i>			
Male	Percentage (%)	14.1	16.5
Female	Percentage (%)	4.9	6.9
<i>Employee turnover rate by age group:</i>			
Below 35	Percentage (%)	16.5	19.4
35–60	Percentage (%)	2.5	4.0
Over 60	Percentage (%)	0	0
<i>Employee turnover rate by geographical region:</i>			
Suzhou	Percentage (%)	19.0	23.4
Hong Kong	Percentage (%)	0	0
Occupational Health and Safety			
No. of leave days due to work injuries	No. of days	233	278
Development and training			
Total employees trained	No. of trained people	13,792	19,561
<i>Employees trained rate by gender:</i>			
Male	Percentage (%)	79.5	77.5
Female	Percentage (%)	20.5	22.5
<i>Employees trained rate by employee category:</i>			
Senior and middle management	Percentage (%)	8.4	6.2
Engineer	Percentage (%)	3.5	6.8
General staff	Percentage (%)	88.1	87.0
<i>Average training hours per employee by gender:</i>			
Male	Hrs/employee	25	37
Female	Hrs/employee	23	38
<i>Average training hours per employee by employee category:</i>			
Senior and middle management	Hrs/employee	8	11
Engineer	Hrs/employee	13	37
General staff	Hrs/employee	29	42

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data for operating practices:

Operating practice KPIs	Unit	2023	2022
Supply Chain Management			
<i>Number of suppliers by geographic location:</i>			
Suzhou	No. of suppliers	621	738
Shenzhen Xili	No. of suppliers	—	130
Shanghai	No. of suppliers	—	25
Product Responsibility			
Percentage of total products sold subject to recalls for safety and health reasons	Percentage (%)	0	0
No. of products and service related complaints received	No. of complaints	2,243	2,481
Community Investment			
<i>Area of cash donation:</i>			
Health	HK\$	0	174,726

CONTENT INDEX TO THE ESG REPORT

KPIs	HKEX ESG Reporting Guide Requirements	Pages
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	26–27
A1.1	The types of emissions and the respective emissions data.	26–27, 35
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	26, 35
A1.3	Total hazardous waste produced and, where appropriate, intensity.	27, 35
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	27, 35
A1.5	Description of emissions target(s) set and steps taken to achieve them.	27
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	27
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	28–29
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	28, 35
A2.2	Water consumption in total and intensity.	28, 35
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	27
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	27–28
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	29, 35

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	HKEX ESG Reporting Guide Requirements	Pages
A3 The Environment and Natural Resources		
General Disclosure	Policies for minimising the issuers' significant impact on the environment and natural resources.	29
A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	29
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	29
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	29
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	29–30
B1.1	Total workforce by gender, employment type, age group and geographical region.	36
B1.2	Employee turnover rate by gender, age group and geographical region.	37
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	31
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	31
B2.2	Lost days due to work injury.	37
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	31

KPIs	HKEX ESG Reporting Guide Requirements	Pages
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	31
B3.1	The percentage of employees trained by gender and employee category.	37
B3.2	The average training hours completed per employee by gender and employee category.	31, 37
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	32
B4.1	Description of measures to review employment practices to avoid child and forced labour.	32
B4.2	Description of steps taken to eliminate such practices when discovered.	32
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	32
B5.1	Number of suppliers by geographical region.	38
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	32
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	32
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	32

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	HKEX ESG Reporting Guide Requirements	Pages
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	32–33
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	38
B6.2	Number of products and service related complaints received and how they are dealt with.	32–33, 38
B6.3	Description of practices relating to observing and protecting intellectual property rights.	33
B6.4	Description of quality assurance process and recall procedures.	32–33
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	33
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	33–34
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	34
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	33
B7.3	Description of anti-corruption training provided to directors and staff.	33
Community		
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	34
B8.1	Focus areas of contribution.	34
B8.2	Resources contributed to the focus area.	34, 38

Biographies of Directors

NON-EXECUTIVE DIRECTOR

Mr. Zhang Haifeng (張海峰), aged 56, was appointed as a non-executive Director and chairman on 13 October 2016. Mr. Zhang Haifeng is currently the vice general manager of 內蒙古坤龍房地產開發有限責任公司 (Inner Mongolia Kun Long Real Estate Development Limited). Prior to his current position at Inner Mongolia Kun Long Real Estate Development Limited, he worked for various positions at 包頭市對外經濟貿易公司 (Baotou Foreign Economic Relations and Trade Limited) from 1988 to 2002.

EXECUTIVE DIRECTORS

Mr. Sun Kwok Wah Peter (孫國華), aged 63, one of the founders at the Group, was appointed as an executive Director and the chief executive officer on 13 July 2011 and 3 February 2016 respectively. He is also a director of certain subsidiaries of the Group. Mr. Sun Kwok Wah Peter has more than 25 years of experience in the metal stamping industry. Since 1981, he has participated in his family business in metal kitchenware manufacturing in Hong Kong. He developed his expertise in metal stamping when he first started his metal stamping factory in the name of Kingdom Industrial Company in Kwai Chung in 1987. In 1989, he established Kingdom Fine Metal Limited and established Shenzhen Shunan Kingdom Contract Processing Factory in 1990. He is responsible for the overall strategic planning and partnership development as well as international key customer relations of the Group.

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

Mr. Sun Kwok Wah Peter serves numerous positions in various governmental bodies. He has been a member of both Shenzhen Nanshan District Standing Committee of the Chinese People's Political Consultative Conference (the "CPPCC") from 2006 to 2016 and Anhui Provincial Committee of CPPCC from 2003 to 2022, respectively. He has also been the vice chairman of Shenzhen Association of Enterprises with Foreign Investment since 2005. He was the vice-president of Shenzhen Nanshan Foreign Enterprise's Chamber of Commerce between 2005 and 2012 and was appointed as the president in February 2012. He has been a member of Hong Kong CPPCC (Provincial) Members Association Limited since 2006.

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

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

Mr. Wong Chi Kwok (黃志國), aged 71, was appointed as an executive Director on 22 September 2012. He is also a director of certain subsidiaries of the Group. He is responsible for advising the Board on strategic planning, partnership development and merger and acquisition strategies, but is not involved in day-to-day management of the Group.

BIOGRAPHIES OF DIRECTORS

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

In 1995, HT (China) Limited decided to exit the Hong Kong market and Mr. Wong Chi Kwok then became the major shareholder of HT Circuits after the management buy-out. Mr. Wong Chi Kwok is currently a director of HT Electronic and Technology (Tianjin) Co., Ltd. (永捷電子科技(天津)股份有限公司), a company whose shares have been listed on NEEQ (NEEQ: 836607).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Kam To MH (尹錦滔), aged 70, was appointed as our independent non-executive director in September 2012. Mr. Wan graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in 1975. He was a partner of PricewaterhouseCoopers where he worked for over 30 years and accumulated extensive experience in auditing, finance advisory and management. He is currently a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and has been appointed as the non-executive director of the Accounting and Financial Reporting Council with effect from 1 October 2019.

Mr. Wan is currently an independent non-executive director of various listed companies, which are listed on the Stock Exchange, namely A-Living Smart City Services Co., Ltd (stock code: 3319), China Resources Land Limited (stock code: 1109), Fairwood Holdings Limited (stock code: 52) and Haitong International Securities Group Limited (stock code: 665).

Mr. Wan had served as an independent non-executive director of Target Insurance (Holdings) Limited (stock code: 6161) from November 2014 to August 2021 and an independent director of China World Trade Center Co., Ltd., a company listed on the SSE (stock code: 600007) from November 2016 to November 2022.

Mr. Wan had served in the Council of Hong Kong Metropolitan University (formerly the Open University of Hong Kong) as Council member from 2009 to June 2022 and was the Honorary Treasurer from 2009 to June 2022. In recognition of his public service to HKMU and contribution to the Hong Kong community, Peter was awarded the Medal of Honour by the Hong Kong SAR Government in the 2022 Honours List and conferred the degree of Doctor of Social Sciences by the University in December 2022.

Ms. Zhao Yue (趙悦), aged 48, was appointed as an independent non-executive Director on 3 February 2016. Ms. Zhao is currently a director of Togni & Zhao Limited, a private company incorporated in Hong Kong which engages in the business of executive search. Ms. Zhao was admitted to the New York State Bar in 2003 and has years of experience in the legal industry. Ms. Zhao had working experiences at Paul, Weiss, Rifkind, Wharton & Garrison and Skadden, Arps, Slate, Meagher & Flom. Ms. Zhao graduated from the University of Bridgeport with a Bachelor of Science degree in Biology, and graduated from the New York University with a Juris Doctor degree.

Mr. Shen Zheqing (沈哲清), aged 43, was appointed as an independent non-executive Director on 3 February 2016. He is currently the director of ZQ Capital Limited. Mr. Shen Zheqing has served as a director of Nu Skin Enterprises (a company listed on New York Stock Exchange: NUS) since July 2016. Mr. Shen Zheqing has years of experience in the financial industry, having worked with Lehman Brothers and the Goldman Sachs Group. He was also a managing director of the investment banking division of Barclays Capital Asia Limited. Mr. Shen Zheqing graduated from Wesleyan University with a Bachelor of Arts degree in Economics and Mathematics.

Report of the Directors

The Board submits herewith its report and the audited consolidated financial statements of the Group for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of precision metal stamping and metal lathing products. Details of the principal activities of the Company’s subsidiaries are set out in note 32 to the consolidated financial statements.

An analysis of the Group’s revenue and operating results by business segments for the year ended 31 March 2023 is set out in note 7 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group’s business and its outlook are set out in the Chairman’s Statement on page 4 to 5, and Business Review section on pages 6 to 10 of this Annual Report. Certain financial information are provided in the section of Five Year Financial Summary on pages 123 to 124 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

The Group regards caring and contributing to the community as an important element in the Group’s strategy to achieve sustainable development. The Group places importance in the social well-being in the course of conducting its business and takes part in community and charitable activities. The details of the corporate social responsibility can be found in the chapter of Environmental, Social and Governance Report on pages 23 to 42.

PRINCIPAL FINANCIAL RISKS

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group’s operations are mainly carried out by the Company’s subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. To the best of the Directors’ knowledge, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group in the mainland China and Hong Kong. During the year ended 31 March 2023, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENT POLICIES

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

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH KEY STAKEHOLDERS

Customers

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

Suppliers

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

RESULTS

The results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59.

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).

DIVIDEND POLICY

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

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

- the requirements of the Company's constitutional documents;
- the solvency requirements of the Companies Act of the Cayman Islands;
- there being sufficient amount of retained profits and share premium of the Company for the dividend payment;
- any financial covenants and other restrictions that exist with respect to certain of the Company's financing arrangements and other agreements by which the Company is bound from time to time;
- the earnings, financial position, results of operation, expansion plans, working capital requirements, and anticipated cash needs of the Company and its subsidiaries;
- the payment by subsidiaries of cash dividends to the Company; and
- other factors which the Board may deem appropriate.

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

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year ended 31 March 2023 are set out in note 17 to the consolidated financial statements.

BORROWINGS AND FINANCE COSTS

Particulars of borrowings of the Group as at 31 March 2023 is set out in note 27 to the consolidated financial statements. Finance costs of the Group are set out in note 9 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 63 and note 31(ii) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2023, the Company's reserves available for distribution to shareholders amounted to approximately HK\$257.6 million, comprising retained profit of approximately HK\$231.5 million and share premium of approximately HK\$26.1 million. Under the Cayman Islands Law, a company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

RETIREMENT BENEFITS SCHEMES

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

DONATIONS

No donation made by the Group during the year ended 31 March 2023 (2022: HK\$175,000).

FINANCIAL SUMMARY

A summary of the results and total assets and liabilities of the Group for the last five financial years is set out on pages 123 to 124.

DIRECTORS

The Directors during the year ended 31 March 2023 and up to the date of this report were:

Non-executive Director:

Mr. Zhang Haifeng (Chairman)

Executive Directors:

Mr. Sun Kwok Wah Peter

Mr. Wong Chi Kwok

Independent non-executive Directors:

Mr. Wan Kam To

Ms. Zhao Yue

Mr. Shen Zheqing

At the AGM held on 23 August 2022, Mr. Sun Kwok Wah Peter and Ms. Zhao Yue were re-elected as Directors.

REPORT OF THE DIRECTORS

In accordance with the Company's articles of association, Mr. Zhang Haifeng and Mr. Wan Kam To shall retire from office and, being eligible, offer themselves for re-election at the forthcoming AGM.

In addition, the Board has assessed the independence of Mr. Wan Kam To, who has been Independent Non-Executive Director of the Company for more than nine years and considers that he continues to be independent, notwithstanding the length of his tenure, as he satisfied all the criteria for independence as set out in rule 3.13 of the Listing Rules. The re-election of Wan Kam To as Independent Non-Executive Director will be subject to a separate resolution to be approved by shareholders at the forthcoming annual general meeting.

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

Biographical details of Directors are set out on pages 43 to 44.

INDEPENDENCE CONFIRMATION

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

DIRECTORS' REMUNERATION

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2023.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2023. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the agreements disclosed under the paragraph headed “Financial Review” under the section headed “Business review” in this Annual Report, no transaction, arrangement or contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company, or a controlling shareholder of the Company or any of its subsidiaries, had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2023.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2023 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2023 and up to the date of this report, none of the Directors are considered to have direct or indirect interests in businesses which compete or are likely to compete with businesses of the Group pursuant to the Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 23 August 2022. Under the Share Option Scheme, the eligible participants may be granted share options pursuant to the Share Option Scheme. The following is a summary of the principal terms of the Share Option Scheme.

(a) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant share options to the eligible participants as incentives or rewards for their contribution to the Group.

(b) Eligible participants

The eligible participants include any employees (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.

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all the share options to be granted under the Share Option Scheme and any other share option scheme of the Company (if any) shall not in aggregate exceed 10% of the shares in issue (i.e. a maximum of 60,000,000 shares) at the date of approval of the Share Option Scheme, provided that:

- (i) the maximum number of shares may be renewed, with the approval of the shareholders in a general meeting, up to a maximum of 10% of the issued share capital of the Company at the date of such shareholders’ approval, inclusive of the maximum number of shares in respect of which share options may be granted under another scheme, if any;

REPORT OF THE DIRECTORS

- (ii) the Company may obtain a separate approval from the Company's shareholders in a general meeting to permit the granting of share options which will result in the number of shares in respect of all the share options granted exceeding the then maximum number of shares provided that such share options are granted only to eligible participants specifically identified by the Company before shareholders' approval is sought; and
- (iii) the total maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under another scheme shall not exceed 30% of the issued share capital of the Company from time to time.

(d) Maximum entitlement of each eligible participant

Unless approved by the shareholders in a general meeting (with the relevant eligible participant and his/her close associates abstaining from voting), no eligible participant shall be granted an share option if the total number of shares issued and to be issued upon exercise of the share options granted and to be granted to such eligible participant in any 12-month period up to the date of the latest grant would exceed 1% of the issued share capital of the Company for the time being.

An offer of the grant of an option to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where any grant of share options to a substantial shareholder, or any of his/her/its respective associates, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the shares in issue; and
- (ii) having an aggregate value, based on the official closing price of the shares at the date of each grant, in excess of HK\$5.0 million,

such further grant of share options will be subject to the issue of a circular by the Company and must be approved by the shareholders in general meeting. The grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

(e) Vesting period of share options granted under the Share Option Scheme

Share options may be exercised during such period (including the minimum period, if any, for which a share 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 on which an offer is offered to an eligible participant of the relevant share option, subject to the provisions for early termination thereof.

(f) Acceptance of an offer of share options

A share option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the share options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date (which shall not be later than 21 days from the date of offer). To the extent that the offer to grant a share option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(g) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any share options granted under the Share Option Scheme can be exercised.

(h) Subscription price

The subscription price in respect of any share option shall be a price determined by the Board and notified to an eligible participant (subject to any adjustments made pursuant to the terms and conditions of the Share Option Scheme) which must not be less than the highest of:

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; or
- (iii) the nominal value of the shares.

(i) Ranking of shares

The shares to be allotted and issued upon the exercise of a share option will be subject to all the provisions of the articles of association for the time being in force and will rank *pari passu* in all respects with the then existing fully paid shares in issue on the date on which the share option is duly exercised.

The shares to be allotted upon the exercise of a share option will not carry voting rights until completion of the registration of the grantee (such other person nominated by the grantee) as the holder thereof.

(j) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 23 August 2022 (being the date of adoption of the Share Option Scheme), after which no further options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Share options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme. As at the date of this annual report, the Share Option Scheme had a remaining life of approximately nine years.

During the year ended 31 March 2023, no share option was granted, exercised, cancelled, lapsed or outstanding under the Share Option Scheme. As at the date of this annual report, the total number of share available for issue upon exercise of the share options to be granted under the Share Option Scheme was 60,000,000, representing 10% of the issued share capital of the Company. The number of share options available for grant under the mandate of the Share Option Scheme was 60,000,000 as at both 1 April 2022 and 31 March 2023.

The Company is aware that amendments were made to Chapter 17 of the Listing Rules, which has come into effect on 1 January 2023, which include, among others, revising the scope of eligible participants of share option schemes and setting out the minimum vesting period requirements. The Company will only grant the share options in compliance with the amended Chapter 17 of the Listing Rules and pursuant to the transitional arrangements for share schemes existing as at 1 January 2023 as specified by the Stock Exchange. The Directors have resolved on 26 June 2023 to propose amendments to be made to the Share Option Scheme ("**Proposed Amendments**") to bring it in line with the new requirements under Chapter 17 of the Listing Rules. A resolution will be submitted to the forthcoming AGM to seek the approval from the Shareholders for the adoption of the Proposed Amendments.

REPORT OF THE DIRECTORS

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

As at 31 March 2023, no Directors or chief executive of the Company had any interest or short position in the shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules.

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

As at 31 March 2023, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

Notes:

1 The letter “L” denotes the corporation/person’s long position in our Shares.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Year.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

EMOLUMENT POLICY

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

EQUITY-LINKED AGREEMENTS

Save for the share option plan as set out above in the section of “Share Option Scheme”, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result the Company issuing shares were entered into by the Company during the year ended 31 March 2023, or subsisted at the end of the year.

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Percentage of the Group’s total

Sales

The largest customer	27.7%
Five largest customers in aggregate	82.4%

Purchases

The largest supplier	23.4%
Five largest suppliers in aggregate	43.5%

To the best of the Directors’ knowledge and belief, none of the Directors, their associates or any shareholders who owned more than 5% of the Company’s share capital had any interests in the five largest customers or suppliers at any time during the year ended 31 March 2023.

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 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17 August 2023.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 11 to 22.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2023.

AUDITOR

There was no change in auditor of the Company during the past three years.

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

On behalf of the Board
KFM Kingdom Holdings Limited

Zhang Haifeng
Chairman

Hong Kong, 26 June 2023

Independent Auditor's Report



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 SHAREHOLDERS OF KFM KINGDOM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KFM Kingdom Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 59 to 122, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

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

Refer to note 20 to the consolidated financial statements and the accounting policies on pages 76 to 80.

The key audit matter	How the matter was addressed in our audit
<p>We have identified provision of the ECL for trade receivables as a key audit matter because the carrying amount of trade receivables of approximately HK\$110,847,000 is significant to the consolidated financial statements and the provision of ECL involves significant judgements and estimates. No provision of ECL has been recognised for the year ended 31 March 2023.</p>	<p>Our procedures were designed to review the days past due as groupings of various debtors that have similar loss patterns. We also reviewed the provision matrix based on the Group's historical observed default rates.</p> <p>We have also challenged the reasonableness and selection of forward-looking information used in the calculation of ECL.</p>

Independent valuer was engaged by the management for the valuation of the ECL as at the reporting date. The valuation requires significant judgements and estimates made by the management since the calculation of the provision rates involves selection of forward-looking information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lau Kai Wong

Practising Certificate Number: P06623

Hong Kong

26 June 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Continuing operations			
Revenue	6	605,101	612,190
Cost of sales		(501,824)	(512,270)
Gross profit		103,277	99,920
Other gains/(losses), net	8	8,621	(4,016)
Distribution and selling expenses		(6,270)	(6,980)
General and administrative expenses		(75,524)	(65,862)
Finance income	9	6,158	1,033
Finance costs	9	(8,527)	(5,517)
Profit before tax	10	27,735	18,578
Income tax expenses	13	(5,069)	(5,247)
Profit for the year from continuing operations		22,666	13,331
Discontinued operations			
Loss for the year from discontinued operations	14	—	(61,350)
Profit/(loss) for the year		22,666	(48,019)
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(14,211)	12,363
Release of exchange reserve upon disposal of subsidiaries	14	—	(15,020)
Other comprehensive expense for the year		(14,211)	(2,657)
Total comprehensive income/(expense) for the year		8,455	(50,676)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2023 HK\$'000	2022 HK\$'000
Profit/(loss) for the year attributable to owners of the Company			
— from continuing operations		22,666	13,331
— from discontinued operations		—	(61,523)
Profit/(loss) for the year attributable to owners of the Company		22,666	(48,192)
Profit for the year attributable to non-controlling interests			
— from continuing operations		—	—
— from discontinued operations		—	173
Profit for the year attributable to non-controlling interests		—	173
		22,666	(48,019)
Total comprehensive income/(expense) attributable to:			
— Owners of the Company		8,455	(50,849)
— Non-controlling interests		—	173
		8,455	(50,676)
EARNINGS/(LOSS) PER SHARE			
From continuing and discontinued operations			
— Basic and diluted (HK cents)	15	3.78	(8.03)
From continuing operations			
— Basic and diluted (HK cents)	15	3.78	2.22

Consolidated Statement of Financial Position

At 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Plant and equipment	17	49,671	50,437
Right-of-use assets	18	84,501	109,029
Prepayments, deposits and other receivables	21	47,695	49,866
Total non-current assets		181,867	209,332
Current assets			
Inventories	19	128,812	112,120
Trade receivables	20	110,847	141,121
Prepayments, deposits and other receivables	21	12,692	9,730
Current income tax recoverable		970	—
Time deposits with maturity over three months	22	196,741	221,009
Restricted bank deposits	22	—	341
Cash and cash equivalents	22	96,803	82,841
Total current assets		546,865	567,162
Total assets		728,732	776,494
EQUITY			
Capital and reserves			
Share capital	23	60,000	60,000
Share premium	23	26,135	26,135
Reserves	24	426,983	418,528
Total equity		513,118	504,663
LIABILITIES			
Non-current liabilities			
Lease liabilities	18	74,114	96,154
Bank borrowings	27	11,400	—
Deferred income tax liabilities	25	172	656
Total non-current liabilities		85,686	96,810

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2023 HK\$'000	2022 HK\$'000
Current liabilities			
Trade and other payables	26	98,488	124,807
Lease liabilities	18	17,841	10,953
Bank borrowings	27	11,286	36,580
Current income tax liabilities		2,313	2,681
Total current liabilities		129,928	175,021
Total liabilities		215,614	271,831
Total equity and liabilities		728,732	776,494
Net current assets		416,937	392,141
Total assets less current liabilities		598,804	601,473

The consolidated financial statements on pages 59 to 122 were approved and authorised for issue by the board of directors on 26 June 2023 and are signed on its behalf by:

Zhang Haifeng
 Director

Sun Kwok Wah Peter
 Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note 24(a))	Statutory reserve HK\$'000 (note 24(b))	Exchange reserve HK\$'000	Retained profits HK\$'000			
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 14)	—	—	—	—	(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 (note 14)	—	—	(2,357)	(20,294)	—	22,651	—	(4,292)	(4,292)
Transfer of retained profits to statutory reserve	—	—	—	111	—	(111)	—	—	—
Balance at 31 March 2022	60,000	26,135	1	33,149	23,238	362,140	504,663	—	504,663

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note 24(a))	Statutory reserve HK\$'000 (note 24(b))	Exchange reserve HK\$'000	Retained profits HK\$'000			
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	60,000	26,135	1	38,288	9,027	379,667	513,118	—	513,118

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES		
Profit before tax from continuing operations	27,735	18,578
Loss before tax from discontinued operations	—	(61,074)
Profit/(loss) before tax	27,735	(42,496)
Adjustments for:		
Depreciation of plant and equipment	5,733	11,461
Depreciation of right-of-use assets	19,915	26,611
Write-off of inventories	—	1,021
Reversal of write-down of inventories	(211)	—
Loss on disposal of plant and equipment	40	239
Gain on disposal of subsidiaries	—	(9,346)
Loss on remeasurement to fair value less costs to sell	—	63,993
Finance income	(6,158)	(1,223)
Finance costs	8,527	13,537
Government subsidies	(737)	(939)
Operating cash flows before movements in working capital	54,844	62,858
Increase in inventories	(25,250)	(86,124)
Decrease/(increase) in trade receivables	20,160	(65,640)
Increase in prepayments, deposits and other receivables	(14,059)	(32,784)
(Decrease)/increase in trade and other payables	(16,450)	81,972
Net cash generated from/(used in) operations	19,245	(39,718)
Income tax paid	(7,193)	(2,898)
Income tax refunded	415	2,829
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	12,467	(39,787)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2023 HK\$'000	2022 HK\$'000
INVESTING ACTIVITIES		
Proceeds from disposal of plant and equipment	4	3,143
Purchase of plant and equipment	(4,117)	(42,343)
Net cash outflows from disposal of subsidiaries (note 14)	—	43,368
Repayment from an independent third party	7,000	—
Placement of time deposits with maturity over three months	(20,658)	(71,082)
Withdrawal of time deposits with maturity over three months	44,926	10,073
Withdrawal of restricted bank deposits	314	348
Interest received	6,158	1,223
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	33,627	(55,270)
FINANCING ACTIVITIES		
New bank borrowings raised	62,586	35,695
Repayment of bank borrowings	(73,530)	—
Repayment of unsecured borrowings from a related company raised	—	(66,000)
Receipts from government subsidies	737	939
Repayment of lease liabilities	(10,284)	(23,362)
Interest paid	(8,527)	(14,850)
NET CASH USED IN FINANCING ACTIVITIES	(29,018)	(67,578)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17,076	(162,635)
CASH AND CASH EQUIVALENTS AT 1 APRIL	82,841	243,452
Currency translation difference	(3,114)	2,024
CASH AND CASH EQUIVALENTS AT 31 MARCH	96,803	82,841

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in the manufacturing and sales of precision metal stamping products. Details of the Company’s subsidiaries are set out in note 32.

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

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

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning on 1 April 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.

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

New and amendments to HKFRSs issued but not yet effective

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

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.

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

New and amendments to HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group is still in the process of assessing the full impact of the application of the amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, at the end of each reporting period.

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

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

The significant accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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

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

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

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

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

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

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

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Right-of-use assets

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

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

Foreign currencies

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation capitalisation rate on general borrowings.

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

Government grants

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

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

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

Research and development expenses

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

Employee benefits

Short-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Provision obligations

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

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

Bonus plans

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

Termination benefits

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less incremental costs and other cost necessary to sell inventories.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

Financial assets

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

All recognised financial assets are subsequently measured in their entirety at amortised cost. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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

Financial assets at amortised cost (debt instruments)

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

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

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

Amortised cost and effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and effective interest method (Continued)

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

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

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

Impairment of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

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

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

Definition of default

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

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Write-off policy

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

Measurement and recognition of ECL

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

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

Provisions

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

Depreciation and useful lives of plant and equipment

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

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

As at 31 March 2023, there is no revision of the estimated useful lives, residual values and the related depreciation charges of the plant and equipment with carrying amount of approximately HK\$49,671,000 (2022: HK\$50,437,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

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

At the end of the reporting period, the Group's management reviews the carrying amount of the Group's plant and equipment and right-of-use assets of approximately HK\$49,671,000 and HK\$84,501,000 respectively (2022: HK\$50,437,000 and HK\$109,029,000) and identified if there is any indication for possible impairment. If any such indication exists, the recoverable amount of the CGUs in which the assets belonged, which is determined based on the higher of fair value less cost of disposal and value-in-use, is estimated in order to determine the extent of the impairment loss. No impairment loss of plant and equipment and right-of-use assets have been recognised for the years ended 31 March 2023 and 2022.

Net realisable value of inventories

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

As at 31 March 2023, the carrying amount of inventories of approximately HK\$128,812,000 (2022: HK\$112,120,000), net of accumulated provision of write-down of approximately HK\$2,491,000 (2022: HK\$2,702,000). A reversal of write-down of inventories of HK\$211,000 (2022: nil) has been recognised to the profit or loss for the year ended 31 March 2023. No write-down of inventories (2022: HK\$1,021,000) was recognised for the year ended 31 March 2023.

Provision of ECL for trade receivables

The Group uses a provision matrix to calculate the ECL for trade receivables as at 31 March 2023. The provision rates are based on days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially by reference to past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2023, the carrying amount of trade receivables is approximately HK\$110,847,000 (2022: HK\$141,121,000). No provision for ECL for trade receivables has been recognised for the years ended 31 March 2023 and 2022.

Provision of ECL for other receivable from an independent third party

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

As at 31 March 2023, the Group's carrying amount of other receivable from an independent third party amounted to HK\$31,000,000 (2022: HK\$38,000,000). No provision for ECL for other receivable has been recognised for the years ended 31 March 2023 and 2022.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Income taxes

As at 31 March 2023, no deferred income tax asset has been recognised on the un-utilised tax losses of approximately HK\$65,060,000 (2022: HK\$57,622,000) due to the unpredictability of future profit streams. The realisability of the deferred income tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred income tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. Further details are contained in note 25.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Financial assets at amortised cost	442,873	487,418
Financial liabilities		
Financial liabilities at amortised cost	120,911	161,101

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

(a) Financial risk factors

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

(i) *Currency risk*

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 81% of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 100% of costs is denominated in the group entity's respective functional currency.

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

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(i) Currency risk (Continued)

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

	Assets		Liabilities	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
US\$	152,620	147,202	9,984	12,884

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

As at 31 March 2023, if the functional currencies of the Group's entities had strengthened/weakened by 5% (2022: 5%) against US\$, with all other variables held constant, the profit before tax of continuing operations for the year ended 31 March 2023 would increase/decrease by approximately HK\$7,132,000 (2022: increase/decrease by HK\$6,716,000), respectively, mainly as a result of foreign exchange gain/loss on translation of US\$ denominated financial assets and liabilities.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank deposit and other receivable from an independent third party. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposure to cash flow interest rates is mainly attributable to its variable rate bank borrowings and bank balances. The Group's variable interest rate borrowings as at 31 March 2023 and 2022, are as follows:

	2023 HK\$'000	2022 HK\$'000
Bank balances	2,593	43,156
Variable interest rate borrowings	(22,686)	(36,580)
	(20,093)	6,576

Other than bank deposits and other receivable from an independent third party, the Group does not have significant interest-bearing assets or liabilities. The Group's exposure to cash flow interest rate risk associated with the effects of fluctuations in the prevailing levels of the market interest rates on its cash flows is not deemed to be substantial in the view of management based on the nature of the assets and liabilities.

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk (Continued)

As at 31 March 2023, if the interest rates had been 50 basis points (2022: 50 basis points) higher/lower, with all other variables held constant, the net effect on the profit before tax of continuing operations for the year would have been HK\$100,000 lower/higher (2022: HK\$33,000 higher/lower).

(iii) Credit risk

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

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

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

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

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

The Group's exposure to credit risk

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

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

The Group's exposure to credit risk (Continued)

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

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

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

For the year ended 31 March 2023

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000	Net carrying amount HK\$'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	110,847	110,847
Deposits and other receivables	Performing	12-month ECL	38,482	38,482
Time deposits with maturity over three months	Performing	12-month ECL	196,741	196,741
Cash and cash equivalents	Performing	12-month ECL	96,803	96,803

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

The Group's exposure to credit risk (Continued)

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

For the year ended 31 March 2022

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000	Net carrying amount HK\$'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	141,121	141,121
Deposits and other receivables	Performing	12-month ECL	42,106	42,106
Time deposits with maturity over three months	Performing	12-month ECL	221,009	221,009
Restricted bank deposits	Performing	12-month ECL	341	341
Cash and cash equivalents	Performing	12-month ECL	82,841	82,841

The Group has concentration of credit risk as 42% (2022: 26%) and 68% (2022: 67%) of the total trade receivables as at 31 March 2023 was due from the Group's largest customer and the five largest customers respectively. No significant collectability issues have been identified in the past.

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

(iv) Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

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

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying Amount HK\$'000
At 31 March 2023					
Trade and other payables	98,225	—	—	98,225	98,225
Bank borrowings	11,901	11,566	—	23,467	22,686
	110,126	11,566	—	121,692	120,911
Lease liabilities	23,865	22,793	61,458	108,116	91,955
At 31 March 2022					
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

(b) Capital risk management

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

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

	2023 HK\$'000	2022 HK\$'000
Total debt	114,641	143,687
Total assets	728,732	776,494
Debt-to-asset ratio	16%	19%

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

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

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

6. REVENUE

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

As at 31 March 2023 and 2022, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. SEGMENT INFORMATION

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

The CODM have assessed the nature of the Group’s businesses and determined the Group’s operating and reporting segments based on its manufacturing process.

During the year ended 31 March 2022, an operating segment regarding the metal lathing was classified as discontinued operations, which are in more details in note 14. Since then, the Group operates in one business unit based on its products, and has only one reportable segment which is metal stamping: manufacturing and sale of precision metal products involving metal stamping, computer numerical control, sheet metal processing and products assembling.

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 segment of the Group.

Geographic information

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

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

7. SEGMENT INFORMATION (Continued)

Geographic information (Continued)

The non-current assets, other than deposits and other receivables, of the Group as at 31 March 2023 and 2022 are as follows:

	2023 HK\$'000	2022 HK\$'000
The PRC	135,539	164,423
South East Asia	8,756	—
Hong Kong	3,524	3,902
	147,819	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:

	2023 HK\$'000	2022 HK\$'000
Customer A	167,625	140,897
Customer B	133,979	113,009
Customer C	125,657	123,310

8. OTHER GAINS/(LOSSES), NET

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

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

9. FINANCE COSTS AND FINANCE INCOME

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Finance costs		
Interest expense on bank borrowings	1,500	247
Interest expense on unsecured borrowings from a related company	—	1,856
Interest expense on lease liabilities	7,027	3,414
	8,527	5,517
Continuing operations		
Finance income		
Interest income on bank balances and deposits	4,261	469
Interest income on other receivables	1,897	564
	6,158	1,033

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Staff costs		
Directors' emoluments (note 12)	5,068	5,068
Other staff:		
— salaries and other allowances	114,640	117,158
— retirement benefits scheme contributions (excluding directors)	2,597	2,314
	122,305	124,540
Continuing operations		
Auditor's remuneration		
— audit services	850	1,020
— non-audit services	270	550
Cost of inventories sold (Note (a))	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 (Note (b))	26,547	19,203

10. PROFIT BEFORE TAX (Continued)

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.

11. EMPLOYEE BENEFITS EXPENSE

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Short-term employee benefits (Note (a))	119,690	122,208
Retirement benefits schemes contributions (Note (b))	2,615	2,332
Total employee benefits expense (including directors)	122,305	124,540

Notes:

- (a) Short-term employee benefits represent salary, wages and bonus paid to employees of the Group insurance premium paid to the insurance agent for staff insurance schemes and other social security insurance paid in the PRC.
- (b) (i) **Hong Kong**
Subsidiaries in Hong Kong operate a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The Group contributes 5% of relevant payroll costs, capped at HK\$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees. The assets of the MPF Scheme are held separately from those of the subsidiaries in an independent administered fund. The subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme.
- (ii) **The PRC, other than Hong Kong**
The employees in the Group who work in the PRC are required to participate in pension schemes operated by the local governments. The Group is required to contribute 5% to 8% (2022: 5% to 8%) of their payroll costs to the schemes. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes.

Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions.

11. EMPLOYEE BENEFITS EXPENSE (Continued)

Notes: (Continued)

(c) Five highest paid individuals

The five individual whose emoluments were the highest in the Group for the year include one (2022: one) director whose emoluments are reflected in the analysis shown in note 12. The emoluments payable to the remaining four (2022: four) individuals during the year ended 31 March 2023 are as follows:

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Short-term employee benefits	5,815	7,476
Retirement benefits schemes contributions	161	118
	5,976	7,594

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

	Number of individuals	
	2023	2022
Continuing operations		
HK\$700,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	—
HK\$2,500,001 to HK\$3,000,000	—	—
HK\$3,000,001 to HK\$3,500,000	—	—
HK\$3,500,001 to HK\$4,000,000	—	1
	4	4

For the year ended 31 March 2023, no remuneration were paid by the Group (2022: nil) to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which any of the five highest paid individuals waived or agreed to waive any of the remuneration.

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

(a) Directors' and chief executive's emoluments

The remunerations paid or payable of each to the 6 (2022: 6) directors, including the chief executive, were as follows:

For the year ended 31 March 2023

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

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

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2022

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

Mr. Sun was the chief executive of the Company for years ended 31 March 2023 and 2022.

(b) Directors' termination benefits

No termination benefits was provided to or receivable by any director during the year as compensation for the early termination of appointment (2022: nil).

(c) Waiver of emoluments

No directors waived or agreed to waive any emoluments during the years ended 31 March 2023 and 2022.

(d) Inducement to join or upon joining the Group

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 March 2023 and 2022.

13. INCOME TAX EXPENSES

	2023 HK\$'000	2022 HK\$'000
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)
	5,553	4,544
Deferred income tax (note 25)	(484)	703
	5,069	5,247

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 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 company 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 fulfil certain requirements under the tax treaty arrangements between the PRC and Hong Kong.

13. INCOME TAX EXPENSES (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Profit before tax	27,735	18,578
Tax calculated at the domestic income tax rate of the respective entities	3,493	2,574
Tax effect of income not taxable for tax purpose	(1,077)	(512)
Tax effect of expenses not deductible for tax purpose	3,580	3,094
Tax effect of super deduction on research and development expense	(3,982)	(2,880)
Deferred income tax charged in respect of withholding income tax on undistributed profits	1,828	1,613
Over provision in prior years	—	(202)
Tax losses for which no deferred income tax asset was recognised	1,227	1,560
Income tax expenses	5,069	5,247

14. 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	(149,344)
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	(8,020)
Loss before tax	(6,427)
Income tax expense	(276)
Loss for the period	(6,703)
Loss on remeasurement to fair value less costs to sell (note)	(63,993)
Gain on disposal of subsidiaries	9,346
Loss for the period from discontinued operations	(61,350)

14. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES (Continued)

Loss from discontinued operations (Continued)

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 operation 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 (note (a))	399
Other	625
	(1,425)
Finance income	
Interest income on bank balances and deposits	190
Finance costs	
Interest expense on unsecured borrowings from a related company	3,938
Interest expense on lease liabilities	4,082
	8,020
Auditor's remuneration	—
Cost of inventories sold (note (b))	149,344
Depreciation of plant and equipment	5,693
Depreciation of right-of-use assets	6,748
Employee benefit expenses	50,745

14. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES (Continued)**Loss from discontinued operations (Continued)**

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 (note)	(104,981)
Unsecured borrowings from a related party	(100,000)
Lease liabilities	(73,063)
Current income tax liabilities	(2,971)
Deferred income tax liabilities	(1,420)
Net assets disposed of	75,966

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.

14. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES (Continued)

	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
Gain on disposal of subsidiaries	9,346
Net cash inflow arising on disposal:	
Cash consideration received	66,000
Less: cash and cash equivalents disposed of	(22,632)
	43,368

15. EARNINGS/(LOSS) PER SHARE**Basic and diluted earnings/(loss) per share**

	2023	2022
Profit/(loss) attributable to owners of the Company (HK\$'000)		
— from continuing operations	22,666	13,331
— from discontinued operations	—	(61,523)
	22,666	(48,192)
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	3.78	2.22
— from discontinued operations	—	(10.25)
	3.78	(8.03)

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.

16. 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).

17. PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture and office equipment HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
Year ended 31 March 2022						
Opening net book amount	3,736	117,622	1,403	4,732	8,144	135,637
Additions	61	11,117	1,927	9,328	11,051	33,484
Transfer from right-of-use assets (note 18)	—	—	433	—	—	433
Disposals	—	(2,937)	(350)	(95)	—	(3,382)
Disposal of subsidiaries* (note 14)	(2,201)	(94,399)	(252)	(9,667)	—	(106,519)
Transfers	—	12,138	—	396	(12,534)	—
Depreciation	(1,248)	(8,513)	(820)	(880)	—	(11,461)
Exchange differences	51	1,796	20	142	236	2,245
Closing net book amount	399	36,824	2,361	3,956	6,897	50,437
At 31 March 2022						
Cost	14,337	110,849	3,375	11,613	6,897	147,071
Accumulated depreciation	(13,938)	(74,025)	(1,014)	(7,657)	—	(96,634)
Net book amount	399	36,824	2,361	3,956	6,897	50,437
Year ended 31 March 2023						
Opening net book amount	399	36,824	2,361	3,956	6,897	50,437
Additions	78	3,551	—	1,427	3,849	8,905
Disposals	—	(42)	—	(2)	—	(44)
Transfers	182	1,875	—	—	(2,057)	—
Depreciation	(206)	(4,251)	(539)	(737)	—	(5,733)
Exchange differences	(32)	(2,970)	(23)	(313)	(556)	(3,894)
Closing net book amount	421	34,987	1,799	4,331	8,133	49,671
At 31 March 2023						
Cost	13,440	107,080	3,342	12,125	8,133	144,120
Accumulated depreciation	(13,019)	(72,093)	(1,543)	(7,794)	—	(94,449)
Net book amount	421	34,987	1,799	4,331	8,133	49,671

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

18. LEASES
(i) Right-of-use assets

	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Buildings HK\$'000	Total HK\$'000
Year ended 31 March 2022				
Opening net book amount	11,464	459	78,202	90,125
Additions	—	—	114,809	114,809
Depreciation	(517)	(26)	(26,068)	(26,611)
Transfer to plant and equipment (note 17)	—	(433)	—	(433)
Disposal of subsidiaries* (note 14)	(10,947)	—	(62,685)	(73,632)
Exchange differences	—	—	4,771	4,771
Closing net book amount	—	—	109,029	109,029
At 31 March 2022				
Cost	—	—	162,537	162,537
Accumulated depreciation	—	—	(53,508)	(53,508)
Net book amount	—	—	109,029	109,029
Year ended 31 March 2023				
Opening net book amount	—	—	109,029	109,029
Additions	—	—	4,018	4,018
Depreciation	—	—	(19,915)	(19,915)
Exchange differences	—	—	(8,631)	(8,631)
Closing net book amount	—	—	84,501	84,501
At 31 March 2023				
Cost	—	—	115,239	115,239
Accumulated depreciation	—	—	(30,738)	(30,738)
Net book amount	—	—	84,501	84,501

The Group has lease arrangements for office premises, factories and carparks of approximately HK\$1,751,000, HK\$82,648,000 and HK\$102,000 (2022: office premises, factories and carparks of approximately HK\$1,653,000, HK\$107,282,000 and HK\$94,000), respectively. The lease terms are generally ranged from one to six years (2022: two to six years).

* Included loss on remeasurement to fair value less costs to sell of approximately HK\$27,517,000.

18. LEASES (Continued)**(i) Right-of-use assets (Continued)**

Additions to the right-of-use assets from continuing operations for the year ended 31 March 2023 amounted to approximately HK\$4,018,000, due to new leases of office premises, factory and carparks (2022: HK\$114,809,000, due to new lease of factory).

The right-of-use assets of approximately HK\$433,000 had been transferred to plant and equipment since respective lease liabilities have been fully settled during the year ended 31 March 2022 (2023: nil).

No modification to the right-of-use assets for the year ended 31 March 2023 (2022: nil).

(ii) Lease liabilities

	2023 HK\$'000	2022 HK\$'000
Non-current	74,114	96,154
Current	17,841	10,953
	91,955	107,107

Amounts payable under lease liabilities:

	2023 HK\$'000	2022 HK\$'000
Within one year	17,841	10,953
After one year but within two years	18,069	16,300
After two years but within five years	56,045	79,854
	91,955	107,107
Less: Amount due for settlement within 12 months (shown under current liabilities)	(17,841)	(10,953)
Amount due for settlement after 12 months	74,114	96,154

During the year ended 31 March 2023, the Group entered into new lease agreements in respect of office premises, factory and carparks and recognised lease liability of approximately HK\$4,018,000 (2022: new lease agreement in respect of factory and recognised lease liability of approximately HK\$114,809,000).

18. LEASES (Continued)

(iii) Amount recognised in profit or loss

	2023 HK\$'000	2022 HK\$'000
Depreciation of right-of-use assets	19,915	26,611
Interest expense on lease liabilities	7,027	7,496
Expense relating to short-term leases	1,853	490

(iv) Other

During the year ended 31 March 2023, the total cash outflow for leases amounted to HK\$19,164,000 (2022: HK\$31,348,000).

Restrictions or covenants on leases

As at 31 March 2023, lease liabilities of approximately HK\$91,955,000 are recognised with related right-of-use assets of approximately HK\$84,501,000 (2022: lease liabilities of approximately HK\$107,107,000 and related right-of-use assets of approximately HK\$109,029,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. INVENTORIES

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

As at 31 March 2023, the carrying amount of inventories of approximately HK\$128,812,000 (2022: HK\$112,120,000), has been net of accumulated provision of write-down of approximately HK\$2,491,000 (2022: HK\$2,702,000). During the year ended 31 March 2023, a reversal of write-down of inventories of approximately HK\$211,000 (2022: nil) was recognised as a result of sale of previous written down inventories at profit in the current year. No write-down of inventories to their net realisable values (2022: HK\$1,021,000) was recognised for the year ended 31 March 2023. The amount has been included in the cost of sales in the consolidated statement of profit or loss and other comprehensive income.

20. TRADE RECEIVABLES

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

At as 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 HK\$'000	2022 HK\$'000
Up to 3 months	107,365	138,470
3 to 6 months	3,404	2,651
6 months to 1 year	78	—
	110,847	141,121

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

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

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

20. TRADE RECEIVABLES (Continued)

Note: (Continued)

(a) (Continued)

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

For the year ended 31 March 2023	Range of expected loss rate	Carrying amount HK\$'000
Current to 1 month past due	0.19% to 0.20%	78,787
1 month to 3 months past due	0.26% to 0.32%	29,230
More than 3 months past due	1.65%	2,830
		110,847
For the year ended 31 March 2022	Range of expected loss rate	Carrying amount HK\$'000
Current to 1 month past due	0.12% to 0.15%	108,297
1 month to 3 months past due	0.18% to 0.37%	30,173
More than 3 months past due	1.22%	2,651
		141,121

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

For the years ended 31 March 2023 and 2022, no ECL was recognised as the directors of the Company considered that the amount involved was immaterial.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Non-current assets		
Prepayments and deposits	16,695	11,866
Other receivable from an independent third party (Note b)	31,000	38,000
	47,695	49,866
Current assets		
Prepayments, deposits and other receivables	12,692	9,730
	60,387	59,596
Less: allowance for impairment losses (Note a)	—	—
	60,387	59,596

The Group did not hold any collaterals over these balances.

Notes:

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

For the year ended 31 March 2023

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Deposits and other receivables				
— Performing	*	38,482	—	38,482

For the year ended 31 March 2022

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Deposits and other receivables				
— Performing	*	42,106	—	42,106

- *: The balances had low risk of default or did not have significant increase in credit risk since initial recognition. The directors of the Company considered that the ECL was immaterial.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

The movement in the impairment allowance for amounts due from non-controlling shareholders during the years ended 31 March 2023 and 2022 are as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 April	—	4,000
Disposal of subsidiaries	—	(4,000)
At 31 March	—	—

(b) 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.

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

	2023 HK\$'000	2022 HK\$'000
Cash and bank balances	76,803	83,182
Bank deposits	216,741	221,009
	293,554	304,191
Less:		
Time deposits with maturity over three months (note (ii))	(196,741)	(221,009)
Restricted bank deposits (note (iii))	—	(341)
Cash and cash equivalents (note (i))	96,803	82,841

Notes:

- (i) Cash and cash equivalents comprise bank balances at market rates which ranged from 0.1% to 0.88% (2022: 0.01% to 0.40%) per annum and short-term bank deposits at market interest rate at 4.10% (2022: 0.08%) per annum with a maturity date of 3 months for the year ended 31 March 2023.
- (ii) Time deposits carry interest rate ranged from 1.70% to 4.46% (2022: 0.10% to 0.40%) per annum with an original maturity of 6 months for the year ended 31 March 2023.
- (iii) Restricted bank deposits are for certain import purchases in the PRC.
- (iv) As at 31 March 2023, the Group's cash and cash equivalents included balances of approximately HK\$20,377,000 (2022: HK\$38,949,000), which were bank balances in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

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

23. SHARE CAPITAL AND SHARE PREMIUM

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

24. 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\$3,545,000 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 debit to capital reserve.

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

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.

24. RESERVES (Continued)

(b) Statutory reserve

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

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

25. DEFERRED INCOME TAX

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

	2023 HK\$'000	2022 HK\$'000
Deferred income tax assets	—	—
Deferred income tax liabilities	(172)	(656)
	(172)	(656)

The movements in deferred income tax assets/(liabilities) during the years ended 31 March 2023 and 2022 are as follows:

	2023 HK\$'000	2022 HK\$'000
Deferred income tax assets:		
At 1 April	—	1,975
Disposal of subsidiaries (note 14)	—	(1,373)
Charged to profit or loss	—	(602)
At 31 March	—	—
Deferred income tax liabilities:		
At 1 April	(656)	(2,136)
Disposal of subsidiaries (note 14)	—	1,420
Credited to profit or loss	484	60
At 31 March	(172)	(656)

25. DEFERRED INCOME TAX (Continued)

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

	Provision of termination benefit HK\$'000	Accelerated accounting (tax) depreciation HK\$'000	Undistributable profits from subsidiaries HK\$'000 (note)	Total HK\$'000
At 1 April 2021	1,350	625	(2,136)	(161)
Charged to profit or loss of continuing operations (note 13)	—	(370)	(333)	(703)
(Charged)/credited to profit or loss of discontinued operations	—	(232)	393	161
Disposal of subsidiaries (note 14)	(1,350)	(23)	1,420	47
At 31 March 2022 and 1 April 2022	—	—	(656)	(656)
Credited to profit or loss of continuing operations (note 13)	—	—	484	484
At 31 March 2023	—	—	(172)	(172)

Note: Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred income tax has been provided for in the consolidated financial statements in respect of temporary taxable difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK\$3,437,000 (2022: HK\$13,113,000) as the Group considered the temporary differences will be reversed in the foreseeable future upon declaration of dividends of subsidiaries.

As at 31 March 2023, the Group did not recognise deferred income tax assets of approximately HK\$10,735,000 (2022: HK\$9,508,000) due to the unpredictability of future profit stream in respect of tax losses amounting to approximately HK\$65,060,000 (2022: HK\$57,622,000) available for offset against future profits which can be carried forward indefinitely.

26. TRADE AND OTHER PAYABLES

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

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

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

27. BANK BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Unsecured bank borrowings	22,686	36,580

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

	2023 HK\$'000	2022 HK\$'000
Within one year	11,286	36,580
After one year but within two years	11,400	—
	22,686	36,580

The Group has variable-rate borrowings denominated in RMB at floating rates calculated based on the Loan Prime Rate ("LPR").

27. BANK BORROWINGS (Continued)

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

	2023	2022
Effective interest rate:		
Variable-rate borrowings	3.20% to 3.45%	3.85% to 4.3%

As at 31 March 2023, the Group's banking borrowings with carrying amount of HK\$11,400,000 (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 60% (2022: 50%) and current ratio not less than 1.0 (2022: 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 31 March 2023 and 2022, none of the covenants relating to drawn down facilities had been breached.

28. COMMITMENTS**Capital commitments**

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

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

Name	Relationship
Mr. Sun	An executive director and the chief executive of the Group
KIG	A related company in which Mr. Wong, the executive director of the Company, has beneficial interests
KIG Real Estate Holdings Limited (“KREH”)	A related company in which Mr. Sun and Mr. Wong, the executive directors of the Company, have beneficial interests
Dongguan Tech-in Technical Electrical & 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

(b) Material related party transactions

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

	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Purchase of products from related companies:		
Dongguan Tech-in	—	280
Finance costs — interest expense on unsecured borrowings from a related company:		
KIG	—	1,856
Finance costs — interest expense on lease liabilities:		
KPST Suzhou	6,945	3,272
GECI	47	142
Lease payments:		
KPST Suzhou	14,908	18,613
GECI	2,050	2,050

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related companies

	2023 HK\$'000	2022 HK\$'000
Lease liabilities		
KPST Suzhou	(88,400)	(105,269)
GECI	(1,856)	(1,838)

In 2021, the Group entered into 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\$1,672,000 (2022: HK\$1,776,000) per month. As at 31 March 2023, the carrying amount of such lease liabilities is approximately HK\$88,400,000 (2022: HK\$105,269,000). During the year ended 31 March 2023, the Group has made lease payment of approximately HK\$14,908,000 (2022: HK\$13,510,000) to KPST Suzhou.

In 2019, the Group entered into three three-year leases in respect of one office premises and two carparks with GECI respectively. The amount of rents payable by the Group under these leases is approximately HK\$171,000 per month in total. As at 31 March 2023, the carrying amount of such lease liabilities is nil (2022: HK\$1,838,000). During the year ended 31 March 2023, the Group has made lease payment of approximately HK\$1,879,000 (2022: HK\$2,050,000) to GECI.

In 2023, the Group entered into three one-year leases in respect of one office premises and two carparks with GECI respectively. The amount of rents payable by the Group under these leases is approximately HK\$171,000 per month in total. As at 31 March 2023, the carrying amount of such lease liabilities is HK\$1,856,000 (2022: nil). During the year ended 31 March 2023, the Group has made lease payment of approximately HK\$171,000 (2022: nil) to GECI.

(d) Key management compensation

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

	2023 HK\$'000	2022 HK\$'000
Short-term employee benefits	6,062	8,770
Retirement benefits schemes contributions	36	36
	6,098	8,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

For the year ended 31 March 2023

	1 April 2022 HK\$'000	Financing cash flows HK\$'000	New lease arrangements HK\$'000	Non-cash changes			31 March 2023 HK\$'000
				Interest cost incurred HK\$'000	Disposed upon the disposal of subsidiaries (note 14) HK\$'000	Exchange differences HK\$'000	
Lease liabilities	107,107	(10,284)	4,018	—	—	(8,886)	91,955
Bank borrowings	36,580	(10,944)	—	—	—	(2,950)	22,686
	143,687	(21,228)	4,018	—	—	(11,836)	114,641

For the year ended 31 March 2022

	1 April 2021 HK\$'000	Financing cash flows HK\$'000	New lease arrangements HK\$'000	Non-cash changes			31 March 2022 HK\$'000
				Interest cost incurred HK\$'000	Disposed upon the disposal of subsidiaries (note 14) HK\$'000	Exchange differences HK\$'000	
Lease liabilities	83,768	(23,362)	114,809	—	(73,063)	4,955	107,107
Unsecured borrowings from a related company	166,000	(66,000)	—	—	(100,000)	—	—
Interest payable (included in trade and other payable)	1,313	(14,850)	—	13,537	—	—	—
Bank borrowings	—	35,695	—	—	—	885	36,580
	251,081	(68,517)	114,809	13,537	(173,063)	5,840	143,687

During the year ended 31 March 2023, the Group entered into new arrangements in respect of office premises, factory and car parks. Right-of-use assets and lease liabilities of approximately HK\$4,018,000 and HK\$4,018,000 respectively were recognised at the commencement of the leases.

During the year ended 31 March 2022, the Group entered into new arrangements in respect of factory. Right-of-use assets and lease liabilities of approximately HK\$114,809,000 and HK\$114,809,000 respectively were recognised at the commencement of the leases.

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

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current asset			
Investment in subsidiaries		90,734	90,734
Current assets			
Amount due from a subsidiary	(i)	52,500	52,500
Prepayment and other receivable		2,592	8
Time deposits with maturity over three months		100,000	100,000
Cash and cash equivalents		71,854	71,255
Total current assets		226,946	223,763
Total assets		317,680	314,497
EQUITY			
Capital and reserves			
Share capital		60,000	60,000
Share premium		26,135	26,135
Retained profits	(ii)	231,545	228,362
Total equity		317,680	314,497

Notes:

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

(ii) Retained profits:

	HK\$'000
At 1 April 2021	235,824
Loss for the year	(7,462)
At 31 March 2022 and 1 April 2022	228,362
Profit for the year	3,183
At 31 March 2023	231,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SUBSIDIARIES

The following is a list of the subsidiaries directly or indirectly held by the Company at 31 March 2023 and 2022:

Company name	Place of incorporation/ establishment/ operation and kind of legal entity	Issued and fully paid up capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			2023		2022		
			Direct	Indirect	Direct	Indirect	
Able Elite	BVI, limited liability company	US\$6,000,000	100%	—	100%	—	Investment holding
Fast Great Consultants Limited	Hong Kong, limited liability company	HK\$1	—	100%	—	100%	Investment holding
KFM Kingdom Management Limited	Hong Kong, limited liability company	HK\$1	—	100%	—	100%	Provision of management services in Hong Kong
KFM Kingdom Services Holdings Limited	BVI, limited liability company	US\$1	—	100%	—	100%	Investment holding
KFM Kingdom Services Limited	Hong Kong, limited liability company	HK\$1	—	100%	—	100%	Provision of management services in Hong Kong
Smart Galaxy Holdings Limited	BVI, limited liability company	US\$1	100%	—	100%	—	Investment holding
Elite Sun Holdings Limited	Samoa, limited liability company	US\$1	—	100%	—	100%	Inactive

32. SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment/ operation and kind of legal entity	Issued and fully paid up capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			2023		2022		
			Direct	Indirect	Direct	Indirect	
Kingdom Precision Product Holdings Limited	BVI, limited liability company	US\$1	—	100%	—	100%	Investment holding
Kingdom Network Technology (Suzhou) Limited (Note b) 金德網絡科技(蘇州)有限公司	Suzhou, the PRC, wholly foreign- owned enterprise	RMB1,000,000	—	100%	—	100%	Inactive
KPP HK	Hong Kong, limited liability company	HK\$10,000	—	100%	—	100%	Sale of fine metal products in Hong Kong and the PRC
Kingdom Precision Product (Suzhou) Limited (Note b) (金德精密配件(蘇州)有限公司)	Suzhou, the PRC, wholly foreign- owned enterprise	US\$15,570,880	—	100%	—	100%	Manufacturing and sale of fine metal products in the PRC
Kingdom Network Technology Holdings Limited (Note a)	Samoa, limited liability company	US\$1	—	100%	—	—	Investment holding
Kingdom Network Technology Limited (Note a)	Hong Kong, limited liability company	HK\$10,000	—	100%	—	—	Inactive
Kingdom Precision Metal Holdings Limited (Note a)	Samoa, limited liability company	US\$1	—	100%	—	—	Investment holding

32. SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment/ operation and kind of legal entity	Issued and fully paid up capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			2023		2022		
			Direct	Indirect	Direct	Indirect	
Kingdom Precision Metal Limited (Note a)	Hong Kong, limited liability company	HK\$10,000	—	100%	—	—	Inactive
Kingdom Precision Metal (Malaysia) Sdn. Bhd. (Note a)	Malaysia, private limited company	RM\$100	—	100%	—	—	Manufacturing in precision metal

Note:

- (a) Subsidiary incorporated during the year ended 31 March 2023.
- (b) The English name is for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the years ended 31 March 2023 and 2022.

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

Five Year Financial Summary

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

	Years ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000 (restated)	2020 HK\$'000	2019 HK\$'000
Results					
Revenue	605,101	612,190	406,340	986,744	1,006,441
Cost of sales	(501,824)	(512,270)	(323,711)	(751,675)	(754,201)
Gross profit	103,277	99,920	82,629	235,069	252,240
Other gains/(losses), net	8,621	(4,016)	(9,550)	26,039	44,735
Distribution and selling expenses	(6,270)	(6,980)	(5,712)	(21,562)	(25,074)
General and administrative expenses	(75,524)	(65,862)	(56,269)	(186,352)	(192,984)
Finance income	6,158	1,033	4,435	894	388
Finance costs	(8,527)	(5,517)	(4,601)	(18,611)	(17,460)
(Loss)/gain on disposal of subsidiaries	—	—	—	(26,786)	3,884
Profit before income tax	27,735	18,578	10,932	8,691	65,729
Income tax expenses	(5,069)	(5,247)	(1,815)	(8,059)	(15,037)
Profit for the year	22,666	13,331	9,117	632	50,692
(Loss)/profit for the year from discontinued operations	—	(61,350)	9,286	—	—
Other comprehensive income/ (expenses)					
Currency translation differences	(14,211)	12,363	29,119	(20,368)	(36,737)
Release of exchange reserve	—	(15,020)	—	7,529	8,631
Total comprehensive income/(expense)	8,455	(50,676)	47,522	(12,207)	22,586
Profit/(loss) for the year attributable to:					
Owners of the Company	22,666	(48,192)	17,923	644	49,658
Total comprehensive income/(expenses) attributable to:					
Owners of the Company	8,455	(50,849)	47,042	(12,195)	21,552
Earnings/(loss) per share for profit/ (loss) attributable to owners of the Company					
— Basic and diluted (HK cents)	3.78	(8.03)	2.99	0.11	8.28
Dividends	—	—	—	—	—

FIVE YEAR FINANCIAL SUMMARY

	As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Total assets	728,732	776,494	920,249	825,309	930,602
Total liabilities	(215,614)	(271,831)	(360,618)	(313,200)	(406,286)
Net assets	513,118	504,663	559,631	512,109	524,316

BASIS OF PRESENTATION

The reorganisation has been accounted for using merger accounting and, accordingly, the financial information for the years ended 31 March 2019 as contained in “Five Years Financial Summary” had been prepared as if the structure of the Group resulting from the reorganisation had been in existence.