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## **KFM KINGDOM HOLDINGS LIMITED**

### **KFM 金德控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3816)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of KFM Kingdom Holdings Limited (the “**Company**”) would like to announce the interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 September 2023 (the “**Reporting Period**”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), together with the comparative figures for the corresponding period of 2022.

For and on behalf of  
**KFM Kingdom Holdings Limited**  
**Zhang Haifeng**  
*Chairman*

Hong Kong, 20 November 2023

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	4	<b>314,091</b>	343,073
Cost of sales		<u><b>(247,105)</b></u>	<u>(279,836)</u>
<b>Gross profit</b>		<b>66,986</b>	63,237
Other gains, net		<b>3,739</b>	16,872
Distribution and selling expenses		<b>(3,089)</b>	(3,382)
General and administrative expenses		<b>(33,833)</b>	(33,743)
Finance income		<b>5,321</b>	1,194
Finance costs		<u><b>(3,442)</b></u>	<u>(4,628)</u>
<b>Profit before tax</b>	5	<b>35,682</b>	39,550
Income tax expenses	6	<u><b>(6,252)</b></u>	<u>(6,597)</u>
<b>Profit for the period</b>		<u><b>29,430</b></u>	<u>32,953</u>
<b>Other comprehensive expense for the period:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u><b>(2,168)</b></u>	<u>(18,730)</u>
<b>Total comprehensive income for the period</b>		<u><b>27,262</b></u>	<u>14,223</u>
Profit for the period attributable to owners of the Company		<u><b>29,430</b></u>	<u>32,953</u>
Total comprehensive income attributable to owners of the Company		<u><b>27,262</b></u>	<u>14,223</u>
<b>EARNINGS PER SHARE</b>	12		
— Basic and diluted (HK cents)		<u><b>4.91</b></u>	<u>5.49</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AT 30 SEPTEMBER 2023*

		<b>30 September 2023</b>	31 March 2023
	<i>Notes</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	7	<b>63,736</b>	49,671
Right-of-use assets		<b>72,915</b>	84,501
Prepayments, deposits and other receivable		<b>44,050</b>	47,695
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>180,701</b>	181,867
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	8	<b>114,907</b>	128,812
Trade receivables	9	<b>139,802</b>	110,847
Prepayments, deposits and other receivables		<b>17,762</b>	12,692
Current income tax recoverable		—	970
Time deposits with maturity over three months		<b>194,137</b>	196,741
Cash and cash equivalents		<b>116,220</b>	96,803
		<hr/>	<hr/>
<b>Total current assets</b>		<b>582,828</b>	546,865
		<hr/>	<hr/>
<b>Total assets</b>		<b>763,529</b>	728,732
		<hr/> <hr/>	<hr/> <hr/>

		<b>30 September 2023</b>	31 March 2023
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	<i>10</i>	<b>60,000</b>	60,000
Share premium	<i>10</i>	<b>26,135</b>	26,135
Reserves		<b>454,245</b>	426,983
		<hr/>	<hr/>
<b>Total equity</b>		<b>540,380</b>	513,118
		<hr/>	<hr/>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>63,400</b>	74,114
Bank borrowings		<b>10,900</b>	11,400
Deferred income tax liabilities		<b>2,000</b>	172
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>76,300</b>	85,686
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>98,849</b>	98,488
Lease liabilities		<b>16,519</b>	17,841
Bank borrowings		<b>27,250</b>	11,286
Current income tax liabilities		<b>4,231</b>	2,313
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>146,849</b>	129,928
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>223,149</b>	215,614
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>763,529</b>	728,732
		<hr/> <hr/>	<hr/> <hr/>
<b>Net current assets</b>		<b>435,979</b>	416,937
		<hr/> <hr/>	<hr/> <hr/>
<b>Total assets less current liabilities</b>		<b>616,680</b>	598,804
		<hr/> <hr/>	<hr/> <hr/>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2023 (audited)	60,000	26,135	1	38,288	9,027	379,667	513,118
Profit for the period	—	—	—	—	—	29,430	29,430
<b>Other comprehensive expense for the period:</b>							
Exchange differences on translation of foreign operations	—	—	—	—	(2,168)	—	(2,168)
<b>Total comprehensive (expense)/income for the period</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,168)</u>	<u>29,430</u>	<u>27,262</u>
Transfer of retained profits to statutory reserve	—	—	—	4,238	—	(4,238)	—
<b>Balance at 30 September 2023 (unaudited)</b>	<u>60,000</u>	<u>26,135</u>	<u>1</u>	<u>42,526</u>	<u>6,859</u>	<u>404,859</u>	<u>540,380</u>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2022 (audited)	60,000	26,135	1	33,149	23,238	362,140	504,663
Profit for the period	—	—	—	—	—	32,953	32,953
<b>Other comprehensive expense for the period:</b>							
Exchange differences on translation of foreign operations	—	—	—	—	(18,730)	—	(18,730)
<b>Total comprehensive (expense)/income for the period</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(18,730)</u>	<u>32,953</u>	<u>14,223</u>
Transfer of retained profits to statutory reserve	—	—	—	4,356	—	(4,356)	—
<b>Balance at 30 September 2022 (unaudited)</b>	<u>60,000</u>	<u>26,135</u>	<u>1</u>	<u>37,505</u>	<u>4,508</u>	<u>390,737</u>	<u>518,886</u>

## NOTES

### 1. GENERAL INFORMATION

KFM Kingdom Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 July 2011 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is Workshop C, 31/F., TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 October 2012. The immediate holding company and controlling shareholder of the Company is Massive Force Limited (“**Massive Force**”), a company incorporated in the British Virgins Islands.

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

This interim condensed consolidated financial information is presented in Hong Kong dollars (“**HKS**”), which is also the functional currency of the Company.

This interim condensed consolidated financial information was approved by the directors of the Company for issue on 20 November 2023.

This interim condensed consolidated financial information has not been audited.

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

### 3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial information has been prepared on the historical cost basis.

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2023.

## **Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Return-Pillar Two Model Rules

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

### ***Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies***

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as they relate to disclosures of accounting policies in complete financial statements rather than interim condensed financial information. The amendments are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements for the year ending 31 March 2024.

### ***Impact on application of Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments to HKAS 12 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, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

The Group previously applied HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis. Upon application of the amendments, the Group has recognised a separate deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

There was no material impact on the condensed consolidated statement of financial position because the balances qualify for offset under paragraph 74 of HKAS 12. There was no material impact on the opening retained earnings as at 1 April 2022. The key impact for the Group relates to the disclosure of deferred tax assets and liabilities recognised.

#### 4. REVENUE

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

As at 30 September 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.

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

	<b>Six months ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Geographical region</i>		
South East Asia	<b>156,085</b>	154,412
The People's Republic of China (the "PRC")	<b>99,432</b>	127,701
Europe	<b>44,413</b>	39,721
North America	<b>8,951</b>	15,837
Others	<b>5,210</b>	5,402
	<b><u>314,091</u></b>	<b><u>343,073</u></b>

## 5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	247,105	279,836
Depreciation of plant and equipment	3,272	2,970
Depreciation of right-of-use assets	10,266	10,248
Research and development expenses	9,360	12,980
	<u>269,993</u>	<u>306,034</u>

## 6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax:		
— The PRC	4,424	4,432
Deferred income tax	1,828	2,165
	<u>6,252</u>	<u>6,597</u>

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

Below are the major tax jurisdictions that the Group operates in for the six months ended 30 September 2023 and 2022:

### (a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the six months ended 30 September 2023 and 2022 as there were no assessable profits generated in Hong Kong during the six months ended 30 September 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 subsidiaries, adjusted for items which are not taxable or deductible for the PRC EIT purpose. The statutory PRC EIT tax rate for the six months ended 30 September 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, with effective from 1 December 2021.

**(c) PRC dividend withholding tax**

According to the Law of the PRC EIT, starting from 1 January 2008, a PRC dividend withholding tax of 10% will be levied on the immediate holding company outside the PRC when the PRC subsidiary declares dividend out of profits earned after 1 January 2008. During the six months ended 30 September 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 fulfills certain requirements under the tax treaty arrangements between the PRC and Hong Kong.

**7. PLANT AND EQUIPMENT**

	<b>Six months ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 April (Audited)	<b>49,671</b>	50,437
Additions	<b>22,986</b>	2,624
Disposals	<b>(3,110)</b>	(3)
Depreciation	<b>(3,272)</b>	(2,970)
Exchange differences	<b>(2,539)</b>	(3,889)
	<hr/>	<hr/>
At 30 September (Unaudited)	<b>63,736</b>	46,199
	<hr/> <hr/>	<hr/> <hr/>

**8. INVENTORIES**

	<b>30 September</b>	<b>31 March</b>
	<b>2023</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Raw materials	<b>54,210</b>	53,988
Work in progress	<b>11,625</b>	20,596
Finished goods	<b>49,072</b>	54,228
	<hr/>	<hr/>
	<b>114,907</b>	128,812
	<hr/> <hr/>	<hr/> <hr/>

## 9. TRADE RECEIVABLES

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Trade receivables ( <i>Note</i> )	<b><u>139,802</u></b>	<u>110,847</u>

*Note:*

The Group normally grants credit periods of 30 to 120 days (31 March 2023: 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:

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Up to 3 months	<b>138,154</b>	107,365
3 to 6 months	<b>1,235</b>	3,404
6 months to 1 year	<b>—</b>	78
1 to 2 years	<b><u>413</u></b>	<u>—</u>
	<b><u>139,802</u></b>	<u>110,847</u>

## 10. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
<b>Ordinary shares of HK\$0.1 each</b>				
<b>Authorised</b>				
At 30 September 2023 and 31 March 2023	<u>4,500,000,000</u>	<u>450,000</u>		
<b>Issued and fully paid</b>				
At 30 September 2023 and 31 March 2023	<u>600,000,000</u>	<u>60,000</u>	<u>26,135</u>	<u>86,135</u>

## 11. TRADE AND OTHER PAYABLES

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Trade payables ( <i>Note</i> )	84,266	84,663
Accruals and other payables	<u>14,583</u>	<u>13,825</u>
	<u><u>98,849</u></u>	<u><u>98,488</u></u>

*Note:*

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

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Up to 3 months	81,080	84,110
3 to 6 months	1,665	446
6 months to 1 year	1,445	2
1 to 2 years	<u>76</u>	<u>105</u>
	<u><u>84,266</u></u>	<u><u>84,663</u></u>

## 12. EARNINGS PER SHARE

### Basic and diluted earnings per share

	Six months ended 30 September 2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>29,430</u>	<u>32,953</u>
Weighted average number of shares in issue ( <i>'000</i> )	<u>600,000</u>	<u>600,000</u>
Basic and diluted earnings per share ( <i>HK cents per share</i> )	<u><u>4.91</u></u>	<u><u>5.49</u></u>

Basic earnings per share for the six months ended 30 September 2023 and 2022 is calculated by dividing the profit attributable to owners of the Company by 600,000,000 ordinary shares in issue during the period.

Diluted earnings per share is same as basic earnings per share as the Company had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2023 and 2022.

### 13. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2023, nor has any dividend been proposed since the end of the reporting period (six months ended 30 September 2022: nil).

### 14. CAPITAL COMMITMENTS

	<b>30 September 2023 <i>HK\$'000</i> (Unaudited)</b>	31 March 2023 <i>HK\$'000</i> (Audited)
Authorised or contracted but not provided for:		
— Plant and machinery	2,788	15,546
— Leasehold improvement	<u>184</u>	<u>1,073</u>
	<u><b>2,972</b></u>	<u><b>16,619</b></u>

## REVIEW OF INTERIM RESULTS

The interim results and the interim condensed consolidated financial information of the Group for the Reporting Period, after being reviewed by the audit committee of the Company (the “**Audit Committee**”) and by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, were approved by the Board on 20 November 2023.

## BUSINESS REVIEW

During the Reporting Period, the political tension between the People’s Republic of China (“**PRC**”) and the United States of America (the “**US**”), Russia-Ukraine conflicts and crisis on Middle East region continuously affected the global business environment. Besides, global economy was affected by high inflation, higher level of interest rate and fluctuation in currency exchange rates, which also created significant uncertainties to the Group. Meanwhile, the Group was under the pressure from the increase in labour cost, production costs and slowdown of China’s economy.

During the Reporting Period, the Group recorded revenue of approximately HK\$314.1 million, with a decrease by approximately HK\$29.0 million or 8.5% as compared to a revenue of approximately HK\$343.1 million during the corresponding period last year. The decrease was mainly due to the decrease in the revenue derived from the customers engaged in the medical and test equipment industry as a result of decreased demands after the pandemic of COVID-19. On the other hand, the decrease in revenue was partially offset by the increase in revenue derived from the network and data storage industry, as well as the office automation industry.

The total gross profit of the Group increased by approximately HK\$3.8 million or 6.0% from approximately HK\$63.2 million during the corresponding period last year to approximately HK\$67.0 million during the Reporting Period. In respect of the gross profit margin of the Group was approximately 21.3% during the Reporting Period, with an increase by approximately 2.9% as compared to approximately 18.4% in the corresponding period last year. The increase of gross profit margin was mainly due to the Group strived to control of production costs by enhancing productive efficiency and to reduce the number of employees that resulted decrease in direct labour and processing fees during the Reporting Period.

During the Reporting Period, the volatility in Renminbi (“**RMB**”) exchange rate resulted in a net exchange gain of approximately HK\$4.3 million, with a decrease by approximately HK\$12.0 million as compared to a net exchange gain of approximately HK\$16.3 million recorded in the corresponding period last year. In regard to finance income during the Reporting Period, the Group recorded finance income of approximately HK\$5.3 million, with an increase by approximately HK\$4.1 million as compared to a finance income of approximately HK\$1.2 million during the corresponding period last year.

As a result of the above, the Group recorded a net profit of approximately HK\$29.4 million during the Reporting Period, as compared with a net profit of approximately HK\$33.0 million during the corresponding period last year.

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, revenue of the Group was approximately HK\$314.1 million, representing a decrease of approximately HK\$29.0 million or 8.5% from approximately HK\$343.1 million for the corresponding period last year. The decrease was mainly due to the decrease in the revenue derived from the customers engaged in the medical and test equipment industry as a result of decreased demands after the pandemic of COVID-19. On the other hand, the decrease in revenue was partially offset by the increase in revenue derived from the network and data storage industry, as well as the office automation industry.

Geographically, South East Asia, the PRC, Europe and North America continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 49.7%, 31.7%, 14.1% and 2.8% of the Group's revenue, respectively, for the Reporting Period. Details of a breakdown of revenue generated by different geographical locations are set out in Note 4 to this interim result announcement.

### Cost of sales

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

	Six months ended 30 September			
	2023		2022	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)		(Unaudited)	
Direct material	157,804	63.9	200,361	71.6
Direct labour	42,173	17.1	49,316	17.6
Processing fee	11,800	4.8	17,822	6.4
Change in inventory of finished goods and work in progress	14,127	5.7	(7,441)	(2.7)
Other direct overheads	21,201	8.5	19,778	7.1
	<u>247,105</u>	<u>100.0</u>	<u>279,836</u>	<u>100.0</u>

During the Reporting Period, cost of sales of the Group decreased by approximately HK\$32.7 million or 11.7% as compared to the same of the corresponding period last year. The decrease was primarily due to the decrease in direct labour cost and processing fee. In view of the direct material cost, the decrease in direct material cost was in line with decrease in the revenue during the Reporting Period. The percentage of cost of sales to total revenue during the Reporting Period was approximately 78.7%, representing a decrease of approximately 2.9% as compared to approximately 81.6% in the corresponding period last year.

### **Gross profit and gross profit margin**

During the Reporting Period, the gross profit of the Group was approximately HK\$67.0 million, representing an increase of approximately HK\$3.8 million or 6.0% from approximately HK\$63.2 million for the corresponding period last year. In respect of the gross profit margin of the Group was approximately 21.3% during the Reporting Period, with an increase by approximately 2.9% as compared to approximately 18.4% in the corresponding period last year. The increase of gross profit margin was mainly due to the Group strived to control of production costs by enhancing productive efficiency and to reduce the number of employees that resulted decrease in direct labour and processing fees during the Reporting Period.

### **Other gains, net**

During the Reporting Period, the Group recorded other gains, net which amounted to approximately HK\$3.7 million. In the corresponding period last year, the Group recorded other gains, net of approximately HK\$16.9 million. The other gains, net during the Reporting Period mainly comprised a net exchange gain upon RMB depreciation of approximately HK\$4.3 million and loss on disposal of plant and equipment of approximately HK\$0.9 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\$0.3 million from approximately HK\$3.4 million for the six months ended 30 September 2022 to approximately HK\$3.1 million for the Reporting Period.

### **General and administrative expenses**

General and administrative expenses comprised 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 remained stable at approximately HK\$33.7 million and HK\$33.8 million for the corresponding period last year and the Reporting Period, respectively.

### **Finance costs**

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

During the Reporting Period, the Group's finance costs was approximately HK\$3.4 million, as compared to approximately HK\$4.6 million for the corresponding period last year. The decrease in finance costs was mainly due to a decrease in average balances of bank borrowings and a decrease in lease liabilities as compared to corresponding period last year.

### **Income tax expense**

The Group's income tax expense amounted to approximately HK\$6.3 million for the Reporting Period, while the Group's income tax expense for the corresponding period last year amounted to approximately HK\$6.6 million. The decrease was mainly attributable to the decrease in taxable profits during the Reporting Period.

### **Profit attributable to owners of the Company**

For the Reporting Period, profit attributable to owners of the Company amounted to approximately HK\$29.4 million. During the corresponding period last year, profit attributable to owners of the Company amounted to approximately HK\$33.0 million.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

### **Financial resources and liquidity**

The Group's current assets comprise mainly cash and cash equivalents, trade and other receivables and inventories. As at 30 September 2023 and 31 March 2023, the Group's total current assets amounted to approximately HK\$582.8 million and HK\$546.9 million respectively, which represented approximately 76.3% and 75.0% of the Group's total assets as at 30 September 2023 and 31 March 2023, respectively.

## Capital structure

The Group's capital structure is summarised as follows:

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Bank borrowings	<u>38,150</u>	<u>22,686</u>
Total debts	<u>38,150</u>	<u>22,686</u>
Shareholders' equity	<u>540,380</u>	<u>513,118</u>
Gearing ratio		
— Total debts to shareholders' equity ratio <sup>#</sup>	<u>7.1%</u>	<u>4.4%</u>

<sup>#</sup> Total debts to shareholders' equity ratio is calculated based on total debts divided by shareholders' equity at the end of the respective periods.

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

As at 30 September 2023, the Group's bank borrowings were denominated in Renminbi. The capital structure of the Group consists of equity attributable to the equity holder of the Company (comprising issued share capital and reserves) and bank borrowings. The Directors will review the capital structure regularly. As part of such review, the Directors will consider the cost of capital and the optimal use of debt and equity so as to maximise the return to owners.

## Capital expenditure

During the Reporting Period, the Group acquired plant and equipment of approximately HK\$23.0 million, as compared to the six months ended 30 September 2022 of approximately HK\$2.6 million.

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

## Charges on the Group's assets

As at 30 September 2023 and 31 March 2023, no borrowing of the Group was secured by assets of the Group.

## **Foreign currency exposure**

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

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

## **Capital commitments**

Details of the Group's capital commitments as at 30 September 2023 are set out in Note 14 to this interim results announcement.

## **Contingent liabilities**

As at 30 September 2023, the Group had no material contingent liabilities.

## **OUTLOOK AND STRATEGY**

Looking forward, the world is still facing difficulty in the business environment by the China-US political tension, Russia-Ukraine conflicts and crisis on Middle East region. Global economy is also threatened by a recession possibly followed by deglobalisation causing disruption on the global supply chains, global inflation, higher level of interest rate and volatility of currency exchange rates. These adverse effects to global economy will likely subsist for a period of time. Accordingly, China is expected to experience stagnant economic growth and face problems including high operating costs and risk on China's property market. The increasing labour, material and production costs in China will remain to be the challenges to the Group. The difficulties faced by the manufacturing industries will likely linger in the foreseeable future.

As far as the deglobalisation causing disruption on the global supply chains, it is expected that a certain number of the Group's customers will continue to relocate their businesses to the Southeast Asia. In order to keep in line with the trend of customers reorganising their supply chains, the Group's overseas production base is deploying in Malaysia, so as to provide existing customers with supply solutions locating outside China, and take this advantage to actively explore more new customers.

In addition, recent China-US trade dispute is focused on high-tech industries such as chips manufacturing, artificial intelligence, etc. It is expected that political risk to metal industry from existing US policies is lower than last year. In order to cope with the change in business environment, the Group will put more efforts in maintaining good relationships with existing customers of the Group. The Group has also been striving to explore more new customers to broaden its customer base. Last but not least, the Group will continue to look for new, long term and sustainable business opportunities to enhance the Group's performance, with the aim to creating better value for customers, shareholders and investors.

## **SUBSEQUENT EVENT**

### **Potential change of controlling shareholder**

Reference is made to the announcements of the Company dated 17 October 2023 and 16 November 2023 (the “**Announcements**”). Unless otherwise stated, capitalised terms used in this section have the same meanings as defined in the Announcements.

The Board was being informed that, on 17 October 2023 (after trading hours), Massive Force, currently holding approximately 75.0% of the total issued share capital of the Company, entered into the Shares Disposal MOU regarding the Possible Shares Disposal.

In addition, on 17 October 2023 (after trading hours), the Company entered into the Target Company Acquisition MOU regarding the Possible Target Company Acquisition.

The Possible Shares Disposal, if materialised, may lead to a change in control of the Company, triggering a mandatory general offer under Rule 26.1 of the Takeovers Code for all the issued Shares (other than those already owned by or agreed to be acquired by the Potential Purchaser and parties acting in concert with it). At the same time, the Possible Target Company Acquisition, if proceed, would constitute a notifiable and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2023, the Group had a total number of 877 employees (as at 30 September 2022: 1,024). The Group determined the remuneration packages of all employees based on several factors including individual qualifications, contribution to the Group, performance and years of experience of the respective staff.

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

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

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

## **CORPORATE GOVERNANCE**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

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

## **INTERIM DIVIDEND**

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

## **AUDIT COMMITTEE**

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

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

## **SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED CORPORATIONS**

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the Company's website at [www.kingdom.com.hk](http://www.kingdom.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the said websites in due course.