

KFM KINGDOM

KFM KINGDOM HOLDINGS LIMITED

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

INTERIM REPORT
2023



Our Goals are
FAR AND HIGH
We cultivate for
TOMORROW



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Contents

Corporate information	2
Review of interim results	4
Report on review of interim condensed consolidated financial information	21
Interim condensed consolidated statement of profit or loss and other comprehensive income	23
Interim condensed consolidated statement of financial position	24
Interim condensed consolidated statement of changes in equity	26
Interim condensed consolidated statement of cash flows	28
Notes to the interim condensed consolidated financial information	30

Corporate Information

Non-executive Director

Mr. Zhang Haifeng (Chairman)

Executive Directors

Mr. Sun Kwok Wah Peter
(Chief Executive Officer)

Mr. Wong Chi Kwok

Independent non-executive Directors and audit committee

Mr. Wan Kam To (Chairman)

Ms. Zhao Yue

Mr. Shen Zheqing

Remuneration committee

Ms. Zhao Yue (Chairman)

Mr. Zhang Haifeng

Mr. Wan Kam To

Nomination committee

Mr. Zhang Haifeng (Chairman)

Mr. Sun Kwok Wah Peter

Mr. Wan Kam To

Ms. Zhao Yue

Mr. Shen Zheqing

Headquarters and principal place of business in Hong Kong

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

Principal place of business in the PRC

881 South Jinshan Road, Gaoxin District, Suzhou
Jiangsu Province, the PRC

Registered office

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Company secretary

Mr. Kwok For Chi

Authorised representatives

Mr. Sun Kwok Wah Peter

Mr. Kwok For Chi

Legal adviser as to Hong Kong law

Chiu & Partners

Auditor

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

Principal bankers

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

**Cayman Islands share registrar and
transfer office**

SUNTERA (CAYMAN) LIMITED
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman KY1-1110
Cayman Islands

**Hong Kong branch share registrar and
transfer office**

Tricor Investor Services Limited
17/F, Far East Finance Centre
No. 16 Harcourt Road
Hong Kong

Website

www.kingdom.com.hk

Stock code

3816

Review of Interim Results

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

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 6 to this interim condensed consolidated financial information.

Review of Interim Results (Continued)

Cost of sales

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

	Six months ended 30 September			
	2023 HK\$'000 (Unaudited)	%	2022 HK\$'000 (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
	247,105	100.0	279,836	100.0

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 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 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.

Review of Interim Results (Continued)

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 from the continuing operations 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:

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

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

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

Details of the Group's bank borrowings as at 30 September 2023 are set out in Note 24 to this interim condensed consolidated financial information.

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.

Review of Interim Results (Continued)

Capital commitments

Details of the Group's capital commitments as at 30 September 2023 are set out in Note 25 to this interim condensed consolidated financial information.

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.

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.

Share option scheme

The Company has adopted a share options scheme under which it may grant options to eligible participants to subscribe for shares of the Company. The share option scheme (the "**Share Option Scheme**") adopted by the Company on 23 August 2022 was amended by passing an ordinary resolution on 23 August 2023 for the purpose of bringing the Share Option Scheme in accordance with Chapter 17 of the Listing Rules (the "**Amended Share Option Scheme**").

The following is a summary of the principal terms of the Amended Share Option Scheme.

(a) *Purpose*

The purpose of the Amended Share Option Scheme is to enable the Group to (i) grant share options to the eligible participants as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote sustainable development of the Group; and (iii) to align the interest of the grantees with those of the Shareholders to promote long-term financial and business performance of the Company.

Review of Interim Results (Continued)

(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 (including persons who are granted options or awards under the Amended Share Option Scheme to enter into employment contracts with these companies).

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all the share options and awards to be granted under the Amended Share Option Scheme and any other share 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 Old Share Option Scheme (the "**Scheme Mandate Limit**"). Unless expressly approved by the Shareholders in general meeting and expressly allowed by the Stock Exchange, no option or award may be granted under the Amended Share Option Scheme or any other share scheme if the grant of such option or award will result in the limit referred to herein being exceeded. The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit under the Amended Share Option Scheme, provided that:

- (i) the total number of Shares which may be allotted and issued upon exercise of all options and awards to be granted under the Amended Share Option Scheme and any other share scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit, and for the purpose of calculating the refreshed Scheme Mandate Limit, options or awards lapsed in accordance with the terms of the Amended Share Option Scheme and any other share scheme of the Group will not be regarded as utilised; and

- (ii) where the refreshment of the Scheme Mandate Limit is sought:
 - (a) within three years from the date of Shareholders' approval for the last refreshment (or, as the case may be, the date of adoption of the Share Option Scheme):
 - (1) at the general meeting for considering and approving the proposed resolution of such refreshment, any controlling Shareholders and their associates (or if there is no controlling Shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) shall abstain from voting in favour of the relevant resolution; and
 - (2) the Company shall comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing),

provided that the requirements under paragraph (C)(ii)(1) do not apply if the refreshment is made immediately after an issue of securities by the Company to its Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Mandate Limit (as a percentage of the relevant class of Shares in issue) upon refreshment is the same as the unused part of the Scheme Mandate Limit immediately before the issue of securities, rounded to the nearest whole Share; and

- (b) after three years from the date of Shareholders' approval for the last refreshment (or, as the case may be, the date of adoption of the Share Option Scheme), the requirements under paragraph (C)(ii)(1) shall not be applicable.
- (iii) the Company may obtain a separate approval from the Company's shareholders in a general meeting to permit the granting of share options under the Amended Share Option Scheme beyond the Scheme Mandate Limit provided that such share options are granted only to eligible participants specifically identified by the Company before shareholders' approval is sought.

Review of Interim Results (Continued)

(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 a share option if the total number of shares issued and to be issued upon exercise of the share options or share awards granted and proposed to be granted to such eligible participant (excluding any share options and share awards lapsed in accordance with the Amended Share Option Scheme or other Share Scheme) under the Amended Share Option Scheme and any other Share Scheme in any 12-month period up to and including the date of the such further grant would in aggregate exceed 1% of the total number of shares in issue 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 Amended Share Option Scheme

The vesting period in respect of any share option granted to any eligible participant under the Amended Share Option Scheme shall not be shorter than 12 months from the date of the acceptance of the offer of share options, provided that where the eligible participant is:

- (a) an employee participant who is a Director or a member of the senior management specifically identified by the Company, the remuneration committee of the Board shall, or
- (b) an employee participant who is not a Director nor a member of the senior management specifically identified by the Company, the Directors shall:

have the authority to determine a shorter vesting period in the following circumstances:

- (i) grants of “make-whole” share options to new joiners to replace the share awards or options they forfeited when leaving the previous employer;
- (ii) grants to an employee participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (iii) grants that are made in batches during a year for administrative and compliance reasons, which include share options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the share options would have been granted; or
- (iv) grants with a mixed or accelerated vesting schedule such as where the share options may vest evenly over a period of 12 months.

Review of Interim Results (Continued)

(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 and clawback mechanism*

Save specific performance target(s) and clawback mechanism may be attached to any share option being granted to any of the grantee under the Amended Share Option Scheme as an inducement to enter into employment contracts with the Company or any of its subsidiaries, no performance target(s) should be attached to any share option being granted to any of the grantees under the Amended Share Option Scheme.

(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 Amended 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; and
- (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.

(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 Amended Share Option Scheme

The Amended 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 Amended 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 Amended Share Option Scheme. Share options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Amended Share Option Scheme. As at the date of this annual report, the Amended Share Option Scheme had a remaining life of approximately nine years.

During the Reporting Period, no option was granted, exercised, cancelled, lapsed or outstanding under either the Share Option Scheme or the Amended Share Option Scheme. As at the date of this interim report, the total number of shares available for issue under the Amended Share Option Scheme was 60,000,000, representing 10% of the issued share capital of the Company. As at 31 March 2023 and 30 September 2023, the number of options available for grant under the Share Option Scheme and the Amended Share Option Scheme respectively was 60,000,000.

Review of Interim Results (Continued)

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

As at 30 September 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules.

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

As at 30 September 2023, the following person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

Notes:

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

Corporate Governance

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

Model Code for Securities Transactions by Directors

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

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

Interim Dividend

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

Subsequent Event

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.

Review of Interim Results (Continued)

Audit Committee

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

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

Substantial Acquisitions and Disposals of Subsidiaries and Associated Corporations

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

Purchase, Sale or Redemption of Listed Securities

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

By order of the Board

Zhang Haifeng

Chairman

Hong Kong, 20 November 2023

Report on Review of Interim Condensed Consolidated Financial Information



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TO THE BOARD OF DIRECTORS OF KFM KINGDOM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial information of KFM Kingdom Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 23 to 54, which comprise the interim condensed consolidated statement of financial position as at 30 September 2023 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Scope of Review

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

Conclusion

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lau Kai Wong

Practising Certificate Number: P06623

Hong Kong

20 November 2023

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

For the six months ended 30 September 2023

	Notes	Six months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	6	314,091	343,073
Cost of sales		(247,105)	(279,836)
Gross profit		66,986	63,237
Other gains, net	8	3,739	16,872
Distribution and selling expenses		(3,089)	(3,382)
General and administrative expenses		(33,833)	(33,743)
Finance income	9	5,321	1,194
Finance costs	9	(3,442)	(4,628)
Profit before tax	10	35,682	39,550
Income tax expenses	11	(6,252)	(6,597)
Profit for the period		29,430	32,953
Other comprehensive expense for the period:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(2,168)	(18,730)
Total comprehensive income for the period		27,262	14,223
Profit for the period attributable to owners of the Company		29,430	32,953
Total comprehensive income attributable to owners of the Company		27,262	14,223
EARNINGS PER SHARE	12		
— Basic and diluted (HK cents)		4.91	5.49

Interim Condensed Consolidated Statement of Financial Position

At 30 September 2023

	Notes	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	14	63,736	49,671
Right-of-use assets	15	72,915	84,501
Prepayments, deposits and other receivable	18	44,050	47,695
Total non-current assets		180,701	181,867
Current assets			
Inventories	16	114,907	128,812
Trade receivables	17	139,802	110,847
Prepayments, deposits and other receivables	18	17,762	12,692
Current income tax recoverable		—	970
Time deposits with maturity over three months	19	194,137	196,741
Cash and cash equivalents	19	116,220	96,803
Total current assets		582,828	546,865
Total assets		763,529	728,732
EQUITY			
Capital and reserves			
Share capital	20	60,000	60,000
Share premium	20	26,135	26,135
Reserves	21	454,245	426,983
Total equity		540,380	513,118

Interim Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2023

		30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	63,400	74,114
Bank borrowings	24	10,900	11,400
Deferred income tax liabilities	22	2,000	172
Total non-current liabilities		76,300	85,686
Current liabilities			
Trade and other payables	23	98,849	98,488
Lease liabilities	15	16,519	17,841
Bank borrowings	24	27,250	11,286
Current income tax liabilities		4,231	2,313
Total current liabilities		146,849	129,928
Total liabilities		223,149	215,614
Total equity and liabilities		763,529	728,732
Net current assets		435,979	416,937
Total assets less current liabilities		616,680	598,804

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2023

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
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
Other comprehensive expense for the period:							
Exchange differences on translation of foreign operations	—	—	—	—	(2,168)	—	(2,168)
Total comprehensive (expense)/income for the period	—	—	—	—	(2,168)	29,430	27,262
Transfer of retained profits to statutory reserve	—	—	—	4,238	—	(4,238)	—
Balance at 30 September 2023 (unaudited)	60,000	26,135	1	42,526	6,859	404,859	540,380

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 September 2023

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
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
Other comprehensive							
expense for the period:							
Exchange differences on translation of foreign operations	—	—	—	—	(18,730)	—	(18,730)
Total comprehensive							
(expense)/income							
for the period	—	—	—	—	(18,730)	32,953	14,223
Transfer of retained profits to statutory reserve	—	—	—	4,356	—	(4,356)	—
Balance at 30 September							
2022 (unaudited)	60,000	26,135	1	37,505	4,508	390,737	518,886

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Operating activities		
Net cash generated from/(used in) operations	28,756	(33,057)
Income tax paid, net	(1,499)	(3,712)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	27,257	(36,769)
Investing activities		
Interest received	5,321	1,194
Proceeds from disposal of plant and equipment	2,248	—
Placement of bank deposits with maturity over three months	(183,877)	(115,263)
Withdrawal of bank deposits with maturity over three months	186,481	120,000
Prepayments for acquisition of plant and equipment	(3,377)	(1,522)
Purchase of right-of-use asset	(396)	—
Purchase of plant and equipment	(16,719)	(1,236)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(10,319)	3,173
Financing activities		
Repayment of bank borrowings	(21,389)	(6,000)
New bank borrowings raised	38,150	24,000
Receipts of government subsidies	198	578
Payment of lease liabilities	(9,989)	(2,609)
Interest paid	(3,442)	(4,628)
NET CASH FROM FINANCING ACTIVITIES	3,528	11,341

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20,466	(22,255)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	96,803	82,841
Net foreign exchange difference	(1,049)	(2,676)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTING BANK BALANCES AND CASH	116,220	57,910

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 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 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 Virgin Islands.

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

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

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 Reform — 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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

3. Principal Accounting Policies (Continued)

Application of new and amendments to HKFRSs (Continued)

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2

— Disclosure of Accounting Policies (Continued)

These amendments had no impact on the interim condensed consolidated financial information 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.

3. Principal Accounting Policies (Continued)

Application of new and amendments to HKFRSs (Continued)

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

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, and is disclosed in Note 22.

4. Estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Group's annual financial statements for the year ended 31 March 2023 as described in those consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

5. Financial Risk Management

(a) Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2023.

There have been no changes in the risk management policies of the Group since 31 March 2023.

(b) Liquidity risk

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

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

5. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

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

	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 30 September 2023 (Unaudited)					
Trade and other payables	97,389	—	—	97,389	97,389
Bank borrowings	27,888	10,915	—	38,803	38,150
	125,277	10,915	—	136,192	135,539
Lease liabilities	23,333	21,785	49,047	94,165	79,919

	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 (Audited)					
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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

6. 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:

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

7. Segment Information

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

The Group operates in one business unit based on its products, and has only one reportable segment which is metal stamping. As such, no segmental analysis has been presented. The Group conducts its principal operation in Mainland China. Management monitors the operating results of its business unit for the purpose of making decisions about resources allocation and performance assessment.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

7. Segment Information (Continued)

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

Geographic information

The non-current assets, other than deposits and other receivables, of the Group as at 30 September 2023 and 31 March 2023 are as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
The PRC	120,096	135,539
South East Asia	22,401	8,756
Hong Kong	4,297	3,524
	146,794	147,819

Information about major customers

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

	Six months ended 30 September 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Customer A	192,277	89,409
Customer B	N/A*	88,065
Customer C	40,866	71,346

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

8. Other Gains, Net

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss on disposal of plant and equipment	(862)	(3)
Exchange gains, net	4,328	16,268
Government subsidies (Note)	198	578
Others	75	29
	3,739	16,872

Note: The amount represented the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the six months ended 30 September 2023 and 2022.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

9. Finance Income and Finance Costs

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Finance income		
Interest income on bank balances and deposits	4,402	196
Interest income on other receivables	919	998
	5,321	1,194
Finance costs		
Interest expense on bank borrowings	315	813
Interest expense on lease liabilities	3,127	3,815
	3,442	4,628

10. Profit Before Tax

Profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

11. Income Tax Expenses

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current income tax:		
— The PRC	4,424	4,432
Deferred income tax (Note 22)	1,828	2,165
Total	6,252	6,597

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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

11. Income Tax Expenses (Continued)

(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 fulfils certain requirements under the tax treaty arrangements between the PRC and Hong Kong.

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 (HK\$'000)	29,430	32,953
Weighted average number of shares in issue ('000)	600,000	600,000
Basic and diluted earnings per share (HK cents per share)	4.91	5.49

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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

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. Plant and Equipment

Movement of plant and equipment for the periods:

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

15. Right-Of-Use Assets and Lease Liabilities

(i) Right-of-use assets

As at 30 September 2023, the Group has lease arrangements for office premises, factories, carparks and a motor vehicle of approximately HK\$796,000, HK\$70,088,000, HK\$46,000 and HK\$1,985,000 (31 March 2023: HK\$1,751,000, HK\$82,648,000, HK\$102,000 and nil), respectively. The lease terms are generally ranged from one to six years (31 March 2023: one to six years).

During the six months ended 30 September 2023, the Group entered into a new lease for a motor vehicle and recognised right-of-use assets of approximately HK\$2,146,000 (2022: nil).

(ii) Lease liabilities

As at 30 September 2023, the carrying amount of lease liabilities was approximately HK\$79,919,000 (31 March 2023: HK\$91,955,000).

During the six months ended 30 September 2023, the Group entered into a new lease for a motor vehicle and recognised lease liabilities of approximately HK\$1,750,000 (2022: nil).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

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

(iii) Amount recognised in profit or loss

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Depreciation of right-of-use assets	10,266	10,248
Interest expense on lease liabilities	3,127	3,815
Expense relating to short-term leases	238	1,219

(iv) Others

At 30 September 2023 and 2022, there are no committed leases but not yet commenced.

During the six months ended 30 September 2023, the total cash outflow for leases amounted to approximately HK\$13,354,000 (30 September 2022: HK\$7,643,000) which includes payments of principal and interest portion of lease liabilities and short-term leases.

16. Inventories

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

17. Trade Receivables

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade receivables (Note)	139,802	110,847

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.

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

18. Prepayments, Deposits and Other Receivables

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Non-current assets		
Prepayments and deposits	13,050	16,695
Other receivable from an independent third party (Note)	31,000	31,000
	44,050	47,695
Current assets		
Prepayments, deposits and other receivables	17,762	12,692
	61,812	60,387

Note: The balance represented amount due from Kingdom (Reliance) Precision Parts Manufactory Holdings Limited ("KRP BVI"), a former subsidiary of the Group, and was unsecured, carrying interest at 5.25% per annum and repayable within three years from 20 December 2021.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

19. Cash and Cash Equivalents/Time Deposits with Maturity over Three Months

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

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Cash and bank balances	95,344	76,803
Bank deposits	215,013	216,741
	310,357	293,554
Less:		
Time deposits with maturity over three months (Note)	(194,137)	(196,741)
Cash and cash equivalents	116,220	96,803

Note:

As at 30 September 2023, time deposits carry interest rate ranged from 2.80% to 4.46% per annum (31 March 2023: 1.70% to 4.46% per annum) with an original maturity of 6 to 12 months (31 March 2023: 6 months).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

20. Share Capital and Share Premium

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

21. 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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

21. Reserves (Continued)

(a) Capital reserve (Continued)

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

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

(b) Statutory reserve

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

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

22. Deferred Income Tax

The analysis of deferred income tax liabilities, after set off certain deferred tax assets against deferred tax liabilities of the same authority, is as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Deferred income tax liabilities	(2,000)	(172)

The movements in deferred income tax assets and (liabilities) during the six months ended 30 September 2023 and 2022 are as follows:

	Lease liabilities HK\$'000	Right-of-use assets HK\$'000	Undistributable profits from subsidiaries HK\$'000	Total HK\$'000
At 1 April 2023 (unaudited and restated)	12,144	(12,144)	(172)	(172)
Charged to profit or loss (Note 11)	(1,290)	1,290	(1,828)	(1,828)
Exchange differences	(509)	509	—	—
At 30 September 2023 (unaudited)	10,345	(10,345)	(2,000)	(2,000)

	Lease liabilities HK\$'000	Right-of-use assets HK\$'000	Undistributable profits from subsidiaries HK\$'000	Total HK\$'000
At 1 April 2022 (unaudited and restated)	16,092	(16,092)	(656)	(656)
Charged to profit or loss (Note 11)	(1,395)	1,395	(2,165)	(2,165)
Exchange differences	(1,228)	1,228	—	—
At 30 September 2022 (unaudited and restated)	13,469	(13,469)	(2,821)	(2,821)

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

23. Trade and Other Payables

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

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 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (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	76	105
	84,266	84,663

The average credit period on purchase of goods is from 30 to 90 days (31 March 2023: 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

24. Bank Borrowings

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Unsecured bank borrowings	38,150	22,686

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

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Within one year	27,250	11,286
After one year but within two years	10,900	11,400
	38,150	22,686

As at 30 September 2023 and as at 31 March 2023, the Group has variable-rate borrowings denominated in RMB at floating rates calculated based on the Loan Prime Rate ("LPR").

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

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Effective interest rate:		
Variable-rate borrowings	2.80% to 3.20%	3.20% to 3.45%

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

24. Bank Borrowings (Continued)

As at 30 September 2023, the Group's banking borrowings with carrying amount of approximately HK\$10,900,000 (31 March 2023: HK\$11,400,000) are subject to the fulfilment of covenants relating to certain financial ratios of a PRC subsidiary including debt asset ratio not higher than 60% (31 March 2023: 60%) and current ratio not less than 1.0 (31 March 2023: 1.0). If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 5. As at 30 September 2023, none of the covenants relating to drawn down facilities had been breached (31 March 2023: nil).

25. Capital Commitments

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

26. Significant Related Party Transactions

(a) Name and relationship with related parties

Name	Relationship
KIG Real Estate Holdings Limited ("KREH")	A related company in which Mr. Sun Kwok Wah Peter and Mr. Wong Chi Kwok, the executive directors of the Company, have beneficial interests
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 six months ended 30 September 2023 and 2022, the Group had the following material transactions with related parties, which were entered into at terms mutually agreed.

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Finance costs — interest expense on lease liabilities		
— KPST Suzhou	3,019	3,782
— GECI	25	33
Lease payments		
— KPST Suzhou	9,773	5,399
— GECI	1,025	1,025

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2023

26. Significant Related Party Transactions (Continued)

(c) Balances with related companies

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Lease liabilities		
— KPST Suzhou	(76,291)	(88,400)
— GECl	(857)	(1,856)

In 2023, the Group entered into three one-year leases in respect of one office premises and two carparks with GECl respectively. The amount of rent payable by the Group under the lease is approximately HK\$171,000 per month in total. As at 30 September 2023, the carrying amount of such lease liabilities is approximately HK\$857,000 (31 March 2023: HK\$1,856,000).

In 2021, the Group entered into a six-year lease in respect of a factory from KPST Suzhou. The amount of rent payable by the Group under the lease is approximately HK\$1,629,000 per month. As at 30 September 2023, the carrying amount of such lease liabilities is approximately HK\$76,291,000 (31 March 2023: HK\$88,400,000).

(d) Key management compensation

Key management personnel includes directors and senior managements of the Company. The compensation paid or payable to key management personnel amounted to approximately HK\$4,188,000 for the six months ended 30 September 2023 (six months ended 30 September 2022: HK\$4,076,000).