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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 2024

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 2024 (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 2023.

For and on behalf of
KFM Kingdom Holdings Limited
Sun Kwok Wah Peter
Chairman

Hong Kong, 22 November 2024

As at the date of this announcement, the Board comprises the executive Directors: Mr. Sun Kwok Wah Peter (Chairman) and Mr. Wong Chi Kwok; and the independent non-executive Directors: Mr. Wan Kam To, Mr. Chan Ming Sun Jonathan and Ms. Cheng Yuan Ting Cana.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

		Six months ended	
		30 September	
	<i>Notes</i>	2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	376,703	314,091
Cost of sales		<u>(308,919)</u>	<u>(247,105)</u>
Gross profit		67,784	66,986
Other gains, net		2,319	3,739
Distribution and selling expenses		(3,601)	(3,089)
General and administrative expenses		(40,203)	(33,833)
Finance income		1,550	5,321
Finance costs		<u>(866)</u>	<u>(3,442)</u>
Profit before tax	5	26,983	35,682
Income tax expenses	6	<u>(4,436)</u>	<u>(6,252)</u>
Profit for the period		22,547	29,430
Other comprehensive income/(expense) for the period:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>3,010</u>	<u>(2,168)</u>
Total comprehensive income for the period		<u>25,557</u>	<u>27,262</u>
Profit for the period attributable to			
— Owners of the Company		21,759	29,430
— Non-controlling interests		<u>788</u>	<u>—</u>
		<u>22,547</u>	<u>29,430</u>
Total comprehensive income attributable to			
— Owners of the Company		24,769	27,262
— Non-controlling interests		<u>788</u>	<u>—</u>
		<u>25,557</u>	<u>27,262</u>
EARNINGS PER SHARE	12		
— Basic and diluted (HK cents)		<u>3.63</u>	<u>4.91</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2024

		30 September 2024	31 March 2024
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	251,932	256,146
Right-of-use assets		86,970	89,082
Prepayments and deposits		1,650	1,737
		<hr/>	<hr/>
Total non-current assets		340,552	346,965
		<hr/>	<hr/>
Current assets			
Inventories	8	107,562	102,855
Trade receivables	9	161,789	145,017
Prepayments, deposits and other receivables		31,693	23,186
Income tax recoverable		—	778
Time deposit with maturity over three months		43,000	48,000
Cash and cash equivalents		157,995	111,475
		<hr/>	<hr/>
Total current assets		502,039	431,311
		<hr/>	<hr/>
Total assets		842,591	778,276
		<hr/>	<hr/>

		30 September 2024	31 March 2024
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
EQUITY			
Capital and reserves			
Share capital	10	60,000	60,000
Share premium	10	26,135	26,135
Reserves		464,389	444,420
		<u>550,524</u>	<u>530,555</u>
Non-controlling interests		68,411	72,243
		<u>618,935</u>	<u>602,798</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		3,887	3,949
Deferred income tax liabilities		4,163	3,531
		<u>8,050</u>	<u>7,480</u>
Current liabilities			
Trade and other payables	11	128,681	113,907
Lease liabilities		3,490	4,589
Bank borrowings		82,500	49,500
Income tax liabilities		935	2
		<u>215,606</u>	<u>167,998</u>
Total current liabilities		<u>215,606</u>	<u>167,998</u>
Total liabilities		<u>223,656</u>	<u>175,478</u>
Total equity and liabilities		<u>842,591</u>	<u>778,276</u>
Net current assets		<u>286,433</u>	<u>263,313</u>
Total assets less current liabilities		<u>626,985</u>	<u>610,278</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 KIG Real Estate Holdings Limited, a company incorporated in the British Virgin Islands.

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

This interim condensed consolidated financial information is presented in Hong Kong dollars (“**HKS**”), which is also the functional currency of the Company and its subsidiaries in Hong Kong. The functional currency of those subsidiaries established in the People’s Republic of China (the “**PRC**”) and Malaysia is Renminbi and Malaysian ringgit respectively.

This interim condensed consolidated financial information was approved by the directors of the Company for issue on 22 November 2024.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2024 have been prepared in accordance with Hong Kong Accounting Standard 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 2024, 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 2024.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020)
	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

4. REVENUE

Revenue represents sales of precision metal stamping products to external parties excluding sales-related taxes. The Group conducts its principal operation in Mainland China and Malaysia. Revenue from contracts with customers within the scope of HKFRS 15 are recognised at a point in time.

As at 30 September 2024 and 2023, 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:

Geographical region	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
South East Asia	240,167	156,085
The PRC	92,187	99,432
Europe	26,439	44,413
North America	13,005	8,951
Others	4,905	5,210
	<u>376,703</u>	<u>314,091</u>

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	308,919	247,105
Depreciation of property, plant and equipment	10,367	3,272
Depreciation of right-of-use assets	3,605	10,266
Research and development expenses	9,449	9,360
	<u>332,340</u>	<u>270,003</u>

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax:		
— The PRC	2,935	4,424
— Withholding tax	869	—
Deferred income tax	632	1,828
	<u>4,436</u>	<u>6,252</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 2024 and 2023:

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the six months ended 30 September 2024 and 2023 as there were no assessable profits generated in Hong Kong during the six months ended 30 September 2024 and 2023.

(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 2024 is provided at the rate of 25% (2023: 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 2024, a lower 5% (2023: 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. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
At 1 April (Audited)	256,146	49,671
Additions	2,921	22,986
Disposals	(160)	(3,110)
Depreciation	(10,367)	(3,272)
Exchange differences	3,392	(2,539)
	<u>251,932</u>	<u>63,736</u>
At 30 September (Unaudited)	<u>251,932</u>	<u>63,736</u>

8. INVENTORIES

	30 September	31 March
	2024	2024
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Raw materials	61,659	54,163
Work in progress	11,531	11,087
Finished goods	34,372	37,605
	<u>107,562</u>	<u>102,855</u>
	<u>107,562</u>	<u>102,855</u>

9. TRADE RECEIVABLES

	30 September 2024	31 March 2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables (<i>Note</i>)	161,789	145,017

Note:

The Group normally grants credit periods of 30 to 120 days (31 March 2024: 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 2024	31 March 2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Up to 3 months	154,234	139,265
3 to 6 months	4,854	3,797
6 months to 1 year	2,516	1,541
1 to 2 years	185	414
	161,789	145,017

10. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each				
Authorised				
At 30 September 2024 and 31 March 2024	4,500,000,000	450,000		
Issued and fully paid				
At 30 September 2024 and 31 March 2024	600,000,000	60,000	26,135	86,135

11. TRADE AND OTHER PAYABLES

	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Trade payables (<i>Note</i>)	112,342	87,248
Accruals and other payables	16,339	26,659
	<u>128,681</u>	<u>113,907</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 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Up to 3 months	111,722	87,056
3 to 6 months	511	9
6 months to 1 year	4	9
1 to 2 years	105	174
	<u>112,342</u>	<u>87,248</u>

12. EARNINGS PER SHARE

Basic and diluted earnings per share

	Six months ended 30 September 2024 (Unaudited)	2023 (Unaudited)
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>21,759</u>	<u>29,430</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>3.63</u>	<u>4.91</u>

Basic earnings per share for the six months ended 30 September 2024 and 2023 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 2024 and 2023.

13. DIVIDEND

During the reporting period, the Board proposed a final dividend of HK\$0.8 cents per share in respect of the year ended 31 March 2024. The final dividend was declared in August 2024 and the final dividend of HK\$4,800,000 for the year ended 31 March 2024 was paid in September 2024.

No interim dividend was paid, declared or proposed during the six months ended 30 September 2024, nor has any interim dividend been proposed since the end of the reporting period (six months ended 30 September 2023: nil).

14. CAPITAL COMMITMENTS

	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Authorised or contracted but not provided for:		
— Plant and machinery	150	296
— Leasehold improvement	<u>—</u>	<u>51</u>
	<u>150</u>	<u>347</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 22 November 2024.

BUSINESS REVIEW

During the Reporting Period, the Group faced uncertainties from global economy and business environment. The global economy was affected by global inflation, higher level of interest rate and fluctuation in currency exchange rates. Besides, the conflicts in Ukraine and Middle East region, political tension between the People’s Republic of China (“**PRC**”) and the United States of America (the “**US**”) continuously affected the global business environment. Meanwhile, China experienced stagnant economic growth and risk on China’s property market. During the Reporting Period, due to the change of product mix which included more assembly processes in the production, the Group was under the pressure from the increase in labour, material and production costs.

During the Reporting Period, the Group recorded revenue of approximately HK\$376.7 million, with an increase by approximately HK\$62.6 million or 19.9% as compared to a revenue of approximately HK\$314.1 million during the corresponding period last year. The increase was mainly due to the increase in the revenue derived from the customers engaged in the network and data storage industry. On the other hand, the increase in revenue was partially offset by the decrease in revenue derived from the office automation industry.

The total gross profit of the Group increased by approximately HK\$0.8 million or 1.2% from approximately HK\$67.0 million during the corresponding period last year to approximately HK\$67.8 million during the Reporting Period. In respect of the gross profit margin of the Group was approximately 18.0% during the Reporting Period, with a decrease by approximately 3.3% as compared to approximately 21.3% in the corresponding period last year. The decrease of gross profit margin was mainly due to the increase in assembly production processes from the customers engaged in the network and data storage industry that resulted in the increase in direct material and direct labour costs during the Reporting Period.

During the Reporting Period, the volatility in Renminbi (“RMB”) exchange rate resulted in a net exchange gain of approximately HK\$2.0 million, with a decrease by approximately HK\$2.3 million as compared to a net exchange gain of approximately HK\$4.3 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\$1.6 million, with a decrease by approximately HK\$3.7 million as compared to a finance income of approximately HK\$5.3 million during the corresponding period last year.

As a result of the above, the Group recorded a net profit attributable to owners of the Company of approximately HK\$21.8 million during the Reporting Period, as compared with a net profit attributable to owners of the Company of approximately HK\$29.4 million during the corresponding period last year.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded revenue of approximately HK\$376.7 million, with an increase by approximately HK\$62.6 million or 19.9% as compared to a revenue of approximately HK\$314.1 million during the corresponding period last year. The increase was mainly due to the increase in the revenue derived from the customers engaged in the network and data storage industry. On the other hand, the increase in revenue was partially offset by the decrease in revenue derived from 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 63.8%, 24.5%, 7.0% and 3.5% 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 material costs, direct labour costs, processing fee and other direct overheads. Set out below is the breakdown of the Group's cost of sales:

	Six months ended 30 September			
	2024		2023	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Direct material	224,432	72.6	157,804	63.9
Direct labour	47,391	15.3	42,173	17.1
Processing fee	12,831	4.2	11,800	4.8
Change in inventory of finished goods and work in progress	2,789	0.9	14,127	5.7
Other direct overheads	21,476	7.0	21,201	8.5
	<u>308,919</u>	<u>100.0</u>	<u>247,105</u>	<u>100.0</u>

During the Reporting Period, cost of sales of the Group increased by approximately HK\$61.8 million or 25.0% as compared to the same of the corresponding period last year. The increase was primarily due to the increase in direct material costs, direct labour costs and processing fee. In respect of the increase in direct material costs and direct labour costs, it was mainly due to the increase in assembly production processes during the Reporting Period. The percentage of cost of sales to total revenue during the Reporting Period was approximately 82.0%, representing an increase of approximately 3.3% as compared to approximately 78.7% 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\$67.8 million, representing an increase of approximately HK\$0.8 million or 1.2% from approximately HK\$67.0 million for the corresponding period last year. In respect of the gross profit margin of the Group was approximately 18.0% during the Reporting Period, with a decrease by approximately 3.3% as compared to approximately 21.3% in the corresponding period last year. The decrease of gross profit margin was mainly due to the increase in assembly production processes from the customers engaged in the network and data storage industry that resulted in the increase in direct material and direct labour costs during the Reporting Period.

Other gains, net

During the Reporting Period, the Group recorded other gains, net which amounted to approximately HK\$2.3 million. In the corresponding period last year, the Group recorded other gains, net of approximately HK\$3.7 million. The decrease in other gains, net during the Reporting Period was mainly due to a decrease in net exchange gain upon less RMB depreciation.

Distribution and selling expenses

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

Distribution and selling expenses slightly increased by approximately HK\$0.5 million from approximately HK\$3.1 million for the six months ended 30 September 2023 to approximately HK\$3.6 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 increased from approximately HK\$33.8 million for the corresponding period last year to approximately HK\$40.2 million for the Reporting Period. The increase in general and administrative expenses was mainly due to the increase in the operating costs from Malaysia production base and Suzhou plant during the Reporting Period.

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\$0.9 million, as compared to approximately HK\$3.4 million for the corresponding period last year. The decrease in finance costs was mainly due to a decrease in lease liabilities as compared to corresponding period last year.

Income tax expenses

The Group's income tax expenses amounted to approximately HK\$4.4 million for the Reporting Period, while the Group's income tax expenses for the corresponding period last year amounted to approximately HK\$6.3 million. The decrease in income tax expenses 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\$21.8 million. During the corresponding period last year, profit attributable to owners of the Company amounted to approximately HK\$29.4 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 2024 and 31 March 2024, the Group's total current assets amounted to approximately HK\$502.0 million and HK\$431.3 million respectively, which represented approximately 59.6% and 55.4% of the Group's total assets as at 30 September 2024 and 31 March 2024, respectively.

Capital structure

The Group's capital structure is summarised as follows:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Bank borrowings	<u>82,500</u>	<u>49,500</u>
Total debts	<u>82,500</u>	<u>49,500</u>
Shareholders' equity	<u>618,935</u>	<u>602,798</u>
Gearing ratio		
— Total debts to shareholders' equity ratio [#]	<u><u>13.3%</u></u>	<u><u>8.2%</u></u>

[#] 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 2024, the Group's bank borrowings were denominated in RMB.

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

Capital expenditure

During the Reporting Period, the Group acquired plant and equipment of approximately HK\$2.9 million, as compared to the six months ended 30 September 2023 of approximately HK\$23.0 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 2024, a bank borrowing of approximately HK\$11,000,000 (31 March 2024: nil) is secured by trade receivables with carrying value of approximately US\$1,836,000, which equivalent to approximately HK\$14,263,000 (31 March 2024: nil).

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, the PRC and Malaysia. The Group's Hong Kong entities are exposed to foreign exchange risk arising from RMB and Malaysian ringgit, while the Group's PRC and Malaysia 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 2024 are set out in Note 14 to this interim results announcement.

Contingent liabilities

As at 30 September 2024, the Group had no material contingent liabilities.

OUTLOOK AND STRATEGY

Looking forward, due to the persistent geopolitical conflicts in Ukraine and Middle East region, the business environment is still facing difficulty in this financial year. Besides, global economy is also possibly threatened by the China-US political tension, uncertain global inflation trend, and the volatility of currency exchange rates. However, the interest rates is expected to reduce continuously in this financial year. Furthermore, the increasing labour, material and production costs in China and Malaysia will remain to be the challenges of the Group.

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. In remaining financial year, the Group will strive to control of production costs by enhancing productive efficiency to improve the profit margin 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

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2024, the Group had a total number of 1,057 employees (as at 30 September 2023: 877 employees). 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 various regulations in the jurisdictions the Group operated in, 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 (“CG Code”) as set out in Appendix C1 to the Listing Rules during the Reporting Period with the following deviations:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sun Kwok Wah, Peter, serves as both the chief executive officer of the Company and the Chairman of the Board. Although such practice deviates from code provision C.2.1 of the CG Code, the Board believes that vesting the roles of both the Chairman of the Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership to advance long-term strategy, and allowing for further deepening the monetisation capabilities and optimising operating efficiency. In particular, Mr. Sun, being a founder of the Group and the chief executive officer of the Company, is familiar with the Company’s business operation and has superior knowledge and experience of the Company’s business.

In addition, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively, given that (i) decisions to be made by the Board require approval by at least a majority of the Directors; (ii) all the Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he/she acts for the benefits and in the best interests of the Company as a whole and will make decisions for the Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board, which consisting of two executive Directors and three independent non-executive Directors and has a fairly strong independence element; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussions at both the Board and senior management levels.

Therefore, the Board considers that the deviation from the code provision of C.2.1 of the CG Code is appropriate in such circumstances. Except for the above deviation from CG Code, the Board is of the view that the Company has complied with the CG Code during the Reporting Period. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time.

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 C3 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 and the Stock Exchange's website at www.hkexnews.hk. The interim report for the Reporting Period containing all the information required by Appendix D2 to the Listing Rules will be despatched to the shareholders of the Company and available on the said websites in due course.