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 2014

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of KFM Kingdom Holdings Limited (the "**Company**") is pleased to announce the interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 September 2014 (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, together with the comparative figures for the corresponding period of 2013.

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

Hong Kong, 18 November 2014

As at the date of this announcement, the executive directors are Mr. Sun Kwok Wah Peter, Mr. Wong Chi Kwok, Mr. Lam Kin Shun and Mrs. Chow Suen Christina and the independent non-executive directors are Mr. Wan Kam To, Mr. Lam Hon Keung Keith and Prof. Chung Chi Ping Roy.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Note	Six months ended 30 September 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Revenue	*4*	**563,395**	488,496
Cost of sales	*5*	**(427,478)**	(374,077)
Gross profit		**135,917**	114,419
Other gains/(losses), net		**969**	(590)
Distribution and selling expenses	*5*	**(15,816)**	(9,982)
General and administrative expenses	*5*	**(77,592)**	(66,743)
Operating profit		**43,478**	37,104
Finance income		**595**	367
Finance costs		**(2,341)**	(3,967)
Profit before income tax		**41,732**	33,504
Income tax expenses	*6*	**(11,254)**	(8,186)
Profit for the period		**30,478**	25,318
Other comprehensive income for the period, net of tax			
Item that may be reclassified to profit or loss			
Currency translation differences		**2,440**	6,581
Total comprehensive income for the period		**32,918**	31,899
Profit/(loss) for the period attributable to:			
– Equity holders of the Company		**30,802**	26,211
– Non-controlling interests		**(324)**	(893)
		30,478	25,318
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		**33,242**	32,792
– Non-controlling interests		**(324)**	(893)
		32,918	31,899
Earnings per share for profit attributable to equity holders of the Company			
– Basic and diluted *(HK cents)*	*15*	**5.13**	4.37
Dividends	*16*	**9,000**	7,800

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2014

		As at	
		30 September 2014	31 March 2014
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*7*	**355,286**	300,841
Leasehold land and land use right	*8*	**25,991**	26,023
Intangible assets		**9,417**	11,771
Goodwill		**24,540**	24,540
Deferred income tax assets		**4,653**	4,764
Total non-current assets		**419,887**	367,939
Current assets			
Inventories	*9*	**117,654**	138,942
Trade and other receivables	*10*	**255,534**	199,560
Current income tax recoverable		**573**	3,861
Available-for-sale financial assets	*11*	**–**	12,500
Restricted bank deposit		**–**	23,400
Cash and cash equivalents		**131,433**	105,390
Total current assets		**505,194**	483,653
Total assets		**925,081**	851,592

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)
AS AT 30 SEPTEMBER 2014

	Note	As at 30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
EQUITY			
Capital and reserves			
Share capital	*12*	**60,000**	60,000
Share premium		**26,135**	26,135
Reserves			
– Proposed dividends	*16*	**9,000**	3,000
– Others		**445,567**	421,325
Capital and reserves attributable to equity holders of the Company		**540,702**	510,460
Non-controlling interests		**4,722**	4,746
Total equity		**545,424**	515,206
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**11,352**	10,762
Current liabilities			
Trade and other payables	*13*	**201,114**	169,888
Bank borrowings	*14*	**157,623**	150,634
Current income tax liabilities		**9,568**	5,102
Total current liabilities		**368,305**	325,624
Total liabilities		**379,657**	336,386
Total equity and liabilities		**925,081**	851,592
Net current assets		**136,889**	158,029
Total assets less current liabilities		**556,776**	525,968

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		Attributable to equity holders of the Company							
	Note	**Share capital** *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *HK$'000*	**Statutory reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Retained profits** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 April 2014		**60,000**	**26,135**	**3,445**	**24,009**	**41,203**	**355,668**	**4,746**	**515,206**
Comprehensive income									
Profit/(loss) for the period		–	–	–	–	–	30,802	(324)	30,478
Other comprehensive income									
Currency translation differences		–	–	–	–	2,440	–	–	2,440
Total comprehensive income/(loss) for the period		**–**	**–**	**–**	**–**	**2,440**	**30,802**	**(324)**	**32,918**
Transaction with equity holders									
Dividends paid	*16*	–	–	–	–	–	(3,000)	–	(3,000)
Transfer of retained profits to statutory reserve		**–**	**–**	**–**	**3,670**	**–**	**(3,670)**	**–**	**–**
Capital injection to a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**300**	**300**
Balance at 30 September 2014 (unaudited)		**60,000**	**26,135**	**3,445**	**27,679**	**43,643**	**379,800**	**4,722**	**545,424**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

		Attributable to equity holders of the Company							
	Note	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 April 2013		60,000	26,135	3,445	21,074	40,849	342,020	–	493,523
Comprehensive income									
Profit/(loss) for the period		–	–	–	–	–	26,211	(893)	25,318
Other comprehensive income									
Currency translation differences		–	–	–	–	6,581	–	–	6,581
Total comprehensive income/(loss) for the period		–	–	–	–	6,581	26,211	(893)	31,899
Transaction with equity holders									
Dividends paid	*16*	–	–	–	–	–	(12,000)	–	(12,000)
Transfer of retained profits to statutory reserve		–	–	–	2,015	–	(2,015)	–	–
Contribution from non-controlling interests upon the formation of a subsidiary		–	–	–	–	–	–	6,117	6,117
Balance at 30 September 2013 (unaudited)		60,000	26,135	3,445	23,089	47,430	354,216	5,224	519,539

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 Law, Cap. 22 (Law 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 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 "Listing").

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the provision of precision metal stamping and lathing services, and the manufacturing and sales of fine metal products (the "Group's Businesses").

This interim condensed consolidated financial information is presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

This interim condensed consolidated financial information was approved by the Board (the "Board") for issue on 18 November 2014.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2014 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The interim condensed consolidated financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

(a) Amendments and interpretation to existing standards effective in 2014.

The following amendments and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 April 2014:

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Impairment of Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Consolidation for Investment Entities
HK(IFRIC) – Int 21	Levies

The adoption of the above amendments and interpretation to existing standards does not have material impact on the results and financial position of the Group.

3. **ACCOUNTING POLICIES** (continued)

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 April 2014 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contribution	1 July 2014
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKAS 28 and HKFRS 10 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 11 (Amendment)	Accounting for Acquisition of Interest in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvements 2012	Improvements to HKASs and HKFRSs	1 July 2014
Annual Improvements 2013	Improvements to HKASs and HKFRSs	1 July 2014
Annual Improvements 2014	Improvements to HKASs and HKFRSs	1 July 2016

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to existing standards but is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group intends to adopt these new standards and amendments to existing standards when they become effective.

4. **SEGMENT INFORMATION**

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

The CODM have assessed the nature of the Group's businesses and determined that the Group has two business segments which are defined by manufacturing processes as follows:

(i) Manufacturing and sale of precision metal products involving metal stamping and computer numerical control ("CNC") sheet metal processing ("Metal stamping"); and

(ii) Manufacturing and sale of precision metal products involving lathing, machining and turning processes ("Metal lathing").

4. SEGMENT INFORMATION (continued)

The CODM assess the performance of the operating segments based on segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs.

Segment assets exclude deferred income tax assets, restricted bank deposit, cash and cash equivalents, current income tax recoverable, available-for-sale financial assets, and other unallocated head office and corporate assets as these assets are managed on a Group basis.

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) The segment results are as follows:

(i) Six months ended 30 September 2014

	Metal stamping *HK$'000* (Unaudited)	Metal lathing *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue			
Sales	**424,636**	**138,768**	**563,404**
Intersegment sales	**(6)**	**(3)**	**(9)**
Sales to external customers	**424,630**	**138,765**	**563,395**
Cost of sales	**(341,672)**	**(85,806)**	**(427,478)**
Gross profit	**82,958**	**52,959**	**135,917**
Unallocated expenses, net			**(92,439)**
Operating profit			**43,478**
Finance income			**595**
Finance costs			**(2,341)**
Profit before income tax			**41,732**
Income tax expenses			**(11,254)**
Profit for the period			**30,478**

4. **SEGMENT INFORMATION** (continued)

(a) The segment results are as follows: (continued)

(ii) Six months ended 30 September 2013

	Metal stamping *HK$'000* (Unaudited)	Metal lathing *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue			
Sales	352,034	136,591	488,625
Intersegment sales	(122)	(7)	(129)
Sales to external customers	351,912	136,584	488,496
Cost of sales	(294,880)	(79,197)	(374,077)
Gross profit	57,032	57,387	114,419
Unallocated expenses, net			(77,315)
Operating profit			37,104
Finance income			367
Finance costs			(3,967)
Profit before income tax			33,504
Income tax expenses			(8,186)
Profit for the period			25,318

(b) The segment assets are as follows:

(i) As at 30 September 2014

	Metal stamping ***HK$'000*** **(Unaudited)**	**Metal lathing** ***HK$'000*** **(Unaudited)**	**Total** ***HK$'000*** **(Unaudited)**
Segment assets	**462,897**	**218,619**	**681,516**
Reconciliation			
Corporate and other unallocated assets			
Deferred income tax assets			**4,653**
Current income tax recoverable			**573**
Cash and cash equivalents			**131,433**
Other unallocated head office and corporate assets			**106,906**
Total assets			**925,081**

4. **SEGMENT INFORMATION** (continued)

(b) The segment assets are as follows: (continued)

(i) As at 31 March 2014

	Metal stamping *HK$'000* (Audited)	Metal lathing *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment assets	409,017	185,153	594,170
Reconciliation			
Corporate and other unallocated assets			
Deferred income tax assets			4,764
Current income tax recoverable			3,861
Available-for-sale financial assets			12,500
Restricted bank deposit			23,400
Cash and cash equivalents			105,390
Other unallocated head office and corporate assets			107,507
Total assets			851,592

(c) Revenue from external customers in the People's Republic of China ("The PRC"), North America, Europe, Japan, Singapore, Oceania, South America and other Asian countries is as follows:

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The PRC	**360,536**	323,934
North America	**116,443**	74,648
Europe	**43,647**	43,206
Japan	**20,313**	30,320
Singapore	**4,647**	9,621
Oceania	**1,835**	988
South America	**478**	719
Other Asian countries excluding the PRC, Japan and Singapore	**15,496**	5,060
	563,395	488,496

4. **SEGMENT INFORMATION** (continued)

(d) The total of non-current assets, other than intangible assets, goodwill and deferred income tax assets of the Group as at 30 September and 31 March 2014 are as follows:

	As at	
	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
The PRC	**305,722**	250,374
Hong Kong	**75,555**	76,490
	381,277	326,864

5. **EXPENSES BY NATURE**

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Raw materials and consumables used	**221,046**	206,580
Changes in inventory of finished goods and work in progress	**15,806**	(7,862)
Employee benefit expenses	**131,885**	118,890
Processing fees	**49,902**	39,931
Depreciation of property, plant and equipment *(Note 7)*	**18,573**	17,206
Amortisation of leasehold land and land use right *(Note 8)*	**238**	–
Amortisation of intangible assets	**2,354**	1,884
Operating lease rental in respect of buildings	**14,779**	15,193
Research and development costs	**10,292**	11,168
Utilities expenses	**9,524**	10,092
Transportation, postage and courier expenses	**9,945**	6,123
Legal and professional fees	**2,035**	2,302
Auditor's remuneration	**400**	478
Others	**34,107**	28,817
Total cost of sales, distribution and selling expenses and general and administrative expenses	**520,886**	450,802
Represented by:		
Cost of sales	**427,478**	374,077
Distribution and selling expenses	**15,816**	9,982
General and administrative expenses	**77,592**	66,743
	520,886	450,802

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong	**3,708**	4,212
– The PRC	**6,845**	3,908
	10,553	8,120
Deferred income tax	**701**	66
Total	**11,254**	8,186

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

Below are the major tax jurisdictions that the Group operates in for the six months ended 30 September 2014 and 2013.

(a) Hong Kong profits tax

Hong Kong profits tax had been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period.

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

The PRC EIT is provided on the assessable income of the Group's PRC subsidiaries, adjusted for items which are not taxable or deductible for the PRC EIT purpose. The PRC EIT tax rates for the six months ended 30 September 2014 and 2013 were 15% to 25%.

7. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
At 1 April	**300,841**	224,086
Additions	**72,649**	106,866
Disposals	**(1,545)**	(1,026)
Depreciation	**(18,573)**	(17,206)
Currency translation differences	**1,914**	3,089
At 30 September	**355,286**	315,809

8. LEASEHOLD LAND AND LAND USE RIGHT

	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
At 1 April	**26,023**	–
Amortisation	**(238)**	–
Currency translation differences	**206**	–
At 30 September	**25,991**	–

9. INVENTORIES

	As at	
	30 September	31 March
	2014	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Raw materials	**26,115**	31,597
Work in progress	**32,669**	36,102
Finished goods	**58,870**	71,243
	117,654	138,942

10. TRADE AND OTHER RECEIVABLES

	As at	
	30 September	31 March
	2014	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables *(Note (a))*	**211,751**	166,860
Prepayments, deposits and other receivables	**43,783**	32,700
	255,534	199,560

10. TRADE AND OTHER RECEIVABLES (continued)

Note:

(a) The Group normally grants credit periods of 30 to 90 days (As at 31 March 2014: 30 to 90 days). The ageing analysis of trade receivables based on invoice dates (including trade receivables from related companies) is as follows:

	As at	
	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 3 months	**203,452**	159,100
3 to 6 months	**7,574**	5,531
6 months to 1 year	**656**	2,156
1 to 2 years	**69**	73
	211,751	166,860

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
At 1 April	**12,500**	–
Additions	**11,970**	–
Disposals	**(24,570)**	–
Currency translation differences	**100**	–
At 30 September	**–**	–

12. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Authorised:		
At 30 September 2014 and 31 March 2014	4,500,000,000	450,000
Issued and fully paid:		
At 30 September 2014 and 31 March 2014	600,000,000	60,000

13. TRADE AND OTHER PAYABLES

	As at	
	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables *(Note (a))*		
– third parties	**142,815**	114,694
– related companies	**1,519**	1,248
	144,334	115,942
Accrual, deposits and other payables	**56,780**	53,946
	201,114	169,888

Note:

(a) The ageing analysis of trade payables at the respective balance sheet dates is as follows:

	As at	
	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 3 months	**138,689**	113,339
3 to 6 months	**5,518**	2,508
6 months to 1 year	**80**	79
1 to 2 years	**47**	16
	144,334	115,942

14. BANK BORROWINGS

	As at 30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank overdrafts	**–**	184
Short-term bank borrowings	**20,000**	60,000
Portion of long-term bank borrowings due for repayment within one year	**71,936**	49,000
Portion of long-term bank borrowings due for repayment after one year which contain a repayment on demand clause	**65,687**	41,450
	157,623	150,634

The interest-bearing bank borrowings, including the bank borrowings repayable on demand, are carried at amortised cost. None of the portion of bank borrowings due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

The Group's bank borrowings and bank overdrafts are repayable based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause as follows:

	As at 30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 year	**91,936**	109,184
Between 1 and 2 years	**34,088**	27,350
Between 2 and 5 years	**23,628**	5,223
Over 5 years	**7,971**	8,877
	157,623	150,634

15. EARNINGS PER SHARE

Basic and diluted earnings per share

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(HK$'000)*	**30,802**	26,211
Weighted average number of shares in issue *('000)*	**600,000**	600,000
Basic and diluted earnings per share *(HK cents per share)*	**5.13**	4.37

Basic earnings per share for the six months ended 30 September 2014 and 2013 is calculated by dividing the profit attributable to equity holders of the Company by 600,000,000 ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary share (i.e. share options and warrants) in issue during the six months ended 30 September 2014 and 2013.

16. DIVIDENDS

The Board proposed an interim dividend of HK1.5 cents per share for the six months ended 30 September 2014. This proposed dividend, amounting to HK$9,000,000, is not reflected as dividend payable in this interim condensed consolidated financial information, but will be reflected as an appropriation of retained profits for the year ending 31 March 2015.

The final dividend of HK$3,000,000 for the year ended 31 March 2014 was paid in September 2014.

The final dividend of HK$12,000,000 for the year ended 31 March 2013 was paid in September 2013.

17. COMMITMENTS

(a) Capital commitments

	As at 30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Authorised but not contracted for		
– Construction costs	**29,011**	48,421
Contracted but not provided for		
– Leasehold land and buildings	**11,718**	11,625
– Capital investment	**1,700**	–
– Construction costs	**25,142**	65,579
	38,560	77,204

(b) Operating lease commitments

	As at 30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Within 1 year	**26,778**	26,824
Later than 1 year and not later than 5 years	**73,789**	86,139
Later than 5 years	**441**	1,312
	101,008	114,275

These leases typically run for an initial period of one to ten years. Certain of the operating leases contain renewal options which allow the Group to renew.

18. SUBSEQUENT EVENT

The Group has no material subsequent events up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "Board") of directors (the "Directors" and each a "Director") of KFM Kingdom Holdings Limited (the "Company" and together with its subsidiaries collectively referred to as the "Group") is pleased to present the interim results of the Group for the six months ended 30 September 2014 (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 2013.

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 18 November 2014.

BUSINESS REVIEW

During the Reporting Period, the Group has shown a continued growth momentum.

During the six months ended 30 September 2014, the Group recorded revenue which amounted to approximately HK$563.4 million, with an increase of approximately HK$74.9 million, or 15.3% as compared to the corresponding period in 2013. In our traditional precision metal processing business, the growth is mainly caused by an overall increase in demand from our customers in the office automation, medical and test equipment, as well as finance equipment sectors. Such increase in revenue is mainly as a result of increase number of orders to us placed by our customers, driven by the introduction of new product models or upgrades of existing product models which induces additional demand for our products or metal processing services. On the other hand, we have also seen continued organic growth in orders placed from our existing customers on existing product models. With nearly 30 years of experience in the industry, the Group has developed long term sustainable relationship with our key customers. Their trust in our ability to provide high quality and reliable precision metal processing services and our total solution to their manufacturing need is the key element for them to continue increasing order from us. In order to diversify our scope of business, the Group has also started engaging in automobile molding business, which has also contributed to our top line growth.

During the Reporting Period, we have added in additional resources to streamline our operation. As a result of our continued effort in enhancing our production efficiency by restructuring our product portfolio, our gross profit margin has improved from 23.4% during last comparative period to 24.1% during the Reporting Period. The Group will continue its effort to reduce production costs through various means to further improve profitability.

As part of our strategic development, the Group is also developing its own-branded kiosk products. Differing from the traditional kiosk products in the market, our kiosk products are equipped with more advanced design and transactional functions to suit a wide variety of customers in the retail, hospitality, leisure, telecom, healthcare, education and transport market. During the Reporting Period, the business was still at its start-up phase but we have received orders continuously from customers in Hong Kong and South East Asia. Although it is inevitable that we need to incur startup costs during the Reporting Period, which has an unfavourable effect on our income statement, such costs shall prove to be good investments.

The medical industry is a fast growing sector in the Chinese economy, mainly fueled by the improving living standard and Chinese citizen's increasing concern over health and wellness. During the Reporting Period, the construction work of our new Suzhou production base was under-going well on schedule. Situated at the Suzhou New District, our new Suzhou production base is located in close proximity of industries which are engaged in the medical equipment and test equipment industry. Situated in such strategic location, the Suzhou production base shall become a comprehensive production hub to focus on providing high value-adding medical and test equipment metal processing and assembly businesses to our customers who are engaged in the industry. As at the date of this interim results announcement, the foundation work as well as the construction of the main body was close to completion. Followed by the construction of the relevant supportive facilities and in-house renovation work, we expect phase one of the new Suzhou production base shall commence its operation in 2015. Capitalising on our years of experience in serving world renowned customers in the medical sector, the development of the new Suzhou production base shall bring new growth momentum and promising business potential.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2014, revenue of the Group reached approximately HK$563.4 million, representing an increase of approximately HK$74.9 million or 15.3% from approximately HK$488.5 million for the corresponding period last year. Set out below is a breakdown of our revenue by business segments:

	Six months ended 30 September			
	2014		2013	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Metal Stamping	**424,630**	**75.4**	351,912	72.0
Metal Lathing	**138,765**	**24.6**	136,584	28.0
	563,395	**100.0**	488,496	100.0

Metal stamping is the process of bending, forming and cutting a sheet metal into the desired shape and size through the use of a die on a stamping machine. It includes computer numerical control ("CNC") metal plate processing which is also used for producing stamped metal parts. The metal stamping process is usually employed to produce products to customers engaged in various industries, including office automation, medical and test equipment, finance equipment, network and data storage and consumer electronics. Metal lathing includes two categories of metal production processes, namely cam-operated automatic lathing and CNC lathing. It is a metal cutting operation, in which a work piece is fast spinning while the blade is moving on a plane in a linear or curvilinear track, so as to remove excess material from a work piece to produce parts in desired shapes. The process is used to shape the inner and outer cylindrical surface, end surface, cone surface, finished surface and screw thread, etc. The metal lathing process is usually employed to produce products mainly to customers engaged in the consumer electronics and medical and test equipment industries.

Revenue from the metal stamping segment increased by approximately HK$72.7 million or 20.7% from approximately HK$351.9 million for the six months ended 30 September 2013 to approximately HK$424.6 million for the six months ended 30 September 2014. The improvement was mainly due to an increase in revenue from customers who are engaged in the office automation, medical and test equipment and finance equipment industries. Our Group involved in the automotive toolings business during the Reporting Period also contributed to the increase in revenue of the metal stamping segment.

Revenue from the metal lathing segment increased by approximately HK$2.2 million or 1.6% from approximately HK$136.6 million for the six months ended 30 September 2013 to approximately HK$138.8 million for the six months ended 30 September 2014. The slight improvement was mainly caused by the increased demand from our Ultimate Customer's (as defined in our prospectus for global offering dated 28 September 2012 (the "Prospectus")) products in the market during the Reporting Period.

Geographically, The PRC, North America, Europe and Japan continued to be the major markets of the Group's products. They accounted for approximately 64.0%, 20.7%, 7.7% and 3.6% of our Group's revenue respectively for the six months ended 30 September 2014. Details of revenue generated by different geographical location are set out in Note 4(c) of this interim results announcement.

Cost of sales

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

	Six months ended 30 September			
	2014		2013	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Direct materials	**221,046**	**51.7**	206,580	55.2
Direct labour	**93,388**	**21.8**	88,292	23.6
Processing fee	**49,902**	**11.7**	39,931	10.7
Other direct overheads	**63,142**	**14.8**	39,274	10.5
	427,478	**100.0**	374,077	100.0

During the six months ended 30 September 2014, cost of sales of the Group increased by approximately 14.3% or HK$53.4 million as compared to the corresponding period last year. The increase was largely in line with the growth in total revenue. The percentage of cost of sales to the total revenue was approximately 75.9%, representing a decrease of 0.7%, as compared to approximately 76.6% in the corresponding period of last year. This was primarily due to the increase in revenue contributed from the high margin metal parts in which less direct materials were consumed.

Gross profit and gross profit margin

During the six months ended 30 September 2014, our gross profit was approximately HK$135.9 million, representing an increase of approximately 18.8% as compared to the corresponding period in 2013. It was mainly due to increase in overall sales by approximately 15.3%.

For the Reporting Period, the gross profit margin of the Group was approximately 24.1% which increased by 0.7% as compared to approximately 23.4% in the corresponding period in 2013. This was primarily due to an increase in the selling price of certain metal parts from the metal stamping segment. In terms of the revenue and gross profit margin, the metal stamping segment increased from approximately HK$351.9 million and 16.2% for the six months ended 30 September 2013 to approximately HK$424.6 million and 19.5% for the Reporting Period, which in turn contributed to an increase of approximately 3.0% of the Group's overall gross profit margin. Such impact was partly offset by the reduction in gross profit margin of the Group's metal lathing segment from approximately 42.0% for the six months period ended 30 September 2013 to approximately 38.2% for the period ended 30 September 2014. The decrease was mainly attributed to the reduction of the selling price in certain metal parts from the metal lathing segment. This contributed to a decrease of approximately 2.3% of the Group's gross profit margin. For details of the gross profit margin of the Group's two business segments, please refer to Note 4(a) of this interim results announcement.

Other gains/(losses), net

During the six months ended 30 September 2014, the Group recorded other gains, net which amounted to approximately HK$1.0 million. In the corresponding period of 2013, the Group recorded other losses, net of approximately HK$0.6 million. The increase was mainly due to the arising of net foreign exchange gains of approximately HK$0.5 million being recorded during the Reporting Period. Net exchange losses of approximately HK$1.5 million was recorded for the six months ended 30 September 2013.

Distribution and selling expenses

Distribution and selling expenses relate to the expenses incurred for the promotion and selling of our products. It mainly comprises of, among others, salaries and related costs for the sales and marketing staff, travelling and transportation costs, and marketing expenses. Distribution and selling expenses were approximately HK$15.8 million and HK$10.0 million for the six months ended 30 September 2014 and 2013, respectively. The increase in distribution and selling expenses was mainly attributed to the business development cost and additional shipping expenses of approximately HK$4.7 million incurred in respect of the new business.

General and administrative expenses

General and administrative expenses comprised primarily of salaries and related costs for key management, our finance and administration staff, rental expenses, depreciation and professional and related costs incurred by the Group.

The general and administrative expenses of the Group increased from approximately HK$66.7 million for the six months ended 30 September 2013 to approximately HK$77.6 million for the six months ended 30 September 2014.

The increase was primarily due to an increase in (i) employment expenses as a result of the increment in statutory minimum wages in the PRC, additional personnel hired to streamline the production process in PRC factories, payment to retired senior management of PRC subsidiaries and performance bonus paid; (ii) additional depreciation made due to the acquisition of the office for the Group's headquarter in Hong Kong; and (iii) additional operational costs was incurred by a newly established subsidiary.

Finance costs

Our finance costs of approximately HK$2.3 million during the Reporting Period (for the six months ended 30 September 2013: approximately HK$4.0 million) represented interest expenses on bank borrowings. Decrease in finance costs were mainly due to the decrease in average balances of bank borrowings during the Reporting Period as compared to corresponding period last year and capitalisation of portion of finance costs.

Income tax expenses

Our income tax expenses amounted to approximately HK$11.3 million and HK$8.2 million, for the six months period ended 30 September 2014 and 2013, respectively. The increase was attributable primarily to the higher taxable profit recorded for the Reporting Period.

Our effective tax rate increased from approximately 24.4% for the six months period ended 30 September 2013 to approximately 27.0% for the period ended 30 September 2014. The increase of the effective tax rate was mainly due to the fact that there was no reversal of over-provision of corporate income tax for the Reporting Period under review and such reversal was made in the corresponding period last year.

Profit attributable to equity holders of the Company

For the six months ended 30 September 2014, profit attributable to equity holders of the Company amounted to approximately HK$30.8 million, representing an increase of 17.5% as compared to the corresponding period in 2013. The increase of net profit was mainly attributable to the increase in revenue during the Reporting Period.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources and liquidity

Our current assets comprise mainly of cash and bank balances, trade and other receivables and inventories. Our total current assets amounted to approximately HK$505.2 million and HK$483.7 million as at 30 September 2014 and 31 March 2014 respectively, which represented approximately 54.6% and 56.8% of our total assets as at 30 September 2014 and 31 March 2014, respectively.

Capital structure

The Group's capital structure is summarised as follows:

	As at	
	30 September	31 March
	2014	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank borrowings	**157,623**	150,450
Bank overdrafts	**–**	184
Total debts	**157,623**	150,634
Less: Cash and cash equivalents	**(131,433)**	(105,390)
Restricted bank deposit	**–**	(23,400)
Net debt	**26,190**	21,844
Shareholders' equity	**545,424**	515,206
Total capitalisation*	**571,614**	537,050
Gearing ratio		
– Total debt to shareholders' equity ratio#	**28.9%**	29.2%
– Net debt to shareholders' equity ratio##	**4.8%**	4.2%

* *Total capitalisation is the sum of the net debt and the shareholders' equity*

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

Net debt to shareholders' equity ratio is calculated based on net debt divided by shareholders' equity at the end of the respective periods

The Group's primary sources of funds came from cash generated from operating activities. The Group had recorded net cash inflow from operating activities of approximately HK$36.6 million and HK$82.9 million for the six months period ended 30 September 2014 and 2013, respectively.

Details of the Group's bank loans and other borrowings as at 30 September 2014 are set out in Note 14 in this interim results announcement.

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

Capital expenditure

During the six months ended 30 September 2014, the Group acquired property, plant and equipment of approximately HK$72.6 million as compared to the six months ended 30 September 2013 of approximately HK$106.9 million.

The capital expenditure was mainly for construction costs of approximately HK$55.2 million for the new production base in Suzhou and other property, plant and equipment of approximately HK$17.4 million during the normal and ordinary course of our business.

We financed our capital expenditure through cash flows generated from operating activities, IPO proceeds and bank borrowings.

Charges on the Group's assets

As at 30 September 2014, the Group's bank borrowings HK$16,549,000 (as at 31 March 2014: nil) were secured by the land and buildings with a carrying amount of HK$45,796,000. As at 31 March 2014, the Group's bank borrowings and bank overdrafts of HK$99,956,000 were secured by bank deposits of HK$23,400,000.

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. The Group does not use any derivative financial instruments to manage the foreign exchange exposure arising from the financial assets/liabilities which are denominated in a currency which is not the functional currency of our Group entities.

Capital commitments and operating lease commitments

Details of the Group's capital commitments and operating lease commitments as at 30 September 2014 are set out in Note 17(a) and Note 17(b) in this interim results announcement.

Contingent liabilities

As at 30 September 2014, the Group had no material contingent liabilities.

OUTLOOK AND STRATEGY

In spite of heightened competition within the industry, we are cautiously optimistic towards our overall business outlook.

In our traditional market, we will stick to our principal strategy to commit top product quality and service to our customers in order to distinguish ourselves from our competitors. We shall continue to find out effective measures to reduce production cost and enhance production efficiency. In particular, we will continue our effort in enhancing production efficiency through the use of robotic automation in our production process. While maintaining close relationship with our existing customers and securing continued orders from them, we continue to explore and co-develop high value-added products with our customers, for example, in the medical industry. We are optimistic that, when completed, the Suzhou new production base shall bring us a fresh growth momentum.

With our solid long term relationship with our major customers, our extensive business knowledge in the industry and our core values of commitment to top product quality, we dedicate ourselves to maximise the return to our shareholders.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2014, the Group had a total number of 2,852 full-time employees (as at 30 September 2013: 2,914). 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 our staff in order to enhance their technical skills and product knowledge and to provide them with updates with regards to industry quality and work safety.

The Group maintains good relationships with our employees. We have not had any labour strikes or other labour disturbances that would have interfered with our 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.

USE OF PROCEEDS FROM THE SHARE OFFER

The shares of the Company were listed on the Main Board of the Stock Exchange on 15 October 2012 and raised net proceeds of approximately HK$85.6 million. As at 30 September 2014, the unused proceeds of approximately HK$24.4 million were deposited with licensed banks in Hong Kong and the PRC.

As at 30 September 2014, the net proceeds had been utilised as follows:

	Actual net proceeds *HK$ million*	**Actual utilisation Up to 30 September 2014** *HK$ million*	**Balance as at 30 September 2014** *HK$ million*
For the purchase of a piece of land in Suzhou	58.0	33.6	24.4
For the construction of production facilities in Suzhou	27.6	27.6	–
	85.6	61.2	24.4

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 six months ended 30 September 2014.

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 six months ended 30 September 2014.

INTERIM DIVIDEND

The Board declared an interim dividend of HK 1.5 cents per ordinary share for the six months ended 30 September 2014 to eligible shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 9 December 2014. The interim dividends will be payable in cash on or about Thursday, 15 January 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 December 2014 to Tuesday, 9 December 2014, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed interim dividend for the six months ended 30 September 2014, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, namely Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 December 2014.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The Group has no material subsequent events after the Reporting Period up to the date of this announcement.

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 six months ended 30 September 2014 and had discussed the financial information with management and the independent auditor of the Company. The Audit Committee is of the opinion 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

During the six months ended 30 September 2014, the Group did not conduct any substantial acquisitions or disposals for its subsidiaries or associated corporations.

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 six months ended 30 September 2014.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the Company's website at www.kingdom.com.hk and the Stock Exchange's website www.hkexnews.hk. The interim report for the six months ended 30 September 2014 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the said websites in due course.