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 2015

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 2015 (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 2014.

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

Hong Kong, 19 November 2015

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 Mr. Yeung Chi Tat.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		Six months ended 30 September	
		2015	2014
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**444,592**	563,395
Cost of sales	*5*	**(353,272)**	(427,478)
Gross profit		**91,320**	135,917
Other gains, net		**10,463**	969
Distribution and selling expenses	*5*	**(14,019)**	(15,816)
General and administrative expenses	*5*	**(84,580)**	(77,592)
Operating profit		**3,184**	43,478
Finance income		**267**	595
Finance costs		**(2,045)**	(2,341)
Profit before income tax		**1,406**	41,732
Income tax expenses	*6*	**(5,371)**	(11,254)
(Loss)/profit for the period		**(3,965)**	30,478
Other comprehensive (loss)/income for the period, net of tax			
Item that may be reclassified to profit or loss			
Currency translation differences		**(12,604)**	2,440
Total comprehensive (loss)/income for the period		**(16,569)**	32,918
(Loss)/profit for the period attributable to:			
– Equity holders of the Company		**(2,922)**	30,802
– Non-controlling interests		**(1,043)**	(324)
		(3,965)	30,478
Total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		**(15,526)**	33,242
– Non-controlling interests		**(1,043)**	(324)
		(16,569)	32,918
(Loss)/earning per share for (loss)/profit attributable to equity holders of the Company			
– Basic and diluted *(HK cents)*	*14*	**(0.49)**	5.13
Dividends	*15*	**–**	9,000

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2015

		As at	
		30 September	31 March
		2015	2015
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*7*	**394,199**	387,900
Leasehold land and land use rights	*8*	**24,701**	25,546
Intangible assets		**4,899**	7,273
Goodwill		**22,502**	22,502
Deferred income tax assets		**5,228**	5,502
Total non-current assets		**451,529**	448,723
Current assets			
Inventories	*9*	**123,299**	118,066
Trade and other receivables	*10*	**257,472**	220,504
Current income tax recoverable		**770**	676
Cash and cash equivalents		**135,893**	158,627
Total current assets		**517,434**	497,873
Total assets		**968,963**	946,596

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)
AS AT 30 SEPTEMBER 2015

	Note	As at 30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
EQUITY			
Capital and reserves			
Share capital	*11*	**60,000**	60,000
Share premium	*11*	**26,135**	26,135
Reserves		**427,867**	442,824
Capital and reserves attributable to equity holders of the Company		**514,002**	528,959
Non-controlling interests		**5,348**	6,998
Total equity		**519,350**	535,957
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**10,899**	12,746
Current liabilities			
Trade and other payables	*12*	**204,490**	188,818
Bank borrowings	*13*	**223,825**	197,782
Derivative financial liabilities		**3,611**	3,922
Current income tax liabilities		**6,788**	7,371
Total current liabilities		**438,714**	397,893
Total liabilities		**449,613**	410,639
Total equity and liabilities		**968,963**	946,596
Net current assets		**78,720**	99,980
Total assets less current liabilities		**530,249**	548,703

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Attributable to equity holders of the Company							
	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 2015	60,000	26,135	3,445	28,615	40,229	370,535	6,998	535,957
Comprehensive income								
Loss for the period	–	–	–	–	–	(2,922)	(1,043)	(3,965)
Other comprehensive loss								
Currency translation differences	–	–	–	–	(12,604)	–	–	(12,604)
Total comprehensive loss for the period	–	–	–	–	(12,604)	(2,922)	(1,043)	(16,569)
Transaction with equity holders								
Transfer of retained profits to statutory reserve	–	–	–	3,334	–	(3,334)	–	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	569	(669)	(100)
Contribution from non-controlling interests upon the formation of a subsidiary	–	–	–	–	–	–	62	62
Balance at 30 September 2015 (unaudited)	60,000	26,135	3,445	31,949	27,625	364,848	5,348	519,350

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	*15*	–	–	–	–	–	(3,000)	–	(3,000)
Transfer of retained profits to statutory reserve		–	–	–	3,670	–	(3,670)	–	–
Contribution from non-controlling interests upon the formation of 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

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 19 November 2015.

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 2015 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 2015, 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 2015.

The following amendments and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 April 2015:

Amendment to HKAS19	Defined Benefit Plans
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

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 and amended standards and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 April 2015 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 Amendments	Investment entities: applying the consolidation exception	1 January 2016
HKFRS 10 and HKAS 28 Amendments	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 11 Amendment	Accounting for acquisitions of interests in joint operation	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKAS 1 Amendment	Disclosure initiative	1 January 2016
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 27 Amendment	Equity method in separate financial statements	1 January 2016
Annual Improvements Project	Annual Improvements 2012-2014 cycle	1 January 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 and amended standards and interpretations 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").

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, cash and cash equivalents, current income tax recoverable 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.

4. **SEGMENT INFORMATION** (continued)

(a) The segment results are as follows:

(i) Six months ended 30 September 2015

	Metal stamping *HK$'000* **(Unaudited)**	**Metal lathing** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Segment revenue			
Sales	**369,000**	**75,763**	**444,763**
Intersegment sales	**(100)**	**(71)**	**(171)**
Sales to external customers	**368,900**	**75,692**	**444,592**
Cost of sales	**(291,818)**	**(61,454)**	**(353,272)**
Gross profit	**77,082**	**14,238**	**91,320**
Unallocated expenses, net			**(88,136)**
Operating profit			**3,184**
Finance income			**267**
Finance costs			**(2,045)**
Profit before income tax			**1,406**
Income tax expenses			**(5,371)**
Loss for the period			**(3,965)**

(ii) 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)

(b) The segment assets are as follows:

(i) As at 30 September 2015

	Metal stamping *HK$'000* **(Unaudited)**	**Metal lathing** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Segment assets	**534,909**	**193,594**	**728,503**
Reconciliation			
Corporate and other unallocated assets			
Deferred income tax assets			**5,228**
Current income tax recoverable			**770**
Cash and cash equivalents			**135,893**
Other unallocated head office and corporate assets			**98,569**
Total assets			**968,963**

(ii) As at 31 March 2015

	Metal stamping *HK$'000* (Audited)	Metal lathing *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment assets	503,520	174,875	678,395
Reconciliation			
Corporate and other unallocated assets			
Deferred income tax assets			5,502
Current income tax recoverable			676
Cash and cash equivalents			158,627
Other unallocated head office and corporate assets			103,396
Total assets			946,596

4. **SEGMENT INFORMATION** (continued)

(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	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The PRC	**285,136**	360,536
North America	**94,167**	116,443
Europe	**34,850**	43,647
Japan	**14,649**	20,313
Singapore	**9,171**	4,647
Oceania	**776**	1,835
South America	**72**	478
Other Asian countries excluding the PRC, Japan and Singapore	**5,771**	15,496
	444,592	563,395

(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 2015 are as follows:

	As at	
	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
The PRC	**347,495**	340,462
Hong Kong	**71,405**	72,984
	418,900	413,446

5. EXPENSES BY NATURE

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Raw materials and consumables used	**192,278**	221,046
Changes in inventory of finished goods and work in progress	**(9,554)**	15,806
Employee benefit expenses	**121,434**	131,885
Processing fees	**47,895**	49,902
Depreciation of property, plant and equipment *(Note 7)*	**19,946**	18,573
Amortisation of leasehold land and land use rights *(Note 8)*	**236**	238
Amortisation of intangible assets	**2,374**	2,354
Operating lease rental in respect of buildings	**16,032**	14,779
Research and development costs	**15,972**	10,292
Utilities expenses	**8,242**	9,524
Transportation, postage and courier expenses	**7,193**	9,945
Legal and professional fees	**6,720**	2,035
Auditor's remuneration	**400**	400
Others	**22,703**	34,107
Total cost of sales, distribution and selling expenses and general and administrative expenses	**451,871**	520,886
Represented by:		
Cost of sales	**353,272**	427,478
Distribution and selling expenses	**14,019**	15,816
General and administrative expenses	**84,580**	77,592
	451,871	520,886

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong	**–**	3,708
– The PRC	**9,947**	6,845
Adjustments in respect of prior years		
– Over-provision in respect of prior year	**(3,003)**	–
	6,944	10,553
Deferred income tax	**(1,573)**	701
Total	**5,371**	11,254

6. INCOME TAX EXPENSES (continued)

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 2015 and 2014.

(a) Hong Kong profits tax

No Hong Kong profits tax had been provided at the rate of 16.5% (2014: 16.5%) as there is no 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 2015 and 2014 were 15% to 25%.

7. PROPERTY, PLANT AND EQUIPMENT

	2015 ***HK$'000*** **(Unaudited)**	2014 *HK$'000* (Unaudited)
At 1 April	**387,900**	300,841
Additions	**35,792**	72,649
Disposals	**(2,146)**	(1,545)
Depreciation	**(19,946)**	(18,573)
Currency translation differences	**(7,401)**	1,914
At 30 September	**394,199**	355,286

8. LEASEHOLD LAND AND LAND USE RIGHTS

	2015 ***HK$'000*** **(Unaudited)**	2014 *HK$'000* (Unaudited)
At 1 April	**25,546**	26,023
Amortisation	**(236)**	(238)
Currency translation differences	**(609)**	206
At 30 September	**24,701**	25,991

9. INVENTORIES

	As at 30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Raw materials	**26,602**	30,923
Work in progress	**33,108**	36,271
Finished goods	**63,589**	50,872
	123,299	118,066

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Trade receivables *(Note (a))*	**196,187**	164,061
Prepayments, deposits and other receivables	**56,923**	52,143
Amounts due from non-controlling interests shareholders	**4,362**	4,300
	257,472	220,504

Note:

(a) The Group normally grants credit periods of 30 to 90 days (As at 31 March 2015: 30 to 90 days). The ageing analysis of trade receivables based on invoice dates is as follows:

	As at 30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Up to 3 months	**186,203**	158,082
3 to 6 months	**8,996**	5,212
6 months to 1 year	**957**	740
1 to 2 years	**31**	27
	196,187	164,061

11. SHARE CAPITAL

Issued share capital

	Number of shares	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
At 30 September 2015 and 31 March 2015	600,000,000	60,000	26,135	86,135

12. TRADE AND OTHER PAYABLES

	As at **30 September 2015** ***HK$'000*** **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
Trade payables *(Note (a))*		
– third parties	**125,224**	112,868
– related companies	**609**	865
	125,833	113,733
Accrual, deposits and other payables	**78,657**	75,085
	204,490	188,818

Note:

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

	As at **30 September 2015** ***HK$'000*** **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
Up to 3 months	**122,366**	110,645
3 to 6 months	**2,608**	2,397
6 months to 1 year	**623**	613
1 to 2 years	**236**	78
	125,833	113,733

13. BANK BORROWINGS

	As at 30 September 2015 *HK$'000* (Unaudited)	31 March 2015 *HK$'000* (Audited)
Short-term bank borrowings	**20,000**	37,013
Portion of long-term bank borrowings due for repayment within one year	**88,109**	74,704
Portion of long-term bank borrowings due for repayment after one year which contain a repayment on demand clause	**115,716**	86,065
	223,825	197,782

The interest-bearing bank borrowings, including the bank borrowings repayable on demand, are carried at amortised cost. Certain portion of bank borrowings due for repayment after one year which contain a repayment on demand clause (As at 30 September 2015: HK$115,716,000, 31 March 2015: HK$86,065,000) and that is classified as current liability, and is expected to be settled within one year.

The Group's bank borrowings 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 2015 *HK$'000* (Unaudited)	31 March 2015 *HK$'000* (Audited)
Within 1 year	**108,109**	111,717
Between 1 and 2 years	**74,063**	49,042
Between 2 and 5 years	**35,617**	30,050
Over 5 years	**6,036**	6,973
	223,825	197,782

14. (LOSS)/EARNING PER SHARE

Basic and diluted (loss)/earning per share

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to the equity holders of the Company *(HK$'000)*	**(2,922)**	30,802
Weighted average number of shares in issue *('000)*	**600,000**	600,000
Basic and diluted (loss)/earning per share *(HK cents per share)*	**(0.49)**	5.13

Basic (loss)/earning per share for the six months ended 30 September 2015 and 2014 is calculated by dividing the (loss)/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 2015 and 2014.

15. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2015.

The Board did not recommend payment of any final dividend for the year ended 31 March 2015.

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

16. COMMITMENTS

(a) Capital commitments

	As at 30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Authorised but not contracted for		
– Construction cost	**9,295**	14,373
Contracted but not provided for		
– Leasehold land and buildings	**11,346**	11,625
– Construction cost	**3,989**	24,822
– Plant and machinery	**5,548**	1,563
– Capital investment	**11,470**	16,430
	32,353	54,440

(b) Operating lease commitments

	As at 30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
Within 1 year	**30,764**	30,583
Later than 1 year and not later than 5 years	**59,935**	73,119
Later than 5 years	**3,217**	5,580
	93,916	109,282

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.

17. SUBSEQUENT EVENT

Potential change of controlling shareholder

Reference is made to the announcements of the Company dated 30 April 2015, 26 May 2015, 24 June 2015, 29 June 2015, 29 July 2015, 8 September 2015, 11 September 2015, 16 October 2015 and 17 November 2015 (the "Announcements"). Unless otherwise stated, capitalised terms used in this section have the same meanings as defined in the Announcements.

On 28 August 2015, the Vendor and the Offeror entered into the Sale and Purchase Agreement to which the Offeror has conditionally agreed to purchase and the Vendor has conditionally agreed to sell 444,600,000 Sale Shares, representing 74.1% of the entire issued share capital of the Company as at the date of this announcement. Pursuant to the Sale and Purchase Agreement, the Group will undergo an asset reorganisation, which involves the Distribution in Specie. Subject to completion of the Distribution in Specie and Completion, the Vendor will make the Privateco Offer to the holders of the Privateco Shares to acquire all Privateco Shares other than those as may be held by the Vendor and parties acting in concert with it. However, the Distribution in Specie and Completion are conditional upon fulfillment of a number of conditions. Details of the said conditions and further details on, among other things, the Distribution in Specie and the Privateco Offer will be disclosed in an announcement to be published by the Company with the Offeror and other party(ies), if necessary, jointly.

MANAGEMENT DISCUSSION AND ANALYSIS

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 19 November 2015.

BUSINESS REVIEW

During the Reporting Period, the macroeconomic economic environment remained challenging to the Group. The slowing down of the economic growth in China, tapering of the quantitative easing measures in the United States of America, fragile recovery in Europe and Japan have set a difficult landscape for manufacturers.

The Group recorded revenue amounted to approximately HK$444.6 million for the six months ended 30 September 2015, with a decline by approximately 21.1% as compared to the corresponding period in 2014. The drop of revenue occurred in both metal stamping and metal lathing business segments of the Group. The revenue to external customers generated by metal stamping business decreased by approximately 13.1% to approximately HK$368.9 million during the Reporting Period, as compared to the corresponding period last year. The metal stamping business continued to be affected by the sustaining relocation of the Group's customers from China to other lower cost regions in South East Asia. In addition, the automotive toolings business (part of metal stamping business), due to its project-by-project nature, also generated less revenue than the same period last year.

The Group's revenue to external customers of metal lathing segment also recorded a decline by approximately 45.5% as to approximately HK$75.7 million during the Reporting Period, as compared to the corresponding period last year. This was mainly attributable to the weakened demand from the Group's customers engaged in consumer electronic industry.

As a result of the decline in revenue, particularly in the metal lathing segment which yielded a relatively higher gross margin, the overall gross profit of the Group during the Reporting Period decreased to approximately HK$91.3 million by approximately 32.8% from the same period last year.

Apart from the decline in revenue and gross profit, the performance was further hindered with the increase in general and administration expenses by some non-recurring factors such as the increase in the professional fees attributable to the corporate action occurred during the Reporting Period. As a result, the Group recorded a loss during the Reporting Period of approximately HK$4.0 million.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2015, revenue of the Group reached approximately HK$444.6 million, representing a decrease of approximately HK$118.8 million or 21.1% from approximately HK$563.4 million for the corresponding period last year. Set out below is a breakdown of the Group's revenue by business segments:

	Six months ended 30 September			
	2015		2014	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Metal Stamping	**368,900**	**83.0**	424,630	75.4
Metal Lathing	**75,692**	**17.0**	138,765	24.6
	444,592	**100.0**	563,395	100.0

Revenue from the metal stamping segment decreased by approximately HK$55.7 million or 13.1% from approximately HK$424.6 million for the six months ended 30 September 2014 to approximately HK$368.9 million for the six months ended 30 September 2015. The drop was mainly due to a decrease in revenue from customers who are engaged in the office automation, medical and test equipment, automotive toolings and finance equipment industries during the Reporting Period.

Revenue from the metal lathing segment decreased by approximately HK$63.1 million or 45.5% from approximately HK$138.8 million for the six months ended 30 September 2014 to approximately HK$75.7 million for the six months ended 30 September 2015. The downturn was mainly attributed by a decrease in revenue from subcontractors of consumer electronics manufacturers.

Geographically, the People's Republic of China (the "**PRC**"), North America, Europe and Japan continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 64.1%, 21.2%, 7.8% and 3.3% of the Group's revenue respectively for the six months ended 30 September 2015. 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 the direct costs associated with the manufacturing of the Group's products. It consists mainly of direct materials, direct labour, processing fee and other direct overheads. Set out below is the breakdown of the Group's cost of sales:

	Six months ended 30 September			
	2015		2014	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Direct materials	**192,278**	**54.4**	221,046	51.7
Direct labour	**85,195**	**24.1**	93,388	21.8
Processing fee	**47,895**	**13.6**	49,902	11.7
Change in inventory of finished goods and work in progress	**(9,554)**	**(2.7)**	15,806	3.7
Other direct overheads	**37,458**	**10.6**	47,336	11.1
	353,272	**100.0**	427,478	100.0

During the six months ended 30 September 2015, cost of sales of the Group decreased by approximately 17.4% or HK$74.2 million as compared to the corresponding period last year. The decrease was primarily due to the drop in the Group's total revenue. The percentage of cost of sales to the total revenue during the Reporting Period was approximately 79.5%, representing an increase of 3.6%, as compared to approximately 75.9% in the corresponding period of last year. This was primarily due to the increase in the percentage of the revenue contributed from the relatively lower profit margin metal stamping segment to the Group's total revenue.

Gross profit and gross profit margin

During the six months ended 30 September 2015, the Group's gross profit was approximately HK$91.3 million, representing a decrease of approximately 32.8% as compared to the corresponding period in 2014. It was mainly due to the decrease in the Group's total revenue by approximately 21.1%.

For the Reporting Period, the gross profit margin of the Group was approximately 20.5% which decreased by 3.6% as compared to approximately 24.1% in the corresponding period in 2014. This was primarily due to a couple of factors. Firstly, the revenue of the Group has experienced an approximately 21.1% drop as compared to the same period last year. The production efficiency was lowered as the production volume was reduced. Moreover, there was a decrease in revenue contributed from the high profit margin metal parts from the metal lathing segment. The change of product mix also reduced the overall 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, net

During the six months ended 30 September 2015, the Group recorded other gains, net which amounted to approximately HK$10.5 million. In the corresponding period of 2014, the Group recorded other gains, net of approximately HK$1.0 million. The increase was mainly due to the increase in net foreign exchange gains of approximately HK$8.7 million and a one-off gain of approximately HK$1.2 million from the disposal of certain leasehold land and buildings in Hong Kong during the Reporting Period.

Distribution and selling expenses

Distribution and selling expenses relate to the expenses incurred for the promotion and selling of the Group's 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$14.0 million and HK$15.8 million for the six months ended 30 September 2015 and 2014, respectively. The decrease in distribution and selling expenses was mainly attributed to the decrease in the Group's total revenue.

General and administrative expenses

General and administrative expenses comprised primarily of salaries and related costs for key management, the Group's 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$77.6 million for the six months ended 30 September 2014 to approximately HK$84.6 million for the six months ended 30 September 2015.

The increase was primarily due to an increase in legal and professional fees in respect of (i) the Group's corporate action, and (ii) consultancy fee incurred for the Group's newly established businesses, and an increase in research and development costs.

Finance costs

The Group's finance costs of approximately HK$2.0 million during the Reporting Period (for the six months ended 30 September 2014: approximately HK$2.3 million) represented interest expenses on bank borrowings. Decrease in finance costs were mainly due to an increase of capitalisation of finance cost, which was related to bank borrowing used to fund the construction of new Suzhou production base. Before such capitalisation, increase in interest expenses were mainly due to the increase in average balances of bank borrowings during the Reporting Period as compared to corresponding period last year.

Income tax expenses

The Group's income tax expenses amounted to approximately HK$5.4 million and HK$11.3 million, for the six months period ended 30 September 2015 and 2014, respectively. The decrease was attributable primarily to the lower taxable profit recorded for the Reporting Period.

During the Reporting Period, the effective tax rate of the Group was approximately 382.2%. The exceptionally high effective tax rate was mainly caused by the fact that the Group did not recognise deferred tax effect on tax loss arising from the Group's loss making companies. Excluding the effect of such tax loss arising from the loss making companies, and the effect of over-provision for taxation in respect of prior year, the adjusted effective tax rate during the Reporting Period would have been approximately 20.7%, while the same for the corresponding period last year would have been approximately 16.1%.

(Loss)/profit attributable to equity holders of the Company

For the six months ended 30 September 2015, loss attributable to equity holders of the Company amounted to approximately HK$2.9 million, as compared with the profit attributable to equity holders of the Company of approximately HK$30.8 million for the corresponding period in 2014. The decrease of net profit was mainly attributable to the decrease in revenue and gross profit margin during the Reporting Period.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources and liquidity

The Group's current assets comprise mainly of cash and cash equivalents, trade and other receivables and inventories. The Group's total current assets amounted to approximately HK$517.4 million and HK$497.9 million as at 30 September 2015 and 31 March 2015 respectively, which represented approximately 53.4% and 52.6% of the Group's total assets as at 30 September 2015 and 31 March 2015, respectively.

Capital structure

The Group's capital structure is summarised as follows:

	As at	
	30 September	31 March
	2015	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank borrowings	**223,825**	197,782
Total debts	**223,825**	197,782
Less: Cash and cash equivalents	**(135,893)**	(158,627)
Net debt	**87,932**	39,155
Shareholders' equity	**519,350**	535,957
Total capitalisation*	**607,282**	575,112
Gearing ratio		
– Total debt to shareholders' equity ratio#	**43.1%**	36.9%
– Net debt to shareholders' equity ratio##	**16.9%**	7.3%

* *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*

For the six months ended 30 September 2015 and 2014, the Group generally financed its operation primarily with internally generated cash flow and bank borrowing.

Details of the Group's bank loans and other borrowings as at 30 September 2015 are set out in Note 13 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 2015, the Group acquired property, plant and equipment of approximately HK$35.8 million as compared to the six months ended 30 September 2014 of approximately HK$72.6 million.

Approximately HK$15.1 million was incurred for the construction of the new production base in Suzhou, while other property, plant and equipment of approximately HK$20.7 million were acquired during the normal and ordinary course of the Group's business.

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

Charges on the Group's assets

As at 30 September 2015, the Group's bank borrowings of HK$14,902,000 were secured by the leasehold land and buildings with a carrying amount of HK$44,386,000. As at 31 March 2015, the Group's bank borrowings of HK$15,730,000 were secured by the leasehold land and buildings with a carrying value of HK$45,091,000.

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. During the six months ended 30 September 2015, the Group had two foreign exchange derivative contracts to manage part of the foreign currency exposure between United States dollars and Renminbi. These contracts were accounted for on the Group's consolidated balance sheet at fair value.

Capital commitments and operating lease commitments

Details of the Group's capital commitments and operating lease commitments as at 30 September 2015 are set out in Note 16(a) and Note 16(b) in this interim results announcement.

Contingent liabilities

As at 30 September 2015, the Group had no material contingent liabilities.

OUTLOOK AND STRATEGY

In light of the continual and challenging circumstances in the wider economic and business environment, the Group is cautious on the outlook of the business.

The Group foresees that the customers' cessation of operations in the PRC is expected to continue. The ever-increasing operation costs in the PRC have been driving the relocation of the production plants to the lower cost regions in South East Asia. The Group is facing the tightening demand from the customers and the soaring production cost arising from the rising statutory minimum wages and the rising material cost. This trend continues to exert pressures on the metal manufacturing business, especially the thin margin segment of metal stamping.

The metal lathing segment, which historically had higher profit margin, will be in comparatively better position to cope with the challenges. Although there was a temporary decline in the metal lathing business, the Group has taken measures and expects the business will improve in the second half of the year ending 31 March 2016. To improve the lathing product portfolio, the Group is seeking to diversify its product portfolio and spanning the product spectrum to include metal parts for lap top computers, camera units and household electronics, in addition to the existing products. The Group is also expanding new product lines, such as sensor business during the Reporting Period to further diversify its business.

In the metal stamping segment, the Group will focus on the products which offer relatively higher profit margin, and continue its effort in enhancing cost efficiency, in order to improve the overall profit margin.

The Group is also taking more aggressive marketing strategies to strengthen the customer relationship and to build wider customer network. It aims to take stronger effort in exploring more business opportunities with new customers. The Group consistently attaches importance to its expertise in precision metal processing technologies and is also taking steps to reduce reliance on labour in the production process and to use more automations to increase the production efficiency.

With the continuous effort to broaden business opportunities and the dedication to top product quality at high production efficiency, the Group believes that the existing difficulties would be temporary, and that the measures and efforts will fruit with sustaining profitability.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group had a total number of 2,610 full-time employees (as at 30 September 2014: 2,852). 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 its 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 its employees. The Group had not have any labour strikes or other labour disturbances that would have interfered with its 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 disclosed in the announcement of the Company published on 25 June 2015, in order to increase the Company's flexibility in its financial and treasury management and to cope with the continuing development of the Group's business in the near future, the Board resolved to change the proposed use of net proceeds. The unused net proceeds of approximately HK$24.4 million, which was originally designated for purchasing land use rights, was reallocated for construction of the production facilities in Suzhou. As at 30 September 2015, the proceeds was utilised in full for construction of the production facilities in Suzhou.

As at 30 September 2015, the net proceeds had been utilised as follows:

	Actual net proceeds	**Actual utilisation up to 30 September 2015**	**Balance as at 30 September 2015**
	HK$ million	*HK$ million*	*HK$ million*
For the purchase of a piece of land in Suzhou	33.6	33.6	–
For the construction of production facilities in Suzhou	52.0	52.0	–
	85.6	85.6	–

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 2015.

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 2015.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2015.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Details of the Group's subsequent event after the Reporting Period and up to the date of this announcement are set out in Note 17 in this interim results 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 2015 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 2015, 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 2015.

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 2015 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.