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KFM KINGDOM HOLDINGS LIMITED
KFM 金 德 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3816)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of KFM Kingdom Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 March 2018 prepared in accordance with 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 year ended 31 March 2017.

For and on behalf of
KFM KINGDOM HOLDINGS LIMITED
ZHANG HAIFENG
Chairman

Hong Kong, 26 June 2018

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	4	**983,935**	879,478
Cost of sales		**(687,750)**	(669,649)
Gross profit		**296,185**	209,829
Other (losses)/gains, net	5	**(24,646)**	16,040
Distribution and selling expenses		**(21,228)**	(20,140)
General and administrative expenses		**(190,875)**	(193,698)
Finance income		**136**	207
Finance costs		**(20,156)**	(16,654)
Profit/(loss) before tax	6	**39,416**	(4,416)
Income tax expenses	7	**(4,212)**	(12,638)
Profit/(loss) for the year		**35,204**	(17,054)
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**52,114**	(30,288)
Total comprehensive income/(expense) for the year		**87,318**	(47,342)
Profit/(loss) for the year attributable to:			
— Owners of the Company		**35,064**	(15,481)
— Non-controlling interests		**140**	(1,573)
		35,204	(17,054)
Total comprehensive income/(expense) attributable to:			
— Owners of the Company		**87,178**	(45,769)
— Non-controlling interests		**140**	(1,573)
		87,318	(47,342)
EARNINGS/(LOSS) PER SHARE			
— Basic and diluted *(HK cents)*	8	**5.84**	(2.58)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**382,247**	351,803
Leasehold land and land use rights	11	**23,925**	22,233
Intangible assets		**—**	—
Goodwill		**—**	—
Interest in an associated entity		**—**	—
Deferred income tax assets		**4,503**	5,083
Total non-current assets		**410,675**	379,119
Current assets			
Inventories	12	**103,161**	80,807
Trade and other receivables	13	**235,242**	220,760
Current income tax recoverable		**1,926**	1,515
Cash and cash equivalents		**346,039**	219,008
Total current assets		**686,368**	522,090
Total assets		**1,097,043**	901,209

	Notes	**2018** *HK$'000*	2017 *HK$'000*
EQUITY			
Capital and reserves			
Share capital	14	**60,000**	60,000
Share premium	14	**26,135**	26,135
Reserves		**412,978**	325,800
Capital and reserves attributable to owners of the Company		**499,113**	411,935
Non-controlling interests		**2,617**	2,477
Total equity		**501,730**	414,412
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**3,112**	145
Deferred income tax liabilities		**4,774**	13,958
Unsecured borrowings from a related company	17	**100,000**	—
Total non-current liabilities		**107,886**	14,103
Current liabilities			
Trade and other payables	15	**188,041**	151,937
Bank borrowings	16	**24,800**	45,200
Obligations under finance leases		**3,059**	436
Unsecured borrowings from a related company	17	**270,000**	270,000
Current income tax liabilities		**1,527**	5,121
Total current liabilities		**487,427**	472,694
Total liabilities		**595,313**	486,797
Total equity and liabilities		**1,097,043**	901,209
Net current assets		**198,941**	49,396
Total assets less current liabilities		**609,616**	428,515

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners 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*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 April 2016	60,000	26,135	3,445	33,720	15,895	320,172	459,367	2,387	461,754
Loss for the year	—	—	—	—	—	(15,481)	(15,481)	(1,573)	(17,054)
Other comprehensive expense for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	(30,288)	—	(30,288)	—	(30,288)
Total comprehensive expense for the year	—	—	—	—	(30,288)	(15,481)	(45,769)	(1,573)	(47,342)
Transfer of retained profits to statutory reserve	—	—	—	4,804	—	(4,804)	—	—	—
Acquisitions of additional interests in subsidiaries	—	—	—	—	—	(1,663)	(1,663)	1,663	—
Balance at 31 March 2017	60,000	26,135	3,445	38,524	(14,393)	298,224	411,935	2,477	414,412

	Attributable to owners 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***	**Total** ***HK$'000***	**Non-controlling interests** ***HK$'000***	**Total equity** ***HK$'000***
Balance at 1 April 2017	**60,000**	**26,135**	**3,445**	**38,524**	**(14,393)**	**298,224**	**411,935**	**2,477**	**414,412**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**35,064**	**35,064**	**140**	**35,204**
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**52,114**	**—**	**52,114**	**—**	**52,114**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**52,114**	**35,064**	**87,178**	**140**	**87,318**
Transfer of retained profits to statutory reserve	**—**	**—**	**—**	**7,797**	**—**	**(7,797)**	**—**	**—**	**—**
Balance at 31 March 2018	**60,000**	**26,135**	**3,445**	**46,321**	**37,721**	**325,491**	**499,113**	**2,617**	**501,730**

NOTES

1. GENERAL INFORMATION

KFM Kingdom Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 13 July 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the 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 address of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The immediate holding company and controlling shareholder of the Company is Massive Force Limited, a company incorporated in the British Virgins Islands (the "**BVI**").

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

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**") and amendments, issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as disclosed below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective date not yet been determined.

The Directors anticipate that, except the above mentioned, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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, computer numerical control ("**CNC**") sheet metal processing and products assembling ("**Metal stamping**"); and

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment gross profit represents the gross profit from each segment without allocation of other (losses)/gains, net, distribution and selling expenses, general and administrative expenses, finance income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets exclude interest in an associated entity, 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.

Segment liabilities exclude deferred income tax liabilities, bank borrowings, unsecured borrowings from a related company, obligations under finance leases, current income tax liabilities and other unallocated head office and corporate liabilities.

Capital expenditures comprise additions to property, plant and equipment.

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 information provided to the CODM for the reportable segments is as follows:

(i) For the year ended 31 March 2018:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment revenue			
Sales	670,243	317,046	987,289
Intersegment sales	(2,909)	(445)	(3,354)
Sales to external customers	667,334	316,601	983,935
Cost of sales	(469,247)	(218,503)	(687,750)
Segment gross profit	198,087	98,098	296,185
Unallocated expenses, net			(236,749)
Finance income			136
Finance costs			(20,156)
Profit before tax			39,416
Income tax expenses			(4,212)
Profit for the year			35,204
Segment depreciation	21,006	16,011	37,017
Unallocated depreciation			5,296
			42,313
Segment amortisation	446	—	446
Provision for impairment of property, plant and equipment	9,475	—	9,475
Write-down of inventories	1,721	2,180	3,901

(ii) For the year ended 31 March 2017:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment revenue			
Sales	672,054	208,107	880,161
Intersegment sales	(209)	(474)	(683)
Sales to external customers	671,845	207,633	879,478
Cost of sales	(511,587)	(158,062)	(669,649)
Segment gross profit	160,258	49,571	209,829
Unallocated expenses, net			(197,798)
Finance income			207
Finance costs			(16,654)
Loss before tax			(4,416)
Income tax expenses			(12,638)
Loss for the year			(17,054)
Segment depreciation	23,469	15,740	39,209
Unallocated depreciation			5,557
			44,766
Segment amortisation	921	—	921
Provision for impairment of goodwill	10,362	—	10,362
Provision for impairment of intangible assets	2,045	—	2,045
Provision for impairment of property, plant and equipment	2,739	4,971	7,710
Write-down of inventories	814	884	1,698
Write-off of property, plant and equipment			1,589

(b) The segment assets and liabilities are as follows:

(i) As at 31 March 2018:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment assets	**429,481**	**246,662**	**676,143**
Reconciliation			
Corporate and other unallocated assets			
Deferred income tax assets			**4,503**
Current income tax recoverable			**1,926**
Cash and cash equivalents			**346,039**
Other unallocated head office and corporate assets			**68,432**
Total assets			**1,097,043**
Segment liabilities	**127,292**	**55,543**	**182,835**
Reconciliation			
Corporate and other unallocated liabilities			
Deferred income tax liabilities			**4,774**
Bank borrowings			**24,800**
Obligations under finance leases			**6,171**
Unsecured borrowings from a related company			**370,000**
Current income tax liabilities			**1,527**
Other unallocated head office and corporate liabilities			**5,206**
Total liabilities			**595,313**
Segmental capital expenditures	**11,765**	**45,318**	**57,083**
Reconciliation			
Other unallocated head office and corporate capital expenditures			**1,648**
Total capital expenditures			**58,731**

(ii) As at 31 March 2017:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment assets	425,212	181,619	606,831
Reconciliation			
Corporate and other unallocated assets			
Deferred income tax assets			5,083
Current income tax recoverable			1,515
Cash and cash equivalents			219,008
Other unallocated head office and corporate assets			68,772
Total assets			901,209
Segment liabilities	111,772	35,760	147,532
Reconciliation			
Corporate and other unallocated liabilities			
Deferred income tax liabilities			13,958
Bank borrowings			45,200
Obligation under a finance lease			581
Unsecured borrowings from a related company			270,000
Current income tax liabilities			5,121
Other unallocated head office and corporate liabilities			4,405
Total liabilities			486,797
Segmental capital expenditures	8,757	19,197	27,954
Reconciliation			
Other unallocated head office and corporate capital expenditures			1,629
Total capital expenditures			29,583

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

	2018	2017
	HK$'000	*HK$'000*
The PRC	**682,370**	572,771
North America	**189,422**	184,193
Europe	**62,391**	78,575
Japan	**19,502**	20,811
Singapore	**13,684**	11,152
Others	**16,566**	11,976
	983,935	879,478

(d) The total of non-current assets, other than deferred income tax assets of the Group as at 31 March 2018 and 2017 are as follows:

	2018	2017
	HK$'000	*HK$'000*
The PRC	**341,868**	305,863
Hong Kong	**64,304**	68,173
	406,172	374,036

(e) Revenues from customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**105,999**	98,116

[1] Revenue from metal stamping

5. OTHER (LOSSES)/GAINS, NET

	2018	2017
	HK$'000	*HK$'000*
Loss on derivative financial instrument *(note (i))*	**—**	(1,082)
Loss on disposal of property, plant and equipment	**(3,293)**	(407)
Net exchange (loss)/gain	**(25,974)**	13,763
Government subsidies *(note (ii))*	**3,463**	2,874
Others	**1,158**	892
	(24,646)	16,040

Notes:

(i) The derivative financial instrument was matured in October 2016 and a realised loss of approximately HK$1,082,000 had been recognised in profit or loss during the year ended 31 March 2017. No derivative financial instrument is held by the Group as at 31 March 2018 and 2017.

(ii) The amounts represented the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the two years ended 31 March 2018.

6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) for the year has been arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Staff costs		
Directors' emoluments	**4,968**	4,931
Other staff:		
— salaries and other allowances	**234,074**	221,061
— retirement benefits scheme contributions (excluding Directors)	**5,342**	6,355
	244,384	232,347
Auditors' remuneration		
— audit services	**1,250**	1,200
— non-audit services	**220**	200
Cost of inventories sold *(note (a))*	**683,849**	667,951
Depreciation of property, plant and equipment	**42,313**	44,766
Write-off of property, plant and equipment	**—**	1,589
Provision for impairment of goodwill	**—**	10,362
Provision for impairment of intangible assets	**—**	2,045
Provision for impairment of property, plant and equipment	**9,475**	7,710
Amortisation of leasehold land and land use rights	**446**	441
Amortisation of intangible assets	**—**	480
Minimum lease payment paid under operating lease rentals in respect of rented premises	**25,642**	21,203
Research and development expenses *(note (b))*	**43,197**	37,550

Notes:

(a) Included in cost of sales was write-down of inventories of approximately HK$3,901,000 (2017: approximately HK$1,698,000).

(b) Included in research and development expenses was staff cost of approximately HK$15,040,000 (2017: approximately HK$15,018,000).

7. INCOME TAX EXPENSES

	2018 HK$'000	2017 HK$'000
Current income tax		
— Hong Kong	**—**	762
— The PRC	**10,178**	10,296
— Withholding tax	**4,670**	2,803
Adjustments in respect of		
— Over-provision in prior years	**(2,032)**	(2,450)
	12,816	11,411
Deferred income tax	**(8,604)**	1,227
	4,212	12,638

Income tax of the Group's entities has been calculated on the estimated assessable profits for the year 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 years ended 31 March 2018 and 2017.

(a) Hong Kong profits tax

The Group is subject to Hong Kong profits tax which is provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year ended 31 March 2018.

(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 statutory PRC EIT tax rates for the year ended 31 March 2018 is provided at the rate of 25% (2017: 25%).

Certain PRC subsidiaries were recognised by the PRC government as "High and New Technology Enterprise" and were eligible to a preferential tax rate of 15% for a period of three calendar years.

(c) PRC dividend withholding tax

According to the Law of the PRC EIT, starting from 1 January 2008, a PRC withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when the PRC subsidiaries declare dividend out of profits earned after 1 January 2008. During the year ended 31 March 2018, a lower 5% (2017: 10%) PRC withholding income tax rate was adopted since (i) the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil certain requirements under the tax treaty arrangements between the PRC and Hong Kong; and (ii) successful application has been made during the year ended 31 March 2018.

8. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share

	2018	2017
Profit/(loss) attributable to owners of the Company *(HK$'000)*	**35,064**	(15,481)
Weighted average number of shares in issue *('000)*	**600,000**	600,000
Basic and diluted earnings/(loss) per share *(HK cents per share)*	**5.84**	(2.58)

Basic earnings/(loss) per share for the years ended 31 March 2018 and 2017 is calculated by dividing the profit/(loss) attributable to owners of the Company by 600,000,000 ordinary shares in issue during the years ended 31 March 2018 and 2017.

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the Company had no potentially dilutive ordinary share in issue during the years ended 31 March 2018 and 2017.

9. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

10. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	HK$'000	*HK$'000*
At 1 April	**351,803**	396,324
Additions	**58,731**	29,583
Disposals	**(3,635)**	(2,475)
Depreciation	**(42,313)**	(44,766)
Write-off	**—**	(1,589)
Impairment charge	**(9,475)**	(7,710)
Exchange differences	**27,136**	(17,564)
At 31 March	**382,247**	351,803

11. LEASEHOLD LAND AND LAND USE RIGHTS

	2018	2017
	HK$'000	*HK$'000*
Land use rights in the PRC	**23,925**	22,233

The Group's interest in leasehold land and land use rights represents prepaid operating lease payments and its net book value is analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 April	**22,233**	24,067
Amortisation	**(446)**	(441)
Exchange differences	**2,138**	(1,393)
At 31 March	**23,925**	22,233

12. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**25,746**	21,909
Work in progress	**33,098**	24,753
Finished goods	**44,317**	34,145
	103,161	80,807

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables *(note)*	**194,425**	184,961
Prepayments, deposits and other receivables	**41,117**	36,099
Amount due from an associated entity	**432**	432
Amounts due from non-controlling shareholders	**4,062**	4,062
	240,036	225,554
Less: Provision for impairment	**(4,794)**	(4,794)
	235,242	220,760

Note: The Group normally grants credit periods of 30 to 90 days (2017: 30 to 90 days). The ageing analysis of trade receivables based on invoice dates, which approximate the revenue recognition date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Up to 3 months	**181,116**	178,583
3 to 6 months	**10,998**	5,650
6 months to 1 year	**1,266**	693
1 to 2 years	**1,045**	35
	194,425	184,961

14. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares of HK$0.1 each

	Number of shares	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
Authorised				
At 31 March 2017 and 2018	4,500,000,000	450,000		
Issued and fully paid				
At 31 March 2017 and 2018	600,000,000	60,000	26,135	86,135

15. TRADE AND OTHER PAYABLES

	2018 ***HK$'000***	2017 *HK$'000*
Trade payables *(note)*		
— third parties	**107,238**	98,096
— related companies	**595**	386
	107,833	98,482
Accruals, deposits and other payables	**80,208**	53,455
	188,041	151,937

Note: The ageing analysis of trade payables presented based on invoice date at the end of the reporting period (including trade payables from related companies) is as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Up to 3 months	**101,334**	95,992
3 to 6 months	**4,668**	2,035
6 months to 1 year	**1,676**	188
1 to 2 years	**155**	267
	107,833	98,482

16. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Short-term bank borrowings, unsecured	**24,800**	45,200

The interest-bearing bank borrowings, including the bank borrowings repayable on demand, are carried at amortised cost.

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 year	**24,800**	45,200

As at 31 March 2018 and 2017, the whole balance of bank borrowings were unsecured.

17. UNSECURED BORROWINGS FROM A RELATED COMPANY

	2018	2017
	HK$'000	*HK$'000*
Due for repayment within 1 year which contains a repayment on demand clause	**270,000**	—
Due for repayment after 1 year but within 2 years which contains a repayment on demand clause	**—**	270,000
Due for repayment after 1 year but within 2 years	**100,000**	—
	370,000	270,000
Less: Amount shown under current liabilities	**(270,000)**	(270,000)
Amount shown under non-current liabilities	**100,000**	—

As at 31 March 2018, unsecured borrowings of HK$370,000,000 (2017: HK$270,000,000) were advanced from Kingdom International Group Limited ("**KIG**"), a company in which two directors of the Company have beneficial interest in, of which HK$270,000,000 (2017: HK$270,000,000) contain a repayment on demand clause and the remaining balance of HK$100,000,000 will be payable on 29 May 2019.

The effective interest rate of the unsecured borrowings from a related company is 5.25% per annum (2017: 5.25% per annum).

Subsequent to the year ended 31 March 2018, the Company renewed unsecured borrowing of HK$140,000,000 and HK$30,000,000 with KIG for another 1 year upon the expiry in April 2018 and June 2018 respectively at the interest rate of 5.25% per annum.

18. COMMITMENTS

(a) Capital commitments

	2018	2017
	HK$'000	*HK$'000*
Authorised or contracted for but not provided:		
— Plant and machinery	**6,591**	28,635
— Capital investment	**9,533**	9,533
	16,124	38,168

(b) Operating lease commitments

The Group acts as lessee under operating leases. The Group had future minimum lease payments under non-cancellable operating leases of land use rights and buildings as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 year	**28,748**	25,812
Later than 1 year and not later than 5 years	**87,781**	35,501
Later than 5 years	**35,090**	5,067
	151,619	66,380

These leases typically run for an initial period of two to ten years (2017: two to ten years). Certain of the operating leases contain renewal options which allow the Group to renew.

19. SUBSEQUENT EVENT

Save as disclosed in note 17, the Group has no material subsequent events up to the date of this annual results announcement.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2018, revenue of the Group reached approximately HK$983.9 million, representing an increase of approximately HK$104.4 million or 11.9% from approximately HK$879.5 million for the corresponding period last year. Set out below is a breakdown of the Group's revenue by business segments:

	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Metal stamping	**667,334**	**67.8**	671,845	76.4
Metal lathing	**316,601**	**32.2**	207,633	23.6
	983,935	**100.0**	879,478	100.0

Revenue derived from the metal stamping segment decreased by approximately HK$4.5 million or 0.7% from approximately HK$671.8 million for the year ended 31 March 2017 to approximately HK$667.3 million for the year ended 31 March 2018. During the year ended 31 March 2018, the Group experienced a decrease in revenue derived from customers who are engaged in the office automation industry, which was partially offset by an increase in orders from certain customers who are engaged in medical and test equipment and finance equipment industries.

Revenue derived from the metal lathing segment increased by approximately HK$109.0 million or 52.5% from approximately HK$207.6 million for the year ended 31 March 2017 to approximately HK$316.6 million for the year ended 31 March 2018. The increase was mainly attributed to an increase in revenue derived from the Group's customers engaged in the consumer electronics industry.

Geographically, 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 69.4%, 19.3%, 6.3% and 2.0% of the Group's revenue respectively for the year ended 31 March 2018. Details of revenue generated by different geographical locations are set out in note 4(c) to this annual 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:

	Year ended 31 March			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Direct materials	**379,710**	**55.2**	327,506	48.9
Direct labour	**161,245**	**23.5**	154,962	23.1
Processing fee	**94,467**	**13.7**	96,780	14.5
Other direct overheads	**52,328**	**7.6**	90,401	13.5
	687,750	**100.0**	669,649	100.0

During the year ended 31 March 2018, cost of sales of the Group increased by approximately HK$18.2 million or 2.7% as compared to the corresponding period last year. The increase was primarily due to the combined effect of increase in the Group's total revenue, as well as the change in product mix and the implementation of cost control measures by the Group during the year ended 31 March 2018. Due to the improvement in gross profit margins of the Group's business, the percentage of cost of sales to the total revenue during the current year was approximately 69.9%, representing a decrease of approximately 6.2%, as compared to approximately 76.1% in the corresponding period last year.

Gross profit and gross profit margin

During the year ended 31 March 2018, the Group's gross profit was approximately HK$296.2 million, representing an increase of approximately 41.2% as compared to the corresponding period in 2017. The improvement in gross profit margin was mainly attributable to the increase in sales of high-margin consumer electronics products and cost control measures implemented by of the Group during the year.

In respect of the Group's metal stamping segment, gross profit margin has improved from approximately 23.9% in the corresponding period last year to approximately 29.7% for the year ended 31 March 2018. Such increase was mainly attributable to the cost control and streamlining of the operation by the Group during the year.

In respect of the Group's metal lathing segment, gross profit margin has improved from approximately 23.9% for the year ended 31 March 2017 to approximately 31.0% for the year ended 31 March 2018. Such increase was due to the increase in revenue of more profitable products derived from customers who are engaged in the consumer electronics industry during the year, which led to an improvement in the overall gross profit margin.

Other (losses)/gains, net

During the year ended 31 March 2018, the Group recorded other losses, net which amounted to approximately HK$24.6 million. In the corresponding period of 2017, the Group recorded other gains, net of approximately HK$16.0 million. Upon the appreciation of Renminbi against United States dollars during the year ended 31 March 2018, the Group recorded net exchange loss of approximately HK$26.0 million, while during the same period last year the Group recorded net exchange gain of approximately HK$13.7 million. In addition, the Group recorded loss from disposal of property, plant and equipment amounted to approximately HK$3.3 million during the year ended 31 March 2018, while the Group only recorded loss from disposal of property, plant and equipment amounted to approximately HK$0.4 million during the same period last year.

Distribution and selling expenses

Distribution and selling expenses relate to the expenses incurred for the promotion and sale of the Group's products. It mainly comprises, among others, salaries and related costs for the sales and marketing staff, travelling and transportation costs, and marketing expenses. Distribution and selling expenses were approximately HK$21.2 million and approximately HK$20.1 million for the years ended 31 March 2018 and 2017 respectively. The increase in distribution and selling expenses was mainly attributed to the increase in revenue during the year.

General and administrative expenses

General and administrative expenses primarily comprise salaries and related costs for key management, the Group's finance and administration staff, rental expenses, depreciation, audit fees, and professional and related costs incurred by the Group.

The general and administrative expenses of the Group decreased from approximately HK$193.7 million for the year ended 31 March 2017 to approximately HK$190.9 million for the year ended 31 March 2018. The decrease was primarily due to no provision for impairment of goodwill and intangible assets being incurred during the year, which was partially offset by an increase in additional costs paid during streamlining of the Group's operation and performance bonus paid to the staff upon improvement of the Group's performance during the year ended 31 March 2018.

Finance costs

The Group's finance costs represented interest expenses on bank borrowings and unsecured borrowings from a related company. During the year ended 31 March 2018, the Group's finance costs were approximately HK$20.2 million, as compared to approximately HK$16.7 million for the corresponding period of 2017. The increase in finance costs was mainly due to an increase in average balances of borrowings as compared to the corresponding period last year.

Income tax expenses

The Group's income tax expenses amounted to approximately HK$4.2 million and approximately HK$12.6 million for the years ended 31 March 2018 and 2017 respectively. The decrease was mainly attributable to the reversal of certain deferred tax provision and taken into consideration of other tax effects.

During the year ended 31 March 2018, the Group's effective tax rate was approximately 10.7%. This was mainly a result of the reversal of certain deferred tax provision and taken into consideration of other tax effects. Excluding such factors, the adjusted effective tax rate would have been approximately 20.8% during the year, while the same for the corresponding period last year would have been approximately 23.1%.

Profit/(loss) attributable to owners of the Company

For the year ended 31 March 2018, profit attributable to owners of the Company amounted to approximately HK$35.1 million, as compared with the loss attributable to owners of the Company of approximately HK$15.5 million for the corresponding period in 2017. The turnaround from net loss to net profit was mainly attributable to the increase in revenue and gross profit margin, and implementation of cost control measures in streamlining of the Group's operation.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources and liquidity

The Group's current assets mainly comprise cash and cash equivalents, trade and other receivables, and inventories. The Group's total current assets amounted to approximately HK$686.4 million and approximately HK$522.1 million as at 31 March 2018 and 2017 respectively, which represented approximately 62.6% and approximately 57.9% of the Group's total assets as at 31 March 2018 and 2017 respectively.

Capital structure

The Group's capital structure is summarised as follow:

	2018	2017
	HK$'000	*HK$'000*
Bank borrowings	**24,800**	45,200
Unsecured borrowings from a related company	**370,000**	270,000
Total debts	**394,800**	315,200
Shareholders' equity	**501,730**	414,412
Gearing ratio		
— Total debts to shareholders' equity ratio#	**78.7%**	76.1%

\# Total debts to shareholders' equity ratio is calculated based on total debts divided by shareholders' equity at the end of the respective year

The Group had recorded net cash inflow from operating activities of approximately HK$106.0 million and approximately HK$61.3 million for the years ended 31 March 2018 and 2017 respectively.

Details of the Group's bank borrowings and unsecured borrowings from a related company as at 31 March 2018 are set out in notes 16 and 17 to this annual results announcement respectively.

The capital structure of the Group consists of equity attributable to the equity holders of the Company (comprising issued share capital and reserves), bank borrowings and unsecured borrowings from a related company. 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 owners.

Capital expenditure

During the year ended 31 March 2018, the Group acquired property, plant and equipment of approximately HK$58.7 million during the normal and ordinary course of the Group's businesses, as compared to the year ended 31 March 2017 of approximately HK$29.6 million.

The Group financed its capital expenditure through cash flows generated from operating activities and unsecured borrowings from a related company.

Charges on the Group's assets

As at 31 March 2018 and 2017, there were no Group's bank borrowings secured by the leasehold land and buildings.

Foreign currency exposure

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

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

Capital commitments and operating lease commitments

Details of the Group's capital commitments and operating lease commitments as at 31 March 2018 are set out in note 18(a) and note 18(b) to this annual results announcement.

Contingent liabilities

As at 31 March 2018, the Group had no material contingent liabilities.

BUSINESS REVIEW

During the year ended 31 March 2018, the global and regional economic environment continued improving. In the US, unemployment rate continued to decline at steady pace which evidenced a promising up trend in its economy. While in China a satisfying gross domestic product growth rate was recorded. Overall speaking, the development in the global and regional economy favours domestic and industrial demand and results in a relatively easier environment for many businesses. However, apart from these favourable factors, the increasing operating cost in the manufacturing sector in the PRC, such as the increasing labour cost and appreciation of Renminbi, continued to exert pressure on the Group and its key customers. Further, the emergence of global trade disputes brought extra uncertainty to the general economic environment. As a result, the market demands remained unfavourable. The management of the Group exerted efforts in seeking a broader customer base and product portfolios, and implemented series of measures to minimise operating costs.

Given the various measures implemented by the management, the Group recorded revenue amounted to approximately HK$983.9 million for the year ended 31 March 2018, with an increase by approximately HK$104.4 million or 11.9% as compared to the corresponding period last year.

During the year, revenue generated from the Group's metal stamping segment was approximately HK$667.3 million. As compared to the corresponding period last year, it decreased by approximately HK$4.5 million or 0.7%. The metal stamping segment continued to be affected by the weakening demand from its customers engaged in office automation industry. However, such impact was partially offset by an increase in number of orders from certain customers engaged in medical and test equipment and finance equipment industries.

Regarding the metal lathing segment, revenue during the year was approximately HK$316.6 million. As compared to approximately HK$207.6 million recorded in the corresponding period last year, revenue derived from the metal lathing segment during the year showed an increase by approximately HK$109.0 million or 52.5%. Such improvement was mainly contributed from an increase in number of orders from customers engaged in the consumer electronics industry.

Due to the changes in product portfolio and higher operating efficiency, the overall gross profit margin of the Group during the year improved from approximately 23.9% in the corresponding period last year to approximately 30.1%. As such, the total gross profit of the Group increased by approximately HK$86.4 million from approximately HK$209.8 million during the corresponding period last year to approximately HK$296.2 million during the year ended 31 March 2018.

As a result of the above, the Group recorded net profit of approximately HK$35.2 million during the year ended 31 March 2018, which improved significantly as compared with the net loss of approximately HK$17.1 million of the same period last year.

Outlook and strategy

Along with the recovery of the global economy, there is increasing uncertainty arising from international trade disputes. The Group is closely assessing and monitoring the development in the US-China trade disputes. The Group will take appropriate actions to mitigate those impacts while necessary. Meanwhile, the difficulties faced by manufacturing industries in the PRC is expected to subsist in the foreseeable future. The increasing labour cost and material cost in the PRC will remain the major challenges to the Group. It is also expected that certain of our customers will continue to relocate their businesses to lower cost regions in Southeast Asia and the Group is required to stay flexible and agile to adapt to such changes. Because of the above factors, the Group remains cautious about the business environment in the coming year. To face these challenges, the Group will continue to streamline its operation and adopt stringent cost control policies to strengthen the financial position and improve the return on total assets and net assets.

Even though there was a slight decrease in the revenue of metal stamping segment, there was an encouraging increase in gross profit margin which in turn improved the performance of metal stamping segment. The metal lathing segment experienced significant improvement in both revenue and gross profit margin due to the increasing orders from consumer electronics industries. Nevertheless, the customers' continuing relocation to Southeast Asia creates more uncertainties for the Group. In this difficult situation, the Group will take steps to manage the operating cost, such as the labour cost, materials cost and financing cost, to mitigate the impacts.

In the coming year, the Group will put more efforts in broadening customer base and look for more new customers. Meanwhile, the Group will strive to maintain good relationships with customers and devote more effort in enhancing the overall operational efficiency. The controlling shareholder is still in the process of conducting a detailed review of the current businesses and searching for potential opportunities to diversify the Group's income streams. The Group will adhere to the Group's belief and cope with the challenges in order to create better returns for customers, shareholders and investors.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had a total number of 2,372 full-time employees (2017: 2,448). The Group determined the remuneration packages of all employees based on factors including individual qualifications, contribution to the Group, performance and years of experience of the respective staff.

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

The Group maintains good relationships with the Group's employees. The Group did not have any labour strikes or other labour disturbances that would have interfered with the Group's operations during the year ended 31 March 2018.

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

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 March 2018 (2017: nil).

No interim dividend was paid during the year (2017: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' right to attend and vote at the annual general meeting of the Company to be held on 22 August 2018 (the "**AGM**"), the register of members of the Company will be closed from Friday, 17 August 2018 to Wednesday, 22 August 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) 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 Thursday, 16 August 2018.

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 year ended 31 March 2018.

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 for Securities Transactions by Directors of Listed Issuers (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 year ended 31 March 2018 and up to the date of this annual results announcement.

REVIEW OF ACCOUNTS

The Company's audit committee has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2018.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong

Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this annual results announcement.

PURCHASE, SALE OR REDEMPTIONS OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.kingdom.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2018 annual report 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.