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 2018

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 2018 (the "**Reporting Period**") prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), together with the comparative figures for the corresponding period of 2017.

For and on behalf of
KFM Kingdom Holdings Limited
Zhang Haifeng
Chairman

Hong Kong, 26 November 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Notes	Six months ended 30 September 2018 *HK$'000* (Unaudited)	2017 *HK$'000* (Unaudited)
Revenue	5	**521,372**	503,164
Cost of sales		**(383,569)**	(341,022)
Gross profit		**137,803**	162,142
Other gains/(losses), net		**27,150**	(12,983)
Distribution and selling expenses		**(11,449)**	(9,904)
General and administrative expenses		**(99,772)**	(102,594)
Finance income		**119**	97
Finance costs		**(10,825)**	(9,448)
Profit before tax	6	**43,026**	27,310
Income tax expenses	7	**(10,871)**	(806)
Profit for the period		**32,155**	26,504
Other comprehensive (expense)/income for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(45,398)**	26,001
Total comprehensive (expense)/income for the period		**(13,243)**	52,505
Profit/(loss) for the period attributable to:			
— Owners of the Company		**31,578**	26,674
— Non-controlling interests		**577**	(170)
		32,155	26,504
Total comprehensive (expense)/income attributable to:			
— Owners of the Company		**(13,820)**	52,675
— Non-controlling interests		**577**	(170)
		(13,243)	52,505
Earnings per share			
— Basic and diluted *(HK cents)*	17	**5.26**	4.45

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2018

	Notes	**30 September 2018** ***HK$'000*** **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	**192,414**	382,247
Leasehold land and land use rights	9	**—**	23,925
Interest in an associated entity		**—**	—
Deferred income tax assets		**2,158**	4,503
Total non-current assets		**194,572**	410,675
Current assets			
Inventories	10	**101,717**	103,161
Trade and other receivables	11	**288,720**	235,242
Current income tax recoverable		**1,926**	1,926
Cash and cash equivalents		**352,167**	346,039
		744,530	686,368
Assets classified as held for sale	12	**186,891**	—
Total current assets		**931,421**	686,368
Total assets		**1,125,993**	1,097,043

	Notes	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
EQUITY			
Capital and reserves			
Share capital	13	**60,000**	60,000
Share premium	13	**26,135**	26,135
Reserves		**399,158**	412,978
Capital and reserves attributable to owners of the Company		**485,293**	499,113
Non-controlling interests		**3,194**	2,617
Total equity		**488,487**	501,730
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**8,797**	3,112
Unsecured borrowing from a related company	16	**—**	100,000
Deferred income tax liabilities		**7,837**	4,774
Total non-current liabilities		**16,634**	107,886
Current liabilities			
Trade and other payables	14	**202,097**	188,041
Bank borrowings	15	**—**	24,800
Obligations under finance leases		**6,976**	3,059
Unsecured borrowings from a related company	16	**370,000**	270,000
Current income tax liabilities		**5,307**	1,527
		584,380	487,427
Liabilities directly associated with the assets classified as held for sale	12	**36,492**	—
Total current liabilities		**620,872**	487,427
Total liabilities		**637,506**	595,313
Total equity and liabilities		**1,125,993**	1,097,043
Net current assets		**310,549**	198,941
Total assets less current liabilities		**505,121**	609,616

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 2018 (audited)	**60,000**	**26,135**	**3,445**	**46,321**	**37,721**	**325,491**	**499,113**	**2,617**	**501,730**
Profit for the period	—	—	—	—	—	**31,578**	**31,578**	**577**	**32,155**
Other comprehensive expense for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	**(45,398)**	—	**(45,398)**	—	**(45,398)**
Total comprehensive (expense)/income for the period	—	—	—	—	**(45,398)**	**31,578**	**(13,820)**	**577**	**(13,243)**
Transfer of retained profits to statutory reserve	—	—	—	**4,539**	—	**(4,539)**	—	—	—
Balance at 30 September 2018 (unaudited)	**60,000**	**26,135**	**3,445**	**50,860**	**(7,677)**	**352,530**	**485,293**	**3,194**	**488,487**

	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 (audited)	60,000	26,135	3,445	38,524	(14,393)	298,224	411,935	2,477	414,412
Profit/(loss) for the period	—	—	—	—	—	26,674	26,674	(170)	26,504
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	26,001	—	26,001	—	26,001
Total comprehensive income/(expense) for the period	—	—	—	—	26,001	26,674	52,675	(170)	52,505
Transfer of retained profits to statutory reserve	—	—	—	3,027	—	(3,027)	—	—	—
Balance at 30 September 2017 (unaudited)	60,000	26,135	3,445	41,551	11,608	321,871	464,610	2,307	466,917

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 its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is Workshop C, 31/F., TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The immediate holding company and controlling shareholder of the Company is Massive Force Limited ("**Massive Force**"), 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.

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 directors of the Company for issue on 26 November 2018.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2018 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This interim condensed consolidated financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the HKICPA.

3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial information have been prepared on the historical cost basis.

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018, except as described below.

Non-current assets held for sale

Non-current assets and disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or disposal group must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal group classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The application of these new and revised HKFRSs in the current interim period has had no material effects on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial information. The change in accounting policies of HKFRS 9 and 15 are set out in note 4 below.

HKFRS 9 *Financial instruments*

HKFRS 9 replaced HKAS 39 *Financial Instruments: Recognition and Measurement*, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets; and 3) general hedge accounting.

(a) Classification and measurements

At the date of initial application of HKFRS 9, the Group's management has reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of HKFRS 9, as explained below:

Trade and other receivables previously classified as loan and receivables carried at amortised cost:

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under HKAS 39.

(b) Impairment of financial assets

The Group has the following type of financial instruments that are subject to the new impairment requirements under HKFRS 9.

Trade and other receivables at amortised cost:

The Group applied the simplified approach to provide for expected credit losses ("**ECL**") under HKFRS 9 and recognised lifetime expected losses for all trade and other receivables. The trade and other receivables are grouped based on shared credit risk characteristics for measuring ECL.

Financial assets with low credit risk/credit risk has not increased significantly:

The Group measured a 12-month ECL in respect of the following financial instruments:

Financial assets including cash and cash equivalents for which credit risk has not increased significantly since initial recognition.

HKFRS 15 *Revenue from contracts with customers*

HKFRS 15 superseded HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group is principally engaged in the business of manufacture and sales of precision metal stamping and metal lathing products.

The Group concluded that revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. Therefore, the adoption of HKFRS 15 has no material impact on the timing of revenue recognition in this regard.

As required for the interim condensed consolidated financial information, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount and timing of the revenue are affected by economic factors. Enhanced disclosures are set out in note 5.

4. CHANGE IN ACCOUNTING POLICIES

HKFRS 9 *Financial instruments*

(a) Classification and measurements

All recognised financial assets that are within the scope of HKFRS 9 are to be subsequently measured at amortised cost or fair value, depending on the entity's business model for managing the financial assets and cash flow characteristics of the asset.

The Group classifies its financial assets:

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on principal outstanding are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses), net", together with foreign exchange gains and losses.

(b) Impairment of financial assets

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group has established a provision matrix taking into account the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

For other financial instruments, the ECL is based on the 12-month ECL. The 12-months ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group presumes that the credit risk on a financial asset has increased significantly when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the above requirements, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have a low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet it contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default and is estimated as the difference between all contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

HKFRS 15 *Revenue from contracts with customers*

Revenue is recognised to depict the transfer of promised goods to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods.

Revenue of the Group is recognised at a point in time when the customer obtains control of the distinct goods.

5. SEGMENT INFORMATION

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

The CODM have assessed the nature of the Group's businesses and determined that the Group has two operating and reporting 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.

Segment gross profit represents the gross profit from each segment without allocation of other gains/(losses), 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, current income tax recoverable, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

(a) The segment information provided to the CODM for the reportable segments is as follows:

(i) For the six months ended 30 September 2018

	Metal stamping *HK$'000* (Unaudited)	Metal lathing *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue			
Sales	**355,942**	**166,301**	**522,243**
Intersegment sales	**(490)**	**(381)**	**(871)**
Sales to external customers	**355,452**	**165,920**	**521,372**
Cost of sales	**(256,897)**	**(126,672)**	**(383,569)**
Segment gross profit	**98,555**	**39,248**	**137,803**
Unallocated expenses, net			**(84,071)**
Finance income			**119**
Finance costs			**(10,825)**
Profit before tax			**43,026**
Income tax expenses			**(10,871)**
Profit for the period			**32,155**
Segment depreciation	**10,057**	**7,989**	**18,046**
Unallocated depreciation			**2,720**
			20,766
Segment amortisation	**230**	**—**	**230**
Write-down/(reversals) of inventories	**2,290**	**(376)**	**1,914**

(ii) For the six months ended 30 September 2017

	Metal stamping *HK$'000* (Unaudited)	Metal lathing *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue			
Sales	344,929	159,348	504,277
Intersegment sales	(931)	(182)	(1,113)
Sales to external customers	343,998	159,166	503,164
Cost of sales	(232,808)	(108,214)	(341,022)
Segment gross profit	111,190	50,952	162,142
Unallocated expenses, net			(125,481)
Finance income			97
Finance costs			(9,448)
Profit before tax			27,310
Income tax expenses			(806)
Profit for the period			26,504
Segment depreciation	10,653	7,658	18,311
Unallocated depreciation			2,600
			20,911
Segment amortisation	219	—	219
Provision for impairment of property, plant and equipment	9,313	—	9,313
Write-down of inventories	1,966	1,065	3,031

(b) The segment assets are as follows:

(i) As at 30 September 2018

	Metal stamping *HK$'000* (Unaudited)	**Metal lathing** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Segment assets	**441,450**	**261,962**	**703,412**
Reconciliation			
Corporate and other unallocated assets:			
Deferred income tax assets			**4,158**
Current income tax recoverable			**1,926**
Cash and cash equivalents			**354,639**
Other unallocated head office and corporate assets *(Note)*			**61,858**
Total assets			**1,125,993**

(ii) As at 31 March 2018

	Metal stamping *HK$'000* (Audited)	Metal lathing *HK$'000* (Audited)	Total *HK$'000* (Audited)
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 *(Note)*			68,432
Total assets			1,097,043

Note: Other unallocated head office and corporate assets include certain property, plant and equipment, and certain deposits, prepayments and other receivables which are managed on a group basis.

(c) Set out below is the disaggregation of the Group's revenue from contracts with customers:

(i) Six months ended 30 September 2018

	Metal stamping *HK$'000* (Unaudited)	Metal lathing *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Geographical region			
The PRC	**224,356**	**125,114**	**349,470**
North America	**69,257**	**22,823**	**92,080**
Europe	**18,684**	**17,002**	**35,686**
Singapore	**25,902**	**139**	**26,041**
Japan	**9,127**	**—**	**9,127**
Others	**8,126**	**842**	**8,968**
Total	**355,452**	**165,920**	**521,372**

(ii) Six months ended 30 September 2017 *(note)*

	Metal stamping *HK$'000* (Unaudited)	Metal lathing *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Geographical region			
The PRC	226,123	120,464	346,587
North America	79,307	23,379	102,686
Europe	18,596	14,457	33,053
Singapore	5,667	85	5,752
Japan	10,203	—	10,203
Others	4,102	781	4,883
Total	343,998	159,166	503,164

Note: The Group initially applied HKFRS 15 in the current period and chose not to restate comparative information, therefore, this financial information was prepared using the previous accounting standards.

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**381,655**	337,991
Write-down of inventories (included in cost of sales)	**2,290**	3,031
Reversals of inventories (included in cost of sales)	**(376)**	—
Depreciation of property, plant and equipment	**20,766**	20,911
Provision for impairment of property, plant and equipment	**—**	9,313
Amortisation of leasehold land and land use rights	**230**	219
Minimum lease payment paid under operating lease rentals in respect of rented premises	**13,642**	12,148

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong	**—**	919
— The PRC	**7,720**	8,791
— Withholding tax	**378**	2,191
Adjustments in respect of		
— Over-provision in respect of prior years	**(501)**	(3,388)
	7,597	8,513
Deferred income tax	**3,274**	(7,707)
Total	**10,871**	806

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

Below are the major tax jurisdictions that the Group operates in for the six months ended 30 September 2018 and 2017.

(a) Hong Kong profits tax

No provision of Hong Kong profits tax has been made for the six months ended 30 September 2018 as the Group did not have any assessable profits generated.

The Group is subject to Hong Kong profits tax which is provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2017.

(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 rate for the six months ended 30 September 2018 is provided at the rate of 25% (2017: 25%).

Certain PRC subsidiaries from metal lathing and metal stamping 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 six months ended 30 September 2018, a lower 5% (2017: 5%) 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 since the six months ended 30 September 2017.

8. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
At 1 April	**382,247**	351,803
Additions	**13,356**	31,530
Disposals	**(502)**	(3,183)
Depreciation	**(20,766)**	(20,911)
Provision for impairment	**—**	(9,313)
Classified as held for sales	**(159,736)**	—
Exchange differences	**(22,185)**	15,109
At 30 September	**192,414**	365,035

9. LEASEHOLD LAND AND LAND USE RIGHTS

	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
At 1 April	**23,925**	22,233
Amortisation	**(230)**	(219)
Classified as held for sales	**(21,969)**	—
Exchange differences	**(1,726)**	1,173
At 30 September	**—**	23,187

10. INVENTORIES

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Raw materials	**27,341**	25,746
Work in progress	**25,483**	33,098
Finished goods	**48,893**	44,317
	101,717	103,161

11. TRADE AND OTHER RECEIVABLES

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables *(Note)*	**241,347**	194,425
Prepayments, deposits and other receivables	**47,673**	41,117
Amount due from an associated entity	**432**	432
Amounts due from non-controlling shareholders	**4,062**	4,062
	293,514	240,036
Less: Provision for impairment	**(4,794)**	(4,794)
	288,720	235,242

Note: The Group normally grants credit periods of 30 to 90 days (31 March 2018: 30 to 90 days). The ageing analysis of trade receivables based on invoice dates, which approximates the respective revenue recognition dates, is as follows:

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 3 months	**223,687**	181,116
3 to 6 months	**12,443**	10,998
6 months to 1 year	**4,265**	1,266
1 to 2 years	**952**	1,045
	241,347	194,425

12. NON-CURRENT ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 7 September 2018, Kingdom Precision Product Limited ("**KPP-HK**"), a wholly-owned indirect subsidiary of the Company, entered into a sale agreement with Kingdom International Group Limited ("**KIG**"), a related company of the Group, to dispose of its 100% equity interest in Kingdom Precision Science and Technology Holding Limited ("**KPST BVI**"), which was an investment holding company and in metal stamping segment prior to the disposal, at a consideration of HK$108,500,000. The net assets of KPST BVI and its subsidiaries were mainly property, plant and equipment and leasehold land and land use rights.

On 7 September 2018, Kingdom Fine Metal Limited ("**KFM-HK**"), a wholly-owned indirect subsidiary of the Company, entered into properties disposal agreements with Golden Express Capital Investment Limited ("**GECI**"), an indirectly wholly-owned subsidiary of KIG, to dispose of its one office premise and two car parking spaces in Hong Kong ("**Hong Kong Properties**"), which was presented within unallocated head office and corporate assets and used by the Group prior to the disposal, at an aggregated consideration of HK$61,500,000.

The disposal of KPST BVI and the Hong Kong Properties ("**Disposals**") are expected to be sold within twelve months from the end of the Reporting Period have been classified as non-current assets held for sale and are separately presented in the condensed consolidated statement of financial position. The sale proceeds are expected to exceed the net carrying amounts of the relevant assets and liabilities and, accordingly, no impairment has been recognised. The Disposals were negotiated under arm's length basis and approved by the board of directors of the Company.

The aggregate consideration of the Disposals of HK$170,000,000 in a whole will be used to off-set partial the unsecured borrowings from a related company on a dollar-to-dollar basis.

Major classes of assets and liabilities of the disposal group as at the end of the current interim period are as follows:

	30 September 2018 *HK$'000* **(Unaudited)**
Property, plant and equipment	**159,736**
Leasehold land and land use rights	**21,969**
Deferred income tax assets	**2,000**
Other receivables	**714**
Cash and cash equivalents	**2,472**
Total assets classified as held for sale	**186,891**
Other payables	**3,357**
Secured bank borrowings	**33,120**
Income tax payable	**15**
Total liabilities associated with assets classified as held for sale	**36,492**

The cumulative exchange loss in respect of net assets of KPST BVI is approximately HK$8,516,000.

As at 30 September 2018, the above bank borrowings were secured by leasehold land and land use rights and certain property, plant and equipment with a carrying amount of approximately HK$21,969,000 and HK$111,036,000 (31 March 2018: nil) respectively.

13. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares of HK$0.1 each

	Number of shares	**Share capital** *HK$'000*	**Share premium** *HK$'000*	**Total** *HK$'000*
Authorised				
At 30 September 2018 and 31 March 2018	4,500,000,000	450,000		
Issued and fully paid				
At 30 September 2018 and 31 March 2018	600,000,000	60,000	26,135	86,135

14. TRADE AND OTHER PAYABLES

	30 September 2018 ***HK$'000*** **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
Trade payables *(Note)*		
— third parties	**126,588**	107,238
— related companies	**505**	595
	127,093	107,833
Accruals, deposits and other payables	**75,004**	80,208
	202,097	188,041

Note: The ageing analysis of trade payables based on invoice dates at the end of the Reporting Period (including trade payables from related companies) is as follows:

	30 September 2018 ***HK$'000*** **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
Up to 3 months	**121,917**	101,334
3 to 6 months	**4,223**	4,668
6 months to 1 year	**505**	1,676
1 to 2 years	**448**	155
	127,093	107,833

15. BANK BORROWINGS

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Short-term bank borrowings	**—**	24,800

The interest-bearing bank borrowings as at 30 September and 31 March 2018 were carried at amortised cost, repayable within one year based on scheduled repayment dates and shown under current liabilities. As at 30 September 2018, secured bank borrowings of HK$33,120,000 have been reclassified to liabilities directly associated with the assets classified as held for sale.

16. UNSECURED BORROWINGS FROM A RELATED COMPANY

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Due for repayment within 1 year which contains a repayment on demand clause	**270,000**	270,000
Due for repayment within 1 year	**100,000**	—
Due for repayment after 1 year but within 2 years	**—**	100,000
	370,000	370,000
Less: Amount shown under current liabilities	**(370,000)**	(270,000)
Amount shown under non-current liabilities	**—**	100,000

During the six months ended 30 September 2018, unsecured borrowings of HK$370,000,000 (31 March 2018: HK$370,000,000) has been advanced from KIG, a company in which two directors of the Company have beneficial interest in, of which HK$370,000,000 (31 March 2018: HK$270,000,000) and nil (31 March 2018: HK$100,000,000) are due for repayment within one year and after one year but within two years respectively. The unsecured borrowings of HK$270,000,000 (31 March 2018: HK$270,000,000) are due for repayment within one year which contain a repayment on demand clause and are classified as current liabilities.

The effective interest rate of the unsecured borrowings from a related company is 5.25% per annum (31 March 2018: 5.25% per annum).

17. EARNINGS PER SHARE

Basic and diluted earnings per share

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**31,578**	26,674
Weighted average number of shares in issue *('000)*	**600,000**	600,000
Basic and diluted earnings per share *(HK cents per share)*	**5.26**	4.45

Basic earnings per share for the six months ended 30 September 2018 and 2017 is calculated by dividing the profit attributable to owners of the Company by 600,000,000 ordinary shares in issue during the period.

Diluted earnings per share is same as basic earnings per share as the Company had no potentially dilutive ordinary share in issue during the six months ended 30 September 2018 and 2017.

18. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2018 (2017: nil).

19. COMMITMENTS

(a) Capital commitments

	30 September	31 March
	2018	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for		
— Plant and machinery	**6,382**	6,591
— Capital investment	**5,270**	9,533
	11,652	16,124

(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:

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 year	**28,421**	28,748
Later than 1 year and not later than 5 years	**79,725**	87,781
Later than 5 years	**22,373**	35,090
	130,519	151,619

The leases typically run for an initial period of two to ten years (31 March 2018: two to ten years). Certain of the operating leases contain renewal options which allow the Group to renew.

REVIEW OF INTERIM RESULTS

The interim results and the interim condensed consolidated financial information of the Group for the Reporting Period, after being reviewed by the audit committee of the Company (the "**Audit Committee**") and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, were approved by the Board on 26 November 2018.

BUSINESS REVIEW

The trade disputes between the United States of America (the "**US**") and China overshadowed the business environment of the Group during the Reporting Period and the global economy is still full of uncertainties. The market demand in the manufacturing industries has therefore inevitably been affected. Further to the global trade difficulties, the foreign exchange of Renminbi ("**RMB**") was even more volatile than before. Meanwhile, the Group was still under the pressure from increasing material cost, labour cost and operating cost in the PRC.

As such, the Group exerted efforts in broadening customer base and made a revenue growth during the Reporting Period. The Group recorded revenue amounted to approximately HK$521.4 million for the Reporting Period, with an increase by approximately HK$18.2 million or 3.6% as compared to a revenue amounted to approximately HK$503.2 million during the corresponding period last year.

During the Reporting Period, revenue generated from the Group's metal stamping segment was approximately HK$355.5 million with an increase by approximately HK$11.5 million or 3.3% as compared to the same of the corresponding period last year. Although the metal stamping segment continued to be affected by the weakening demand from its customers engaged in office automation industry, finance equipment industry and medical and test equipment industry, the Group sought to increase revenue derived from customers engaged in network and data storage industry.

Regarding the metal lathing segment, the Group recorded revenue of approximately HK$165.9 million during the Reporting Period. As compared to the revenue of approximately HK$159.2 million in the corresponding period last year, revenue derived from the metal lathing segment showed an increase by approximately HK$6.7 million or 4.2%. The increase was mainly attributable to incremental revenue derived from newly developed customers in order to compensate the drop in demand from the customers who engaged in the consumer electronics industry.

Due to the changes in product portfolio and higher production cost, the overall gross profit margin of the Group during the Reporting Period decreased from approximately 32.2% in the corresponding period last year to approximately 26.4% in the Reporting Period. As such, the total gross profit of the Group decreased by approximately

HK$24.3 million from approximately HK$162.1 million during the corresponding period last year to approximately HK$137.8 million during the six months ended 30 September 2018.

During the Reporting Period, the volatility in RMB exchange rates resulted in a net exchange gain of approximately HK$25.7 million in contrast with a net exchange loss of approximately HK$11.4 million recorded in the corresponding period last year. As a result of the above, the Group recorded net profit of approximately HK$32.2 million during the Reporting Period, as compared with a net profit of approximately HK$26.5 million during the corresponding period last year.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2018, revenue of the Group was approximately HK$521.4 million, representing an increase of approximately HK$18.2 million or 3.6% from approximately HK$503.2 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			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Metal Stamping	**355,452**	**68.2**	343,998	68.4
Metal Lathing	**165,920**	**31.8**	159,166	31.6
	521,372	**100.0**	503,164	100.0

Revenue derived from the metal stamping segment increased by approximately HK$11.5 million or 3.3% from approximately HK$344.0 million for the six months ended 30 September 2017 to approximately HK$355.5 million for the Reporting Period. During the Reporting Period, the Group experienced an increase number of orders from customers who engaged in the network and data storage industry, despite the decrease in demand from the customers who engaged in other industries such as office automation, finance equipment, medical and test equipment.

Revenue derived from the metal lathing segment increased by approximately HK$6.7 million or 4.2% from approximately HK$159.2 million for the six months ended 30 September 2017 to approximately HK$165.9 million for the Reporting Period. The increase was mainly attributed by an increase in revenue arising from the Group's effort in developing new customers, while offsetting the decrease in number of orders placed by the customers who engaged in the consumer electronics industry.

Geographically, the PRC, North America, Europe and Singapore continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 67.0%, 17.7%, 6.8% and 5.0% of the Group's revenue, respectively, for the Reporting Period. Details of a breakdown of revenue generated by different geographical locations are set out in Note 5(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 (including the write-down for inventories as disclosed in Note 6 in this interim results announcement after regular review of the Group's inventory provision policy). Set out below is the breakdown of the Group's cost of sales:

	Six months ended 30 September			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Direct materials	**216,935**	**56.6**	181,332	53.2
Direct labour	**79,048**	**20.6**	75,931	22.3
Processing fee	**53,358**	**13.9**	51,530	15.1
Other direct overheads	**34,228**	**8.9**	32,229	9.4
	383,569	**100.0**	341,022	100.0

During the Reporting Period, cost of sales of the Group increased by approximately HK$42.6 million or 12.5% as compared to the same of the corresponding period last year. The increase was primarily due to the increase in the Group's total revenue, higher production cost and the change in product mix during the Reporting Period. Due to the increase mainly from, among others, the material and labour costs, the percentage of cost of sales to the total revenue during the Reporting Period was approximately 73.6%, representing an increase of approximately 5.8%, as compared to approximately 67.8% in the corresponding period last year.

Gross profit and gross profit margin

During the Reporting Period, the gross profit margin of the Group was approximately 26.4%, with a decrease by approximately 5.8% as compared to approximately 32.2% in the corresponding period last year. The drop in gross profit margin was mainly due to the increase in raw material cost, labour cost and other overheads.

In respect of the Group's metal stamping segment, gross profit margin dropped from approximately 32.3% in the corresponding period last year to approximately 27.7% during the Reporting Period. Such decrease was mainly the result of surging production cost and change in product mix during the Reporting Period.

In respect of the Group's metal lathing segment, gross profit margin dropped from approximately 32.0% for the six months ended 30 September 2017 to approximately 23.7% during the Reporting Period. Such decrease was mainly due to the higher material costs and the reduction in revenue derived from the sale of more profitable products to customers who engaged in the consumer electronics industry during the Reporting Period.

For details of the gross profit of the Group's two segments, please refer to Note 5(a) of this interim results announcement.

Other gains/(losses), net

During the Reporting Period, the Group recorded other gain, net which amounted to approximately HK$27.2 million. In the corresponding period last year, the Group recorded other loss, net of approximately HK$13.0 million. Upon the depreciation of RMB against United States dollars during the Reporting Period, the Group recorded net exchange gain of approximately HK$25.7 million, while during the same period last year the Group recorded net exchange loss of approximately HK$11.4 million. In addition, the Group recorded loss from disposal of property, plant and equipment of approximately HK$0.4 million during the Reporting Period, while the Group recorded loss from disposal of property, plant and equipment amounted to approximately HK$2.9 million for the six months ended 30 September 2017.

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, 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$11.4 million and HK$9.9 million for the six months ended 30 September 2018 and 2017, respectively. The increase in distribution and selling expenses was mainly attributed to the increase in revenue during the Reporting Period.

General and administrative expenses

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

The general and administrative expenses of the Group decreased from approximately HK$102.6 million for the six months ended 30 September 2017 to approximately HK$99.8 million for the Reporting Period. The decrease was mainly due to a provision for impairment of fixed assets of approximately HK$9.3 million recorded during the six months ended 30 September 2017, whereas no such provision was recorded during the Reporting Period.

Finance costs

The Group's finance costs represented interest expenses on bank borrowings and unsecured borrowings from a related company. During the Reporting Period, the Group's finance costs was approximately HK$10.8 million, as compared to approximately HK$9.4 million for the corresponding period last year. Increase in finance costs was mainly due to an increase in average balances of borrowings as compared to corresponding period last year.

Income tax expenses

The Group's income tax expenses amounted to approximately HK$10.9 million for the Reporting Period, while the Group's income tax expenses for the six months ended 30 September 2017 amounted to approximately HK$0.8 million. During the same period last year, the Group made a successful application under the tax treaty arrangement between the PRC and Hong Kong, and adopted a lower 5% PRC withholding income tax rate as compared the 10% in the previous years. The Group therefore recorded a reversal of deferred tax provision and took into consideration of the tax effects. As such the effective tax rate was approximately 3.0% for the six months ended 30 September 2017. Excluding such factors, the adjusted effective tax rate for the same period last year would have been approximately 20.0% while the same for the Reporting Period would have been approximately 17.7%.

Profit attributable to owners of the Company

For the Reporting Period, profit attributable to owners of the Company amounted to approximately HK$31.6 million, while there was profit attributable to owners of the Company amounted to approximately HK$26.7 million for the corresponding period last year.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources and liquidity

The Group's current assets comprise mainly cash and cash equivalents, trade and other receivables and inventories. As at 30 September and 31 March 2018, the Group's total current assets amounted to approximately HK$931.4 million and HK$686.4 million respectively, which represented approximately 82.7% and 62.6% of the Group's total assets as at 30 September and 31 March 2018, respectively.

Capital structure

The Group's capital structure is summarised as follows:

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secured bank borrowings*	**33,120**	24,800
Unsecured borrowings from a related company	**370,000**	370,000
Total debts	**403,120**	394,800
Shareholders' equity	**488,487**	501,730
Gearing ratio		
— Total debts to shareholders' equity ratio#	**82.5%**	78.7%

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

* The secured bank borrowings were classified as liabilities directly associated with the assets held for sale.

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

Details of the Group's bank borrowings and unsecured borrowings from a related company as at 30 September 2018 are set out in Notes 15 and 16, respectively, in this interim results announcement.

As at 30 September 2018, the Group's bank borrowings were denominated in RMB, where as the unsecured borrowings from a related company were denominated in Hong Kong dollars.

The capital structure of the Group consists of equity attributable to the equity holder 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 owners.

Capital expenditure

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK$13.4 million, as compared to the six months ended 30 September 2017 of approximately HK$31.5 million.

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

Charges on the Group's assets

As at 30 September 2018, the Group's bank borrowings amounted to approximately HK$33,120,000 (31 March 2018: nil), which have been reclassified to liabilities directly associated with assets classified as held for sales, were secured by the leasehold land and buildings classified as held for sales with a carrying value of approximately HK$133,005,000 (31 March 2018: nil). The details are set out in the notes 12 and 15 of this interim results announcement.

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 RMB, 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 30 September 2018 are set out in Notes 19(a) and 19(b), respectively, in this interim results announcement.

Contingent liabilities

As at 30 September 2018, the Group had no material contingent liabilities.

OUTLOOK AND STRATEGY

Looking forward, the China-US trade disputes will continue for a period of time and the world political and economic environment, with factors such as the foreign exchange volatility and interest rate hike, will continue to pose more risks and uncertainties. The deleveraging process in China will put more pressure on the economy. In addition the Group is facing the surging operating costs, in particular the increasing labour cost and material cost in the PRC manufacturing industry. It is also expected that the customers of the Group will continue to relocate their businesses to lower cost regions such as the Southeast Asia.

Following the Disposals (as defined below) as disclosed in the section headed "subsequent event" below in this announcement, the Group will be in a more flexible position to cope with the emerging uncertainties remained in the global political and economic environment.

In the coming year, the Group will put more efforts in broadening customer base and look for more new customers even though this initiative will be more difficult under the current circumstances due to the escalation of the China-US trade disputes. Meanwhile, the Group will strive to maintain good relationships with customers and devote more effort in enhancing the overall operational efficiency. The controlling shareholder of the Company 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 its belief and cope with the challenges in order to create better value and returns for customers, shareholders and investors.

SUBSEQUENT EVENT

Reference is made to the announcements of the Company dated 7 September 2018 and 1 November 2018 as well as the circular of the Company ("**Circular**") dated 19 October 2018. Capitalised terms used herein the section below shall have the same meanings as those defined in the Circular, unless the context requires otherwise. On 7 September 2018, a subsidiary of the Group, KPP, entered into an agreement with KIG, pursuant to which KIG acquired and KPP sold the entire issued share capital of the Target Company, which indirectly wholly-owned the Suzhou Factory, at HK$108,500,000. In addition, another then subsidiary of the Group, KFM, entered into agreements with a subsidiary of KIG namely GECI, pursuant to which GECI acquired and KFM sold the Hong Kong Properties, being one office premises and two car parking spaces in Hong Kong, at the aggregate consideration of HK$61,500,000. Completion of the transactions contemplated under the Disposal Agreements took place on 1 November 2018. The consideration of the Disposals was paid and satisfied by offsetting in full an indebtedness of the same amount owing by the Group to the KIG Group.

The Group and the KIG Group also entered into Leasing Agreements, pursuant to which the Company's subsidiaries namely, KPP(SZ) and KFM, shall respectively lease the Suzhou Factory and Hong Kong Properties from the KIG Group for a term of three years commencing from the completion date of the Disposal Agreements. Upon completion of each of the transactions contemplated under the Disposal Agreements, the transactions contemplated under the Leasing Agreements also constitute continuing connected transactions for the Company. The annual cap were set at HK$21,000,000, HK$21,000,000 and HK$21,000,000 with respect to the transactions contemplated under the Leasing Agreements for the three years ending 31 March 2019, 2020 and 2021 respectively.

Upon completion of the Company Disposal Agreement, the Target Companies have ceased to be subsidiaries of the Company and their financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group. Upon completion of the Properties Disposal Agreements, the Hong Kong Properties have ceased to be held by the Group. WFOE, an indirect wholly-owned subsidiary of the Target Company, was indebted to KPP(SZ), an indirect wholly-owned subsidiary of the Company, the Existing Loan in aggregated amounts of approximately RMB8.6 million. It was one of the undertakings by KIG under the Company Disposal Agreement that KIG shall procure WFOE to settle in full the Existing Loan within 180 days from completion of the transactions contemplated under the Company Disposal Agreement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group had a total number of 2,144 full-time employees (as at 30 September 2017: 2,224). The Group determined the remuneration packages of all employees based on several factors including individual qualifications, contribution to the Group, performance and years of experience of the respective staff.

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

The Group maintains good relationship with the Group's employees. The Group did not have any labour strikes or other labour disturbances that would have interfered with the Group's operations during the Reporting Period.

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

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 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 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 2018.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2018.

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 2018 and had discussed the financial information with management and the independent auditor of the Company. The Audit Committee is of the view that the preparation of such financial report has complied with the standard and requirements and that adequate disclosures have been made.

SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED CORPORATIONS

Save as disclosed in the section headed "subsequent event" in this announcement, during the six months ended 30 September 2018, the Group did not conduct any other disposals or acquisitions for its subsidiaries and 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 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.kingdom.com.hk and the Stock Exchange's website at www.hkexnews.hk. The interim report for the six months ended 30 September 2018 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.