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 2019

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 2019 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 2018.

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

Hong Kong, 26 June 2019

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 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	4	**1,006,441**	983,935
Cost of sales		**(754,201)**	(687,750)
Gross profit		**252,240**	296,185
Other gains/(losses), net	5	**44,735**	(24,646)
Distribution and selling expenses		**(25,074)**	(21,228)
General and administrative expenses		**(192,984)**	(190,875)
Finance income		**388**	136
Finance costs		**(17,460)**	(20,156)
Gain on disposal of subsidiaries	18	**3,884**	—
Profit before tax	6	**65,729**	39,416
Income tax expenses	7	**(15,037)**	(4,212)
Profit for the year		**50,692**	35,204
Other comprehensive (expenses)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(36,737)**	52,114
Release of exchange reserve upon disposal of subsidiaries	18	**8,521**	—
Release of exchange reserve upon deregistration of subsidiaries		**110**	—
Other comprehensive (expenses)/income for the year		**(28,106)**	52,114
Total comprehensive income for the year		**22,586**	87,318
Profit for the year attributable to:			
— Owners of the Company		**49,658**	35,064
— Non-controlling interests		**1,034**	140
		50,692	35,204
Total comprehensive income attributable to:			
— Owners of the Company		**21,552**	87,178
— Non-controlling interests		**1,034**	140
		22,586	87,318
EARNINGS PER SHARE			
— Basic and diluted *(HK cents)*	8	**8.28**	5.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**190,450**	382,247
Leasehold land and land use rights	11	**—**	23,925
Interest in an associated entity		**—**	—
Deferred income tax assets		**1,890**	4,503
Total non-current assets		**192,340**	410,675
Current assets			
Inventories	12	**98,682**	103,161
Trade and bills receivables	13	**237,293**	194,425
Prepayments, deposits and other receivables		**42,912**	40,817
Current income tax recoverable		**2,204**	1,926
Cash and cash equivalents		**357,171**	346,039
Total current assets		**738,262**	686,368
Total assets		**930,602**	1,097,043

	Notes	**2019**	2018
		HK$'000	*HK$'000*
EQUITY			
Capital and reserves			
Share capital	14	**60,000**	60,000
Share premium	14	**26,135**	26,135
Reserves		**434,530**	412,978
Capital and reserves attributable to owners of the Company		**520,665**	499,113
Non-controlling interests		**3,651**	2,617
Total equity		**524,316**	501,730
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**5,233**	3,112
Deferred income tax liabilities		**7,327**	4,774
Unsecured borrowings from a related company	17	**—**	100,000
Total non-current liabilities		**12,560**	107,886
Current liabilities			
Trade and other payables	15	**183,322**	188,041
Bank borrowings	16	**—**	24,800
Obligations under finance leases		**7,127**	3,059
Unsecured borrowings from a related company	17	**200,000**	270,000
Current income tax liabilities		**3,277**	1,527
Total current liabilities		**393,726**	487,427
Total liabilities		**406,286**	595,313
Total equity and liabilities		**930,602**	1,097,043
Net current assets		**344,536**	198,941
Total assets less current liabilities		**536,876**	609,616

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Exchange reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Exchange reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Balance at 1 April 2018	**60,000**	**26,135**	**3,445**	**46,321**	**37,721**	**325,491**	**499,113**	**2,617**	**501,730**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**49,658**	**49,658**	**1,034**	**50,692**
Other comprehensive (expenses)/income for the year:									
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**(36,737)**	**—**	**(36,737)**	**—**	**(36,737)**
Release of exchange reserve upon disposal of subsidiaries *(note 18)*	**—**	**—**	**—**	**—**	**8,521**	**—**	**8,521**	**—**	**8,521**
Release of exchange reserve upon deregistration of subsidiaries	**—**	**—**	**—**	**—**	**110**	**—**	**110**	**—**	**110**
Total comprehensive (expenses)/income for the year	**—**	**—**	**—**	**—**	**(28,106)**	**49,658**	**21,552**	**1,034**	**22,586**
Transfer of retained profits to statutory reserve	**—**	**—**	**—**	**7,320**	**—**	**(7,320)**	**—**	**—**	**—**
Balance at 31 March 2019	**60,000**	**26,135**	**3,445**	**53,641**	**9,615**	**367,829**	**520,665**	**3,651**	**524,316**

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 ("**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 sale 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 Listing Rules on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

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(FRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 *Financial Instruments* has been summarised below. The application of other new and amendements to 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 the consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 3 to the consolidated financial statements included in annual report.

(a) Classification and measurements of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that all recongised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39. The financial assets of the Group are trade and bills receivables, deposits and other receivables and cash and cash equivalents which were classified as loan and receivables under HKAS 39. They are classified as financial assets at amortised cost as at adoption of HKFRS 9.

(b) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 April 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different to the recognition under HKAS 39.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new or amendments to HKFRSs and Int(s) that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective for annual periods beginning on or after date to be determined.
[5] Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 16 *Leases*

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

The Group is a lessee of office premises, manufacturing plants and warehouses, the leases of which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in note 3 to the consolidated financial statements included in annual report. As at 31 March 2019, the Group had non-cancellable minimum operating lease commitments of approximately HK$169,718,000 as disclosed in note 19(b), which are not reflected in the consolidated statement of financial position. Given that the non-cancellable operating lease commitments account for 42% of the total liabilities of the Group as at 31 March 2019, the directors of Company expect that the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial positions. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and the corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK (IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits as of 1 April 2019, if any, and that comparatives will not be restated.

Based on the preliminary assessment, upon the initial adoption of HKFRS 16, the opening balances of lease liabilities would be approximately HK$152,075,000 and the corresponding right-of-use assets would be approximately HK$152,075,000.

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 described in note 3 to the consolidated financial statements included in annual report. 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, gain on disposal of subsidiaries, 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 2019:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment revenue			
Sales	**669,051**	**339,480**	**1,008,531**
Intersegment sales	**(1,137)**	**(953)**	**(2,090)**
Sales to external customers	**667,914**	**338,527**	**1,006,441**
Cost of sales	**(499,306)**	**(254,895)**	**(754,201)**
Segment gross profit	**168,608**	**83,632**	**252,240**
Unallocated expenses, net			**(169,439)**
Finance income			**388**
Finance costs			**(17,460)**
Profit before tax			**65,729**
Income tax expenses			**(15,037)**
Profit for the year			**50,692**

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit:				
Depreciation	**18,088**	**16,527**	**4,855**	**39,470**
Write-down (reversals) of inventories	**4,288**	**(221)**	**—**	**4,067**
Amounts regularly provided to the CODM but not included in the measure of segment profit:				
Amortisation	**267**	**—**	**—**	**267**

(ii) **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

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit:				
Depreciation	21,006	16,011	5,296	42,313
Write-down of inventories	1,721	2,180	—	3,901
Amounts regularly provided to the CODM but not included in the measure of segment profit:				
Amortisation	446	—	—	446
Provision for impairment of property, plant and equipment	9,475	—	—	9,475

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

(i) As at 31 March 2019:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment assets	**297,518**	**254,961**	**552,479**
Reconciliation			
Corporate and other unallocated assets			
Deferred income tax assets			**1,890**
Current income tax recoverable			**2,204**
Cash and cash equivalents			**357,171**
Other unallocated head office and corporate assets			**16,858**
Total assets			**930,602**
Segment liabilities	**132,584**	**46,277**	**178,861**
Reconciliation			
Corporate and other unallocated liabilities			
Deferred income tax liabilities			**7,327**
Bank borrowings			**—**
Obligations under finance leases			**12,360**
Unsecured borrowings from a related company			**200,000**
Current income tax liabilities			**3,277**
Other unallocated head office and corporate liabilities			**4,461**
Total liabilities			**406,286**
Segmental capital expenditures	**18,375**	**4,964**	**23,339**
Reconciliation			
Other unallocated head office and corporate capital expenditures			**4,098**
Total capital expenditures			**27,437**

(ii) 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			
Reconciliation	127,292	55,543	182,835
Corporate and other unallocated liabilities			
Deferred income tax liabilities			4,774
Bank borrowings			24,800
Obligation under a finance lease			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

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

(i) For the year ended 31 March 2019

	Metal stamping *HK$'000*	**Metal lathing** *HK$'000*	**Total** *HK$'000*
Geographical region			
The PRC	**419,484**	**261,517**	**681,001**
North America	**128,935**	**45,455**	**174,390**
Europe	**33,918**	**29,900**	**63,818**
Japan	**15,953**	**—**	**15,953**
Singapore	**62,948**	**167**	**63,115**
Others	**6,676**	**1,488**	**8,164**
Total	**667,914**	**338,527**	**1,006,441**

(ii) For the year ended 31 March 2018 *(note)*

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Geographical region			
The PRC	435,943	246,427	682,370
North America	147,988	41,434	189,422
Europe	35,473	26,918	62,391
Japan	19,502	—	19,502
Singapore	13,528	156	13,684
Others	14,900	1,666	16,566
Total	667,334	316,601	983,935

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

(d) The total of non-current assets, other than deferred income tax assets, of the Group as at 31 March 2019 and 2018 are as follows:

	2019	2018
	HK$'000	*HK$'000*
The PRC	**176,092**	341,868
Hong Kong	**14,358**	64,304
	190,450	406,172

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

	2019	2018
	HK$'000	*HK$'000*
Customer A[1]	**105,486**	105,999

[1] Revenue from metal stamping

5. OTHER GAINS/(LOSSES), NET

	2019	2018
	HK$'000	*HK$'000*
Gain/(loss) on disposal of property, plant and equipment	**16,768**	(3,293)
Loss on deregistration of subsidiaries	**(110)**	—
Net exchange gain/(loss)	**16,749**	(25,974)
Government subsidies *(note (i))*	**10,073**	3,463
Others	**1,255**	1,158
	44,735	(24,646)

Note:

(i) The amounts represented the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the years ended 31 March 2019 and 2018.

6. PROFIT BEFORE TAX

Profit for the year has been arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Staff costs		
Directors' emoluments	**4,993**	4,968
Other staff:		
— salaries and other allowances	**232,411**	234,074
— retirement benefits scheme contributions (excluding directors)	**5,608**	5,342
	243,012	244,384
Auditor's remuneration		
— audit services	**1,320**	1,250
— non-audit services	**420**	220
Cost of inventories sold *(note (a))*	**750,134**	683,849
Depreciation of property, plant and equipment	**39,470**	42,313
Provision for impairment of property, plant and equipment	**—**	9,475
Amortisation of leasehold land and land use rights	**267**	446
Minimum lease payment paid under operating lease rentals in respect of rented premises	**34,971**	25,642
Research and development expenses *(note (b))*	**44,012**	43,197

Notes:

(a) Included in cost of sales was write-down of inventories of approximately HK$4,288,000 (2018: approximately HK$3,901,000) and reversal of inventories of approximately HK$221,000 (2018: nil).

(b) Included in research and development expenses was staff cost of approximately HK$16,584,000 (2018: approximately HK$15,040,000) which has been included in staff cost disclosure above.

7. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
— The PRC	**10,895**	10,178
— Withholding tax	**1,471**	4,670
Adjustments in respect of		
— Over-provision in prior years	**(501)**	(2,032)
	11,865	12,816
Deferred income tax	**3,172**	(8,604)
Total	**15,037**	4,212

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 2019 and 2018.

(a) Hong Kong profits tax

For the years ended 31 March 2019 and 2018, Hong Kong profits tax was calculated at a fixed rate of 16.5% of the estimated assessable profits. No tax is payable on the profit for the years ended 31 March 2019 and 2018 arising in Hong Kong since there are no assessable profits generated.

(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 2019 is provided at the rate of 25% (2018: 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 2019, a lower 5% (2018: 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 during the year ended 31 March 2018.

8. EARNINGS PER SHARE

Basic and diluted earnings per share

	2019	2018
Profit attributable to owners of the Company *(HK$'000)*	**49,658**	35,064
Weighted average number of shares in issue *('000)*	**600,000**	600,000
Basic and diluted earnings per share *(HK cents per share)*	**8.28**	5.84

Basic earnings per share for the years ended 31 March 2019 and 2018 is calculated by dividing the profit attributable to owners of the Company by 600,000,000 ordinary shares in issue during the years ended 31 March 2019 and 2018.

Diluted earnings per share is the same as basic earnings per share as the Company had no potentially dilutive ordinary share in issue during the years ended 31 March 2019 and 2018.

9. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

10. PROPERTY, PLANT AND EQUIPMENT

	2019 ***HK$'000***	2018 *HK$'000*
At 1 April	**382,247**	351,803
Additions	**27,437**	58,731
Disposals	**(45,671)**	(3,635)
Disposal of subsidiaries *(note 18)*	**(114,786)**	—
Depreciation	**(39,470)**	(42,313)
Impairment charge	**—**	(9,475)
Exchange differences	**(19,307)**	27,136
At 31 March	**190,450**	382,247

11. LEASEHOLD LAND AND LAND USE RIGHTS

	2019	2018
	HK$'000	*HK$'000*
Land use rights in the PRC	**—**	23,925

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:

	2019	2018
	HK$'000	*HK$'000*
At 1 April	**23,925**	22,233
Amortisation	**(267)**	(446)
Disposal of subsidiaries *(note 18)*	**(21,933)**	—
Exchange differences	**(1,725)**	2,138
At 31 March	**—**	23,925

12. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**32,693**	25,746
Work in progress	**18,827**	33,098
Finished goods	**47,162**	44,317
	98,682	103,161

13. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Bills receivables *(note (a))*	**7,605**	—
Trade receivables *(note (b))*	**229,688**	194,425
	237,293	194,425

Notes:

(a) The aging analysis of bills receivables presented based on the issue date at the end of the reporting period is as follows:

	2019	2018
	HK$'000	*HK$'000*
Up to 3 months	**7,605**	—

(b) The Group normally grants credit periods of 30 to 90 days (2018: 30 to 90 days). The following is an aged analysis of trade receivables presented based on the date of delivery, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2019	2018
	HK$'000	*HK$'000*
Up to 3 months	**197,058**	181,116
3 to 6 months	**29,983**	10,998
6 months to 1 year	**1,904**	1,266
1 to 2 years	**743**	1,045
	229,688	194,425

14. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares of HK$0.1 each

	Number of shares	Share capital	Share premium	Total
		HK$'000	*HK$'000*	*HK$'000*
Authorised				
At 31 March 2018 and 2019	4,500,000,000	450,000		
Issued and fully paid				
At 31 March 2018 and 2019	600,000,000	60,000	26,135	86,135

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables *(note)*		
— third parties	**112,039**	107,238
— related companies	**290**	595
	112,329	107,833
Accruals and other payables	**70,993**	80,208
	183,322	188,041

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:

	2019	2018
	HK$'000	*HK$'000*
Up to 3 months	**107,317**	101,334
3 to 6 months	**4,440**	4,668
6 months to 1 year	**213**	1,676
1 to 2 years	**359**	155
	112,329	107,833

16. BANK BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Short-term bank borrowings, unsecured	—	24,800

The interest-bearing bank borrowings as at 31 March 2019 and 2018 were carried at amortised cost, repayable based on the scheduled repayment dates set out in the loan agreements as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year and on demand	—	24,800

17. UNSECURED BORROWINGS FROM A RELATED COMPANY

	2019	2018
	HK$'000	*HK$'000*
Due for repayment within 1 year which contains a repayment on demand clause	**200,000**	270,000
Due for repayment after 1 year but within 2 years	—	100,000
	200,000	370,000
Less: Amount shown under current liabilities	**(200,000)**	(270,000)
Amount shown under non-current liabilities	—	100,000

As at 31 March 2019, unsecured borrowings of HK$200,000,000 (2018: HK$370,000,000) were advanced from Kingdom International Group Limited ("**KIG**"), a company in which two directors of the Company, Mr. Sun Kwok Wah Peter ("**Mr. Sun**") and Mr. Wong Chi Kok, have beneficial interest in, of which HK$200,000,000 (2018: HK$270,000,000) contain a repayment on demand clause.

The interest rate of the unsecured borrowings from a related company is at prime rate which ranged from 5.25% to 5.38% per annum (2018: 5.25% per annum).

Subsequent to the year ended 31 March 2019, the Company renewed unsecured borrowings of HK$140,000,000 and HK$30,000,000 with KIG for another 1 year upon the expiry in March 2019 and June 2019 respectively at the prime rate of 5.38% per annum.

Subsequent to the end of the reporting period on 1 May 2019, Mr. Sun disposed of his entire beneficial interests in KIG to his close family member and on 6 May 2019, he resigned as the sole director of KIG.

18. DISPOSAL OF SUBSIDIARIES

Kingdom Precision Science and Technology Holding Limited ("**KPST**") and its subsidiaries (collectively referred to as the "**KPST Group**")

On 7 September 2018, Kingdom Precision Product Limited ("**KPP**"), a wholly-owned indirect subsidiary of the Company, entered into a sale agreement with KIG, a related company of the Group, to dispose of its 100% equity interest in KPST, 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 Group were mainly property, plant and equipment and leasehold land and land use rights. The consideration was used to off-set with partial of the unsecured borrowings from KIG on a dollar-to-dollar basis. The Group lost its control over KPST Group and KPST Group ceased to be the subsidiaries of the Group after the completion of abovementioned disposal on 1 November 2018. The net assets of KPST Group at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost on 1 November 2018:	
Property, plant and equipment	114,786
Leasehold land and land use right	21,933
Deferred tax assets	1,994
Other receivables	1,136
Cash and cash equivalents	1,187
Other payables	(11,821)
Bank borrowings	(33,120)
Net assets disposed of	96,095
Gain on disposal of KPST Group:	
Consideration	108,500
Net assets disposed of	(96,095)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	(8,521)
Gain on disposal of subsidiaries	3,884
Net cash outflow arising on disposal:	
Cash consideration received	—
Less: cash and cash equivalents disposed of	(1,187)
	(1,187)

19. COMMITMENTS

(a) Capital commitments

	2019	2018
	HK$'000	*HK$'000*
Authorised or contracted for but not provided:		
— Plant and machinery	**1,732**	6,591
— Capital investment	**5,270**	9,533
	7,002	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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**49,489**	28,748
Later than 1 year and not later than 5 years	**108,848**	87,781
Later than 5 years	**11,381**	35,090
	169,718	151,619

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

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2019, revenue of the Group reached approximately HK$1,006.4 million, representing an increase of approximately HK$22.5 million or 2.3% from approximately HK$983.9 million for the corresponding period last year. Set out below is a breakdown of the Group's revenue by business segments:

	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Metal stamping	**667,914**	**66.4**	667,334	67.8
Metal lathing	**338,527**	**33.6**	316,601	32.2
	1,006,441	**100.0**	983,935	100.0

Revenue derived from the metal stamping segment increased by approximately HK$0.6 million or 0.1% from approximately HK$667.3 million for the year ended 31 March 2018 to approximately HK$667.9 million for the year ended 31 March 2019. During the year ended 31 March 2019, the Group experienced an increase in revenue derived from customers who are engaged in the network and data storage industry and the medical and test equipment industry, which was partially offset by decrease in orders from customers who are engaged in the office automation, consumer electronics and finance equipment industries.

Revenue derived from the metal lathing segment increased by approximately HK$21.9 million or 6.9% from approximately HK$316.6 million for the year ended 31 March 2018 to approximately HK$338.5 million for the year ended 31 March 2019. The increase was mainly attributed to an increase in number of orders from newly developed customers.

Geographically, the PRC, North America, Europe and Singapore continued to be the major markets of the Group's products. Sale to such areas accounted for approximately 67.7%, 17.3%, 6.3% and 6.3% of the Group's revenue respectively for the year ended 31 March 2019. Details of revenue generated by different geographical locations are set out in note 4(c) to the consolidated financial statements of the Group in 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			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Direct materials	**407,130**	**54.0**	379,710	55.2
Direct labour	**158,687**	**21.0**	161,245	23.5
Processing fee	**96,415**	**12.8**	94,467	13.7
Other direct overheads	**91,969**	**12.2**	52,328	7.6
	754,201	**100.0**	687,750	100.0

During the year ended 31 March 2019, cost of sales of the Group increased by approximately HK$66.4 million or 9.7% 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, the increase in material cost and overheads during the year ended 31 March 2019. The percentage of cost of sales to the total revenue during the current year was approximately 74.9%, representing an increase of approximately 5.0%, as compared to approximately 69.9% in the corresponding period last year.

Gross profit and gross profit margin

During the year ended 31 March 2019, the Group's gross profit was approximately HK$252.2 million, representing a decrease of approximately 14.8% as compared to the corresponding period in 2018. The drop in gross profit margin was mainly attributable to the change of product mix as compared to the same period last year and a higher production cost during the year.

In respect of the Group's metal stamping segment, gross profit margin has decreased from approximately 29.7% in the corresponding period last year to approximately 25.2% for the year ended 31 March 2019. Such decrease was mainly attributable to the higher material cost and rental cost for the current year as compared to the last year.

In respect of the Group's metal lathing segment, gross profit margin was reduced from approximately 31.0% for the year ended 31 March 2018 to approximately 24.7% for the year ended 31 March 2019. Such decrease was due to change in product mix by higher proportion of sales of lower margin products.

Other gains/(losses), net

During the year ended 31 March 2019, the Group recorded other gains, net which amounted to approximately HK$44.7 million. In the corresponding period of 2018, the Group recorded other losses, net of approximately HK$24.6 million. The change in the other gains, net was mainly due to (i) disposal of the Group's properties in Hong Kong of approximately HK$17.2 million as set out in the paragraph "Disposal of assets" in this announcement; (ii) net exchange gain of approximately HK$16.7 million arising from depreciation of Renminbi against United States dollars during this year, as compared to net exchange loss of approximately HK$26.0 million during the same period last year; and (iii) an increase in government subsidies by approximately HK$6.6 million to approximately HK$10.1 million.

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$25.1 million and approximately HK$21.2 million for the years ended 31 March 2019 and 2018 respectively. The increase in distribution and selling expenses was mainly attributed to the increase in costs related to personnel and rentals 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 increased from approximately HK$190.9 million for the year ended 31 March 2018 to approximately HK$193.0 million for the year ended 31 March 2019. The increase was primarily due to increase in legal and professional costs arising from the disposal of assets and other consultancy fees for streamlining of operations incurred during the year ended 31 March 2019, which was partially offset by no provision for impairment of property, plant and equipment being recorded during year (2018: HK$9.5 million).

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 2019, the Group's finance costs were approximately HK$17.5 million, as compared to approximately HK$20.2 million for the corresponding period of 2018. The decrease in finance costs was mainly due to a decrease 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$15.0 million and approximately HK$4.2 million for the years ended 31 March 2019 and 2018 respectively. 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 PRC withholding income tax rate than before, so that the Group recorded a reversal of deferred tax provision of approximately HK$6.9 million. As there was no such reversal this year, there was an increase in income tax expenses as compared to the year ended 31 March 2018.

Excluding the above factors and the effect of tax loss arising from the loss making subsidiaries of the Company, the adjusted effective tax rate would have been approximately 17.0% during the current year, while the same for the prior year would have been approximately 20.8%.

Profit attributable to owners of the Company

For the year ended 31 March 2019, profit attributable to owners of the Company amounted to approximately HK$50.7 million, as compared with the profit attributable to owners of the Company of approximately HK$35.2 million for the corresponding period in 2018. The increase in net profit was mainly attributable to the increase in revenue, net gain in foreign exchange and the gain on disposal of assets as mentioned above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources and liquidity

The Group's current assets mainly comprise cash and cash equivalents, trade and bill receivables, prepayments, deposits and other receivables, and inventories. The Group's total current assets amounted to approximately HK$738.3 million and approximately HK$686.4 million as at 31 March 2019 and 2018 respectively, which represented approximately 79.3% and approximately 62.6% of the Group's total assets as at 31 March 2019 and 2018 respectively.

Capital structure

The Group's capital structure is summarised as follow:

	2019	2018
	HK$'000	*HK$'000*
Bank borrowings	—	24,800
Unsecured borrowings from a related company	**200,000**	370,000
Total debts	**200,000**	394,800
Shareholders' equity	**524,316**	501,730
Gearing ratio		
— Total debts to shareholders' equity ratio#	**38.1%**	78.7%

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$37.2 million and approximately HK$106.0 million for the years ended 31 March 2019 and 2018 respectively.

Details of the Group's bank borrowings and unsecured borrowings from a related company as at 31 March 2019 are set out in notes 16 and 17 to the consolidated financial statements of the Group in 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 2019, the Group acquired property, plant and equipment of approximately HK$27.4 million during the normal and ordinary course of the Group's businesses, as compared to the year ended 31 March 2018 of approximately HK$58.7 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, 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 2019 are set out in note 19(a) and note 19(b) to the consolidated financial statements of the Group in this annual results announcement, respectively.

Contingent liabilities

As at 31 March 2019, the Group had no material contingent liabilities.

Disposal of assets

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 Company, 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 indirect wholly-owned the Suzhou Factory, at a consideration of HK$108.5 million. In addition, another then subsidiary of the Company, 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$61.5 million. Completion of the transactions contemplated under the Disposal Agreements took place on 1 November 2018. The Group recorded gains of approximately HK$3.9 million and HK$17.2 million from disposal of Target Companies and Hong Kong Properties respectively. Together with the release of translation reserve upon disposal of the subsidiaries of approximately HK$8.5 million, total gain of approximately HK$29.6

million was derived from the Disposals. 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 completion date of the Disposals.

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$21.0 million, HK$21.0 million and HK$21.0 million with respect to the transactions contemplated under the Leasing Agreements for the 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 amount 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. The Existing Loan was settled subsequently within 180 days.

Subsequent event

Subsequent to 31 March 2019, the Group renewed unsecured borrowing of approximately HK$140 million in April 2019, and HK$30 million in June 2019 with KIG. The details are set out in the note 17 to the consolidated financial statements of the Group in this annual results announcement.

BUSINESS REVIEW

During the current year, global economic conditions remained volatile. The momentum of world economic growth slowed down. Furthermore, the trade disputes between the United States and China have posed the economy with challenges and uncertainties.

Apart from these unfavourable factors, the increasing operating cost in the manufacturing sector in the PRC, such as the increasing labour cost, continued to exert pressure on the Group and its key customers. The Group strived to seek a broader customer base and product portfolios, and implemented series of measures to minimise operating costs. As such, with an aim to strengthen the financial position for more flexibility and liquidity and higher asset turnover, the Group disposed of certain companies which held Suzhou Factory and sold properties in Hong Kong to KIG and its subsidiary during the year. The Group has leased back the disposed properties for a term of three years commencing from the completion date of such disposals. With the disposal gain and reduction in its indebtedness of the same amount as the consideration, the disposals were considered in line with the Group's strategy to strengthen the financial position of the Group. The details of the disposals are disclosed in the paragraph headed "Disposal of assets" in this announcement.

The Group recorded revenue amounted to approximately HK$1,006.4 million for the year ended 31 March 2019, with an increase by approximately HK$22.5 million or 2.3% as compared to the corresponding period last year. During the year, revenue generated from the Group's metal stamping segment was approximately HK$667.9 million, maintained at the same level as last year. The metal stamping segment continued to be affected by the weakening demand from its customers engaged in office automation, consumer electronics and finance equipment industries. However, such impact was partially offset by an increase in number of orders from certain customers engaged in mainly the network and data storage, and the medical and test equipment industries. Regarding the metal lathing segment, revenue during the year was approximately HK$338.5 million, representing an increase by approximately HK$21.9 million or 6.9% from previous year mainly due to orders from newly developed customers. Due to the changes in product mix and surging production cost, the overall gross profit margin of the Group during the year was reduced from approximately 30.1% in the corresponding period last year to approximately 25.1%. Overall, the Group recorded the total gross profit of approximately HK$252.2 million for the year as compared to approximately HK$296.2 million in last year. In addition, the Group recorded other gains, net amounting to approximately HK$44.7 million for the current year in contrast to other losses, net amounting to approximately HK$24.6 million for last year. The other gains mainly arose from the disposal of Hong Kong Properties and depreciation of Renminbi against US dollar.

As a result of the above, the Group recorded net profit of approximately HK$50.7 million during the year ended 31 March 2019, which improved significantly as compared with approximately HK$35.2 million of the same period last year.

Outlook and strategy

Uncertainties in US-China trade disputes, currency fluctuations and expectation of slower growth in major economies are posing headwinds and heightening risks to regional economic prospects. During the second quarter of 2019, major economies in the world signaled a deteriorating situation with considerable uncertainties in economic and trade conditions which will likely persist throughout the year and beyond. The retaliatory escalation of tariffs from both sides during the recent negotiations may lead to full scale of economic crisis detrimental to the manufacturing sectors in China. The Group has exposure to the threat with a certain proportion of revenue dervied from export to the US that net profit in the coming year may be therefore affected. The management 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 are expected to subsist in the foreseeable future. The increasing labour cost and material cost in the PRC will remain the major challenges for the Group to manage. It is also expected that certain of the Group's 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. The Group remains cautious about the business environment in the coming year and 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.

In view of decreasing gross profit of metal stamping and metal lathing segments, the Group will take steps to manage the operating cost, such as the labour cost, materials cost and financing cost. In the coming year, the Group will put more efforts in broadening its customer base and developing more new customers in the region. Meanwhile, the Group will strive to maintain good relationships with existing 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 2019, the Group had a total number of 2,253 full-time employees (2018: 2,372). 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 2019.

As required by the 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 2019 (2018: nil).

No interim dividend was paid during the year (2018: 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 2019 (the "**AGM**"), the register of members of the Company will be closed from Monday, 19 August 2019 to Thursday, 22 August 2019, 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 Friday, 16 August 2019.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the "**Branch Share Registrar**"), will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

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 2019.

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 2019 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 2019.

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 2019 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.

SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED CORPORATIONS

Save as disclosed in the paragraph headed "Disposal of Assets" of this announcement, during the year ended 31 March 2019, the Group did not conduct any other disposals or acquisitions for its subsidiaries and associated corporations.

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 2019.

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 2019 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.