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 2020

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 2020 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 2019.

For the year ended 31 March 2020, profit attributable to owners of the Company amounted to approximately HK$0.6 million, while profit attributable to owners of the Company amounted to approximately HK$50.7 million for the corresponding period last year. Excluding the impact caused by the extraordinary items as further discussed under the paragraph headed "Profit attributable to owners of the Company" in this annual results announcement, being extraordinary gain for the year ended 31 March 2019 and extraordinary loss for the year ended 31 March 2020, the net profit for the two years were approximately HK$29.6 million and HK$27.4 million, respectively.

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

Hong Kong, 24 June 2020

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 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	4	**986,744**	1,006,441
Cost of sales		**(751,675)**	(754,201)
Gross profit		**235,069**	252,240
Other gains, net	5	**26,039**	44,735
Distribution and selling expenses		**(21,562)**	(25,074)
General and administrative expenses		**(186,352)**	(192,984)
Finance income		**894**	388
Finance costs		**(18,611)**	(17,460)
(Loss)/gain on disposal of subsidiaries	17	**(26,786)**	3,884
Profit before tax	6	**8,691**	65,729
Income tax expenses	7	**(8,059)**	(15,037)
Profit for the year		**632**	50,692
Other comprehensive (expenses)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(20,368)**	(36,737)
Release of exchange reserve upon disposal of subsidiaries	17	**7,529**	8,521
Release of exchange reserve upon deregistration of subsidiaries		**–**	110
Other comprehensive expenses for the year		**(12,839)**	(28,106)
Total comprehensive (expenses)/income for the year		**(12,207)**	22,586
Profit/(loss) for the year attributable to:			
– Owners of the Company		**644**	49,658
– Non-controlling interests		**(12)**	1,034
		632	50,692
Total comprehensive (expenses)/income attributable to:			
– Owners of the Company		**(12,195)**	21,552
– Non-controlling interests		**(12)**	1,034
		(12,207)	22,586
EARNINGS PER SHARE			
– Basic and diluted (HK cents)	8	**0.11**	8.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**132,010**	190,450
Leasehold land and land use rights	*11*	**–**	–
Intangible assets		**–**	–
Goodwill		**–**	–
Interest in an associate		**–**	–
Right-of-use assets		**42,364**	–
Rental deposits		**3,255**	6,969
Deferred income tax assets		**667**	1,890
Total non-current assets		**178,296**	199,309
Current assets			
Inventories	*12*	**64,642**	98,682
Trade and bills receivables	*13*	**165,780**	237,293
Prepayments, deposits and other receivables		**29,408**	35,943
Current income tax recoverable		**829**	2,204
Cash and cash equivalents		**386,354**	357,171
Total current assets		**647,013**	731,293
Total assets		**825,309**	930,602
EQUITY			
Capital and reserves			
Share capital	*14*	**60,000**	60,000
Share premium	*14*	**26,135**	26,135
Reserves		**422,335**	434,530
Capital and reserves attributable to owners of the Company		**508,470**	520,665
Non-controlling interests		**3,639**	3,651
Total equity		**512,109**	524,316

	Notes	**2020** **HK$'000**	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**–**	5,233
Leases liabilities		**18,362**	–
Deferred income tax liabilities		**879**	7,327
Total non-current liabilities		**19,241**	12,560
Current liabilities			
Trade and other payables	*15*	**94,871**	183,322
Obligations under finance leases		**–**	7,127
Leases liabilities		**29,727**	–
Unsecured borrowings from a related company	*16*	**166,000**	200,000
Current income tax liabilities		**3,361**	3,277
Total current liabilities		**293,959**	393,726
Total liabilities		**313,200**	406,286
Total equity and liabilities		**825,309**	930,602
Net current assets		**353,054**	337,567
Total assets less current liabilities		**531,350**	536,876

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	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	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 17)*	–	–	–	–	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

	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 2019	**60,000**	**26,135**	**3,445**	**53,641**	**9,615**	**367,829**	**520,665**	**3,651**	**524,316**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**644**	**644**	**(12)**	**632**
Other comprehensive (expenses)/income for the year:									
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(20,368)**	**–**	**(20,368)**	**–**	**(20,368)**
Release of exchange reserve upon disposal of subsidiaries (note 17)	**–**	**–**	**–**	**–**	**7,529**	**–**	**7,529**	**–**	**7,529**
Total comprehensive (expenses)/income for the year	**–**	**–**	**–**	**–**	**(12,839)**	**644**	**(12,195)**	**(12)**	**(12,207)**
Disposal of subsidiaries	**–**	**–**	**(1,087)**	**(13,286)**	**–**	**14,373**	**–**	**–**	**–**
Transfer of retained profits to statutory reserve	**–**	**–**	**–**	**6,901**	**–**	**(6,901)**	**–**	**–**	**–**
	–	**–**	**(1,087)**	**(6,385)**	**–**	**7,472**	**–**	**–**	**–**
Balance at 31 March 2020	**60,000**	**26,135**	**2,358**	**47,256**	**(3,224)**	**375,945**	**508,470**	**3,639**	**512,109**

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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 *Leases* resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below.

The application of other new and amendments 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.

3.1 Impacts on adoption of HKFRS 16 *Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use assets and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3 to the consolidated financial statements included in annual report. The Group has applied HKFRS 16 modified retrospectively and has not been restated comparatives for the reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 *Determining Whether an Arrangement Contains a Lease* were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was ranged from 3.96% to 9.98% per annum.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liabilities.

The Group leases certain plant and equipment and motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amounts of the right-of-use assets and the lease liabilities at 1 April 2019 were determined at the carrying amounts of the lease assets included in property, plant and equipment and obligations under finance leases under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases previously presents as a separate line item is now included within lease liabilities, and the carrying amounts of the corresponding lease assets are identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amounts previously reported at 31 March 2019 *HK$'000*	Impact on adoption of HKFRS 16 *HK$'000*	Carrying amounts as restated at 1 April 2019 *HK$'000*
Property, plant and equipment	(a)	190,450	(20,568)	169,882
Right-of-use assets	(a), (b)	–	170,842	170,842
Obligations under finance leases	(a)	12,360	(12,360)	–
Lease liabilities	(a), (b)	–	162,634	162,634

Notes:

(a) The obligations under finance leases of approximately HK$12,360,000 previously presents as a separate line item as at 31 March 2019 are now included within lease liabilities under HKFRS 16. The carrying amounts of the related assets under finance leases amounting to approximately HK$20,568,000 included in property, plant and equipment is reclassified to right-of-use assets.

(b) As at 1 April 2019, the Group recognised right-of-use assets at an amount equal to the lease liabilities of approximately HK$150,274,000 in respect of leases of buildings.

Differences between operating lease commitments as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

	HK$'000
Operating lease commitment disclosed as at 31 March 2019	169,718
Discounted using the incremental borrowing rate at 1 April 2019	150,274
Add: Finance lease liabilities recognised under HKAS 17 as at 31 March 2019	12,360
Lease liabilities recognised as at 1 April 2019	162,634
Analysed as	
Current portion	47,520
Non-current portion	115,114
	162,634

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative to performing an impairment review;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3.2 New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 3	Definition of a Business[5]
Amendment to HKFRS 16	Covid-19 Related Rent Concessions[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 June 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a 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.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 April 2020, with early application permitted.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments are intended to make the definition of material in HKAS 1 *Presentation of Financial Statements* easier to understand and are not intended to alter the underlying concept of materiality in HKFRSs. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in HKAS 8 *Accounting Policies, Changes in Accounting Estimates, and Errors* has been replaced by a reference to the definition of material in HKAS 1. In addition, other Standards and the Conceptual Framework were that contain a definition of material or refer to the term 'material' were amended to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 April 2020, with earlier application permitted.

4. 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.

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, net, distribution and selling expenses, general and administrative expenses, (loss)/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 associate, 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.

Segment liabilities exclude deferred income tax liabilities, 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 and right-of-use assets.

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

Upon application of HKFRS 16, the Group's right-of-use assets and lease liabilities are now included in the measure of segment assets and segment liabilities respectively at 31 March 2020. Comparative information is not restated.

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

(i) For the year ended 31 March 2020:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment revenue			
Sales	**684,567**	**303,646**	**988,213**
Intersegment sales	**(227)**	**(1,242)**	**(1,469)**
Sales to external customers	**684,340**	**302,404**	**986,744**
Cost of sales	**(512,075)**	**(239,600)**	**(751,675)**
Segment gross profit	**172,265**	**62,804**	**235,069**
Unallocated expenses, net			**(208,661)**
Finance income			**894**
Finance costs			**(18,611)**
Profit before tax			**8,691**
Income tax expenses			**(8,059)**
Profit for the year			**632**

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit:				
Depreciation of property, plant and equipment	**12,283**	**15,246**	**3,023**	**30,552**
Depreciation of right-of-use assets	**33,792**	**10,443**	**2,325**	**46,560**

(ii) 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 of property, plant and equipment	18,088	16,527	4,855	39,470
Amounts regularly provided to the CODM but not included in the measure of segment profit:				
Amortisation	267	–	–	267

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

(i) As at 31 March 2020:

	Metal stamping *HK$'000*	Metal lathing *HK$'000*	Total *HK$'000*
Segment assets	**174,465**	**245,801**	**420,266**
Reconciliation			
Corporate and other unallocated assets			
Deferred income tax assets			**667**
Current income tax recoverable			**829**
Cash and cash equivalents			**386,354**
Other unallocated head office and corporate assets			**17,193**
Total assets			**825,309**
Segment liabilities	**72,942**	**62,348**	**135,290**
Reconciliation			
Corporate and other unallocated liabilities			
Deferred income tax liabilities			**879**
Unsecured borrowings from a related company			**166,000**
Current income tax liabilities			**3,361**
Other unallocated head office and corporate liabilities			**7,670**
Total liabilities			**313,200**
Segmental capital expenditures	**10,965**	**15,066**	**26,031**
Reconciliation			
Other unallocated head office and corporate capital expenditures			**6,580**
Total capital expenditures			**32,611**

(ii) 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
Obligation under a finance lease			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

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

(i) For the year ended 31 March 2020

	Metal stamping *HK$'000*	**Metal lathing** *HK$'000*	**Total** *HK$'000*
Geographical region			
The PRC	**405,990**	**241,172**	**647,162**
North America	**106,296**	**28,806**	**135,102**
Singapore	**114,424**	**97**	**114,521**
Europe	**34,805**	**31,787**	**66,592**
Japan	**10,304**	**–**	**10,304**
Others	**12,521**	**542**	**13,063**
Total	**684,340**	**302,404**	**986,744**

(ii) 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
Singapore	62,948	167	63,115
Europe	33,918	29,900	63,818
Japan	15,953	–	15,953
Others	6,676	1,488	8,164
Total	667,914	338,527	1,006,441

(d) The total of non-current assets, other than rental deposits and deferred income tax assets, of the Group as at 31 March 2020 and 2019 are as follows:

	2020	2019
	HK$'000	*HK$'000*
The PRC	**167,420**	176,092
Hong Kong	**6,954**	14,358
	174,374	190,450

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

	2020	2019
	HK$'000	*HK$'000*
Customer A[1]	**113,599**	105,486

[1] Revenue from metal stamping

5. OTHER GAINS, NET

	2020	2019
	HK$'000	*HK$'000*
(Loss)/gain on disposal of property, plant and equipment	**(2,521)**	16,768
Loss on deregistration of subsidiaries	**–**	(110)
Reversal of impairment of property, plant and equipment	**217**	–
Net exchange gain	**12,476**	16,749
Government subsidies *(Note)*	**14,056**	10,073
Others	**1,811**	1,255
	26,039	44,735

Note:

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 2020 and 2019.

6. PROFIT BEFORE TAX

Profit for the year has been arrived at after charging:

	2020	2019
	HK$'000	*HK$'000*
Staff costs		
Directors' emoluments	**5,068**	4,993
Other staff:		
– salaries and other allowances	**229,579**	232,411
– retirement benefits scheme contributions (excluding directors)	**5,746**	5,608
	240,393	243,012
Auditor's remuneration		
– audit services	**1,270**	1,320
– non-audit services	**420**	420
Cost of inventories sold *(Note (a))*	**754,947**	750,134
Depreciation of property, plant and equipment	**30,552**	39,470
Depreciation of right-of-use assets	**46,560**	–
Amortisation of leasehold land and land use rights	**–**	267
Minimum lease payment paid under operating lease rentals in respect of rented premises	**–**	34,971
Research and development expenses *(Note (b))*	**39,277**	44,012

Notes:

(a) Included in cost of sales was reversal of inventories of approximately HK$3,272,000 (2019: approximately HK$221,000). No write-down of inventories has been included in cost of sales for the year ended 31 March 2020 (2019: approximately HK$4,288,000).

(b) Included in research and development expenses was staff cost of approximately HK$17,012,000 (2019: approximately HK$16,584,000) which has been included in staff cost disclosure above.

7. INCOME TAX EXPENSES

	2020	2019
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong	**1,983**	–
– The PRC	**3,841**	10,895
– Withholding tax	**8,189**	1,471
Adjustments in respect of		
– Over-provision in prior years	**(174)**	(501)
	13,839	11,865
Deferred income tax	**(5,780)**	3,172
Total	**8,059**	15,037

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 2020 and 2019.

(a) Hong Kong profits tax

For the year ended 31 March 2020, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. No tax is payable on the profit arising in Hong Kong for the year ended 31 March 2019 since the Group did not have any 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 rate for the year ended 31 March 2020 is provided at the rate of 25% (2019: 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 dividend withholding 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 2020, a lower 5% (2019: 5%) PRC dividend withholding 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 in the year ended 31 March 2018.

8. EARNINGS PER SHARE

Basic and diluted earnings per share

	2020	2019
Profit attributable to owners of the Company *(HK$'000)*	**644**	49,658
Weighted average number of shares in issue *('000)*	**600,000**	600,000
Basic and diluted earnings per share *(HK cents per share)*	**0.11**	8.28

Basic earnings per share for the years ended 31 March 2020 and 2019 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 2020 and 2019.

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 2020 and 2019.

9. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

10. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	HK$'000	*HK$'000*
At 1 April	**190,450**	382,247
Additions	**24,339**	27,437
Disposals	**(3,362)**	(45,671)
Disposal of subsidiaries *(note 17)*	**(38,454)**	(114,786)
Depreciation	**(30,552)**	(39,470)
Reversal of impairment loss	**217**	–
Impact on initial adoption of HKFRS 16 *(Note)*	**(20,568)**	–
Transfer from right-of-use assets	**16,777**	–
Exchange differences	**(6,837)**	(19,307)
At 31 March	**132,010**	190,450

Note: At 31 March 2019, the carrying values of plant and machinery and motor vehicles included an amount of approximately HK$19,799,000 and HK$769,000 in respect of assets under finance lease respectively.

11. LEASEHOLD LAND AND LAND USE RIGHTS

	2019
	HK$'000
Land use rights in the PRC	–

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
	HK$'000
At 1 April	23,925
Amortisation	(267)
Disposal of subsidiaries *(note 17)*	(21,933)
Exchange differences	(1,725)
At 31 March	–

12. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**27,752**	32,693
Work in progress	**16,823**	18,827
Finished goods	**20,067**	47,162
	64,642	98,682

13. TRADE AND BILLS RECEIVABLES

	2020 HK$'000	2019 HK$'000
Bills receivables *(Note (a))*	**8,159**	7,605
Trade receivables *(Note (b))*		
– third parties	**157,510**	229,688
– a related company	**111**	–
	157,621	229,688
	165,780	237,293

As at 31 March 2020, the gross amount of trade receivables and bills receivables arising from contracts with customers amounted to approximately HK$157,621,000 and HK$8,159,000 (2019: approximately HK$229,688,000 and HK$7,605,000) respectively.

The Group did not hold any collaterals over these balances.

Notes:

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

	2020 HK$'000	2019 HK$'000
Up to 3 months	**8,159**	7,605

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the counterparties are banks with high credit ratings, no additional loss allowance was provided on the Group's bills receivables in the years ended 31 March 2020 and 2019.

(b) The Group normally grants credit periods of 30 to 90 days (2019: 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.

	2020 HK$'000	2019 HK$'000
Up to 3 months	**127,321**	197,058
3 to 6 months	**28,053**	29,983
6 months to 1 year	**2,215**	1,904
1 to 2 years	**32**	743
	157,621	229,688

14. SHARE CAPITAL AND SHARE PREMIUM

Ordinary share of HK$0.1 each

	Number of shares	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
Authorised				
At 31 March 2019 and 2020	4,500,000,000	450,000		
Issued and fully paid				
At 31 March 2019 and 2020	600,000,000	60,000	26,135	86,135

15. TRADE AND OTHER PAYABLES

	2020 *HK$'000*	2019 *HK$'000*
Trade payables *(Note)*		
– third parties	**67,164**	112,039
– related companies	**2,080**	290
	69,244	112,329
Accruals and other payables	**25,627**	70,993
	94,871	183,322

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:

	2020 *HK$'000*	2019 *HK$'000*
Up to 3 months	**63,673**	107,317
3 to 6 months	**5,417**	4,440
6 months to 1 year	**91**	213
1 to 2 years	**63**	359
	69,244	112,329

16. UNSECURED BORROWINGS FROM A RELATED COMPANY

	2020	2019
	HK$'000	*HK$'000*
Due for repayment within 1 year which contains a repayment on demand clause	**166,000**	200,000

As at 31 March 2020, unsecured borrowings of HK$166,000,000 (2019: HK$200,000,000) were advanced from Kingdom International Group Limited ("**KIG**"), a company in which a director of the Company, namely Mr. Wong Chi Kwok ("**Mr. Wong**") (2019: two directors of the Company, namely Mr. Sun Kwok Wah Peter ("**Mr. Sun**") and Mr. Wong) has beneficial interest in, of which HK$166,000,000 (2019: HK$200,000,000) contain a repayment on demand clause.

During the year ended 31 March 2020, 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.

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 (2019: ranged from 5.25% to 5.38% per annum).

Subsequent to the year ended 31 March 2020, the Group renewed unsecured borrowings of HK$106,000,000 and HK$30,000,000 with KIG for another 1 year upon the expiry in March 2020 and June 2020 respectively at the prime rate per annum.

17. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2020

KFM Group Limited ("**KFM BVI**") and its subsidiaries (collectively referred to as the "**KFM Group**")

On 22 January 2020, Able Elite Holdings Limited ("**Able Elite**"), a wholly-owned direct 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 KFM BVI, which was an investment holding company and in metal stamping segment prior to the disposal, at a consideration of HK$44,000,000. 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 KFM Group and KFM Group ceased to be the subsidiaries of the Group after the completion of abovementioned disposal on 13 March 2020. The net assets of the KFM Group at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	38,454
Intangible assets	–
Goodwill	–
Interest in an associate	–
Right-of-use assets	66,026
Deferred tax assets	601
Inventories	26,885
Trade receivables	62,821
Prepayments, deposits and other receivables	21,636
Cash and cash equivalents	29,477
Trade and other payables *(Note)*	(111,051)
Lease liabilities	(69,364)
Income tax payables	(2,182)
Deferred tax liabilities	(46)
Net assets disposed of	63,257

Note: Included in trade and other payables was amount due to the Group of approximately HK$20,261,000 which is unsecured, carrying interest at prime rate per annum and repayable on demand.

Loss on disposal of KFM Group:	
Consideration	44,000
Net assets disposed of	(63,257)
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	(7,529)
Loss on disposal of subsidiaries	(26,786)
Net cash outflow arising on disposal:	
Cash consideration received	–
Less: cash and cash equivalents disposed of	(29,477)
	(29,477)

For the year ended 31 March 2019

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:	
Property, plant and equipment	114,786
Leasehold land and land use rights	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)

18. COMMITMENTS

Capital commitments

	2020	2019
	HK$'000	*HK$'000*
Authorised or contracted for but not provided:		
– Plant and machinery	**11,284**	1,732
– Capital investment	**5,270**	5,270
	16,554	7,002

19. COMPARATIVE FIGURES

Rental deposits with amount of approximately HK$6,969,000 as at 31 March 2019 included in prepayments, deposits and other receivables has been reclassified to non-current assets to conform with current period's presentation.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2020, revenue of the Group was approximately HK$986.7 million, representing a decrease of approximately HK$19.7 million or 2.0% from approximately HK$1,006.4 million for the corresponding period last year. Set out below is a breakdown of the Group's revenue by business segments:

	2020		2019	
	HK$'000	*%*	*HK$'000*	*%*
Metal stamping	**684,340**	**69.4**	667,914	66.4
Metal lathing	**302,404**	**30.6**	338,527	33.6
	986,744	**100.0**	1,006,441	100.0

Revenue derived from the metal stamping segment increased by approximately HK$16.4 million or 2.5% from approximately HK$667.9 million for the year ended 31 March 2019 to approximately HK$684.3 million for the year ended 31 March 2020. During the year ended 31 March 2020, the Group experienced an increase in number of orders mainly from customers who engaged in the network and data storage industry, despite the decrease in demand from the customers who engaged in office automation industry.

Revenue derived from the metal lathing segment decreased by approximately HK$36.1 million or 10.7% from approximately HK$338.5 million for the year ended 31 March 2019 to approximately HK$302.4 million for the year ended 31 March 2020. The decrease was mainly attributed by a decrease in revenue arising from the decrease in number of orders placed by the customers who engaged in the consumer electronics industry and medical and test equipment industry.

Geographically, the PRC, North America, Singapore and Europe continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 65.6%, 13.7%, 11.6% and 6.7% of the Group's revenue, respectively, for the year ended 31 March 2020. Details of a breakdown 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 (including the write-down and reversal for inventories as disclosed in note 6 in this annual 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:

	Year ended 31 March			
	2020		2019	
	HK$'000	*%*	*HK$'000*	*%*
Direct materials	**419,028**	**55.8**	407,130	54.0
Direct labour	**148,831**	**19.8**	158,687	21.0
Processing fee	**94,084**	**12.5**	96,415	12.8
Other direct overheads	**89,732**	**11.9**	91,969	12.2
	751,675	**100.0**	754,201	100.0

During the year ended 31 March 2020, cost of sales of the Group decreased by approximately HK$2.5 million or 0.3% as compared to the same of the corresponding period last year. The decrease was primarily due to the decrease in the Group's total revenue, and the change in product mix during the year. Due to an increase in direct materials cost despite a decrease in labour costs and overheads, the percentage of cost of sales to the total revenue during the year ended 31 March 2020 was approximately 76.2%, representing a slight increase of approximately 1.3%, as compared to approximately 74.9% in the corresponding period last year.

Gross profit and gross profit margin

During the year ended 31 March 2020, the gross profit margin of the Group was approximately 23.8%, with a decrease of approximately 1.3% as compared to approximately 25.1% in the corresponding period last year. The decrease in gross profit margin was mainly due to the decrease of gross margin in metal lathing segment and increase in direct materials cost.

In respect of the Group's metal stamping segment, gross profit margin for the year ended 31 March 2020 remained at approximately the same 25.2% as in the same period last year.

In respect of the Group's metal lathing segment, gross profit margin dropped from approximately 24.7% for the year ended 31 March 2019 to approximately 20.8% during the year ended 31 March 2020. Such decrease was mainly due to the reduction in revenue derived from the sale of more profitable products to customers who engaged in the consumer electronics industry during the year ended 31 March 2020.

For details of the gross profit of the Group's two segments, please refer to note 4(a) to the consolidated financial statements of the Group in this annual results announcement.

Other gains, net

During the year ended 31 March 2020, the Group recorded other gains, net which amounted to approximately HK$26.0 million. In the corresponding period last year, the Group recorded other gains, net of approximately HK$44.7 million. The decrease in the other gains, net was mainly due to a gain on disposal of properties in Hong Kong ("**Hong Kong Properties**") of approximately HK$17.2 million was recorded in the corresponding period last year.

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$21.6 million and HK$25.1 million for the years ended 31 March 2020 and 2019, respectively. The decrease in distribution and selling expenses was mainly attributed to the decrease in revenue during the year ended 31 March 2020.

General and administrative expenses

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

The general and administrative expenses of the Group decreased from approximately HK$193.0 million for the year ended 31 March 2019 to approximately HK$186.4 million for the year ended 31 March 2020. The decrease was mainly due to the decrease in research and development costs and depreciation which was partially set off by increase in employment expenses during the year ended 31 March 2020.

Finance costs

The Group's finance costs represented interest expenses on lease liabilities and unsecured borrowings from a related company. During the year ended 31 March 2020, the Group's finance costs was approximately HK$18.6 million, as compared to approximately HK$17.5 million for the corresponding period last year. The increase in finance costs was mainly due to the increase in finance costs as a result of adoption of HKFRS 16 "Lease", which was partially offset by the effect of a decrease in average balances of unsecured borrowings from a related company.

Income tax expenses

The Group's income tax expenses amounted to approximately HK$8.1 million for the year ended 31 March 2020, while the Group's income tax expenses for the year ended 31 March 2019 amounted to approximately HK$15.0 million. The decrease was mainly attributable to the decrease in taxable profit during the year. The details are set out in the note 7 to the consolidated financial statements of the Group in this annual results announcement.

During the year ended 31 March 2020, the Group's adjusted effective tax rate excluding the loss from disposal of subsidiaries and effect of tax loss arising from the loss making subsidiaries of the Company would have been approximately 16.0% whereas the adjusted effective tax rate for the same period last year would have been approximately 17.0%.

Profit attributable to owners of the Company

For the year ended 31 March 2020, profit attributable to owners of the Company amounted to approximately HK$0.6 million, while the profit attributable to owners of the Company amounted to approximately HK$50.7 million for the corresponding period last year.

During the year ended 31 March 2020, the Group disposed of KFM Group Limited ("**KFM BVI**"), a then wholly-owned indirect subsidiary of the Company, and its subsidiaries (collectively, the "**KFM Group**", for further details, please refer to note 17 to the consolidated financial statements of the Group in this annual results announcement). The Group recorded a loss on disposal of subsidiaries of approximately HK$26.8 million as a result of the disposal of the KFM Group during the year ended 31 March 2020. During the year ended 31 March 2019, the Group disposed of (i) Kingdom Precision Science and Technology Holding Limited, a then wholly-owned indirect subsidiary of the Company, and its subsidiaries (collectively, the "**KPST Group**"); and (ii) the Hong Kong Properties. The Group recorded a gain on disposal of subsidiaries of approximately HK$3.9 million as a result of the disposal of the KPST Group and a gain on disposal of property, plant and equipment of approximately HK$17.2 million as a result of the disposal of the Hong Kong Properties (for further details, please refer to note 5 to the consolidated financial statements of the Group in this annual results announcement). Excluding the extraordinary gain for the year ended 31 March 2019 and the extraordinary loss for the year ended 31 March 2020 as mentioned above, the Group would have recorded a net profit of approximately HK$29.6 million and HK$27.4 million, respectively, with a slight decrease of approximately 7.4%.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Financial resources and liquidity

The Group's current assets comprise mainly 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$647.0 million and HK$731.3 million respectively, which represented approximately 78.4% and 78.6% of the Group's total assets as at 31 March 2020 and 2019, respectively.

Capital structure

The Group's capital structure is summarised as follows:

	2020	2019
	HK$'000	*HK$'000*
Unsecured borrowings from a related company	**166,000**	200,000
Total debts	**166,000**	200,000
Shareholders' equity	**512,109**	524,316
Gearing ratio		
– Total debts to shareholders' equity ratio#	**32.4%**	38.1%

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

For the year ended 31 March 2020, the Group generally financed its operation primarily with internal generated cash flows and unsecured borrowings from a related company.

Details of the Group's unsecured borrowings from a related company as at 31 March 2020 are set out in note 16 to the consolidated financial statements of the Group in this annual results announcement.

As at 31 March 2020, the Group's 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 holders of the Company (comprising issued share capital and reserves), secured 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 year ended 31 March 2020, the Group acquired property, plant and equipment of approximately HK$24.3 million, as compared to the year ended 31 March 2019 of approximately HK$27.4 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 31 March 2020 and 2019, no bank borrowing of the Group was secured by leasehold land and buildings of the Group.

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 the United States dollars.

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

Capital commitments

Details of the Group's capital commitments as at 31 March 2020 are set out in note 18 to the consolidated financial statements of the Group in this annual results announcement.

Contingent liabilities

As at 31 March 2020, the Group had no material contingent liabilities.

DISPOSAL OF SUBSIDIARIES

On 22 January 2020, the Group entered into a disposal agreement with KIG, pursuant to which KIG has conditionally agreed to acquire and the Group has conditionally agreed to sell the entire issued share capital of KFM BVI, at HK$44.0 million, whereby Mr. Wong undertakes to procure and cause to procure KIG to purchase the entire issued share capital of KFM BVI. The KFM Group was indebted to the Group HK$21.0 million. It was one of the undertakings by KIG under the disposal agreement that KIG shall procure the KFM Group to settle in full the intra-group loan of HK$21.0 million within 360 days from completion of such disposal.

As disclosed in the announcements of the Company dated 7 September 2018 and 1 November 2018, and the circular of the Company dated 19 October 2018, a direct wholly-owned subsidiary of KFM BVI, and Golden Express Capital Investment Limited ("**GECI**") entered into the old leasing agreements regarding the lease of the Hong Kong Properties. It was one of the undertakings by KIG and Mr. Wong under the disposal agreement regarding the disposal of KFM BVI that (i) KIG and Mr. Wong shall procure the old leasing agreements to be terminated at completion of the disposal of the KFM Group; and (ii) Mr. Wong shall procure GECI to enter into new leasing agreements with the Group immediately upon termination of the old leasing agreements.

Upon completion, the Group recorded (i) a total comprehensive expense of approximately HK$19.3 million comprising approximately HK$26.8 million of loss from the disposal and approximately HK$7.5 million of release of translation reserve upon the disposal; and (ii) a decrease in net assets by approximately HK$19.3 million from the disposal.

Subsequent event

Subsequent to 31 March 2020, the Group renewed unsecured borrowing of approximately HK$106 million in April 2020, and HK$30 million in June 2020 with KIG. The details are set out in the note 16 to the consolidated financial statements of the Group in this annual results announcement.

BUSINESS REVIEW

During the year ended 31 March 2020, there were increasing uncertainties affecting the global economy. The trade disputes between China and the United States of America (the "**US**") has begun since 2018, which both countries came to a phase one deal after negotiations of the both sides in January 2020. Even though the trade dispute between the US and China has put on hold, an outbreak of novel coronavirus around the world has been causing economic shutdowns and geographic lockdowns with hundred of thousands of casualty. In China, the epidemic caused the halt of manufacturing and operation in the first quarter of 2020. Although the business and production have gradually resumed since March 2020, the adverse impact of the interruption worsened the performance of manufacturing companies in China for the year.

The Group was alert to the difficult environments and had taken measures to streamline its operation and exert efforts in cost management. During the year ended 31 March 2020, the Group disposed of the KFM Group that engaged in stamping operation in Shenzhen and Dongguan. The KFM Group was considered to be the least promising among the Group's other operations. Such disposal was to eliminate potential subsisting losses in the future incurred by the KFM Group. The disposal recorded a total comprehensive expense of approximately HK$19.3 million comprising approximately HK$26.8 million of loss from the disposal and approximately HK$7.5 million of release of translation reserve upon the disposal.

During the year ended 31 March 2020, the Group recorded revenue of approximately HK$986.7 million, with decrease by approximately HK$19.7 million or 2.0% as compared to a revenue amount of approximately HK$1,006.4 million during the corresponding period last year.

During the year ended 31 March 2020, revenue generated from the Group's metal stamping segment was approximately HK$684.3 million with an increase by approximately HK$16.4 million or 2.5% 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, 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$302.4 million during the year ended 31 March 2020. As compared to the revenue of approximately HK$338.5 million in the corresponding period last year, revenue derived from the metal lathing segment showed a decrease by approximately HK$36.1 million or 10.7%. The decrease was mainly attributable to the lower demand from the customers who engaged in the consumer electronics industry and medical and test equipment industry.

Due to the changes in product portfolio and higher production cost, the overall gross profit margin of the Group during the year ended 31 March 2020 decreased from approximately 25.1% in the corresponding period last year to approximately 23.8% for the year ended 31 March 2020. As such, the total gross profit of the Group decreased by approximately HK$17.1 million from approximately HK$252.2 million during the corresponding period last year to approximately HK$235.1 million during the year ended 31 March 2020.

During the year ended 31 March 2020, the Group disposed of the KFM Group (for further details, please refer to note 17 to this consolidated financial statements of the Group in this annual results announcement). The Group recorded a loss on disposal of subsidiaries of approximately HK$26.8 million as a result of the disposal of the KFM Group during the year ended 31 March 2020. During the year ended 31 March 2019, the Group disposed of (i) KPST Group; and (ii) the Hong Kong Properties. The Group recorded a gain on disposal of subsidiaries of approximately HK$3.9 million as a result of the disposal of the KPST Group and a gain on disposal of property, plant and equipment of approximately HK$17.2 million as a result of the disposal of the Hong Kong Properties (for further details, please refer to note 5 to this consolidated financial statements of the Group in this annual results announcement). Excluding the extraordinary gain for the year ended 31 March 2019 and the extraordinary loss for the year ended 31 March 2020 as mentioned above, the Group would have recorded a net profit of approximately HK$29.6 million and HK$27.4 million, respectively, with a slight decrease of approximately 7.4%.

OUTLOOK AND STRATEGY

The tension between China-US on trade disputes and coronavirus pandemic will likely subsist for a period of time. The economic setbacks for China and the economies round the globe arising from the pandemic have yet been unleashed in full. It is expected that there will be slowdowns in business and regressions in growth in the geographic segments of the Group's operation. 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 to the Group, especially the metal stamping segment in which the business suffered with thin profit margins and bigger asset scale of operation. It is also expected that the trend of relocating the businesses of the Group's customers to lower cost regions such as the Southeast Asia will continue.

In the coming year and despite facing with so many uncertainties, the Group will continue to closely assess and monitor the challenges and take appropriate actions to mitigate those impacts, as necessary. The Group has been striving to develop more new customers in the region to broaden its customer base with some success. The Group will also put more efforts in maintaining good relationships with existing customers and in enhancing the overall operational efficiency. Last but not least, the Group will continuously look for new long term and sustainable business opportunities to enhance the Group's performance, with the aim to creating better value for customers, shareholders and investors.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total number of 1,400 full-time employees (2019: 2,253). 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 2020.

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 2020 (2019: nil).

No interim dividend was paid during the year (2019: 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 25 August 2020 (the "**AGM**"), the register of members of the Company will be closed from Thursday, 20 August 2020 to Tuesday, 25 August 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 19 August 2020.

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 2020.

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 2020 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 2020.

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 2020 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 subsidiaries" of this announcement, during the year ended 31 March 2020, 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 2020.

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 2020 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.