KFM KINGDOM

KFM KINGDOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability) (HKEx Stock Code: 3816)

ANNUAL REPORT 2022

OUR GOALS
ARE FAR AND HIGH
WE CULTIVATE FOR
TOMORROW

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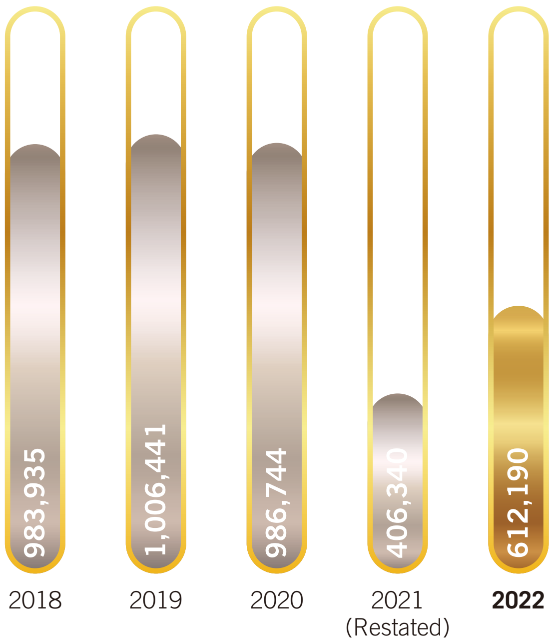
CONTENTS

Financial Highlights

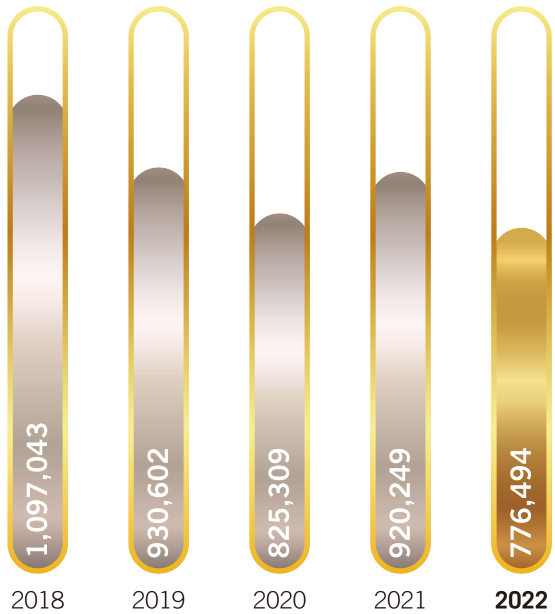
REVENUE

Year ended 31 March (HK$'000)



TOTAL ASSETS

As of 31 March (HK$'000)



Corporate Information

NON-EXECUTIVE DIRECTOR
Mr. Zhang Haifeng (Chairman)

EXECUTIVE DIRECTORS
Mr. Sun Kwok Wah Peter (Chief Executive Officer)
Mr. Wong Chi Kwok

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE
Mr. Wan Kam To (Chairman)
Ms. Zhao Yue
Mr. Shen Zheqing

REMUNERATION COMMITTEE
Ms. Zhao Yue (Chairman)
Mr. Zhang Haifeng
Mr. Wan Kam To

NOMINATION COMMITTEE
Mr. Zhang Haifeng (Chairman)
Mr. Sun Kwok Wah Peter
Mr. Wan Kam To
Ms. Zhao Yue
Mr. Shen Zheqing

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Workshop C, 31/F
TML Tower, 3 Hoi Shing Road, Tsuen Wan
New Territories, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC
881 South Jinshan Road, Gaoxin District, Suzhou
Jiangsu Province, the PRC

REGISTERED OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY SECRETARY
Mr. Kwok For Chi

AUTHORISED REPRESENTATIVES
Mr. Sun Kwok Wah Peter
Mr. Kwok For Chi

LEGAL ADVISERS AS TO HONG KONG LAW
Chiu & Partners

AUDITOR
SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS
DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE
Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
(to be moved to 17th Floor,
Far East Finance Centre, No. 16 Harcourt Road,
Hong Kong with effect from 15 August 2022)

WEBSITE
www.kingdom.com.hk

STOCK CODE
3816

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of KFM Kingdom Holdings Limited (the "**Company**"), I would like to present the operating and financial information of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2022.

The outbreak of COVID-19 pandemic has caused not only loss of lives but also lockdown of cities and slowdown of economic activities over the world. Major economies have implemented vaccination programs. The rate of death from COVID-19 has slowed down in many countries. Nevertheless, the business environment remains volatile with the escalating tensions of the major powers such as between the United States of America (the "**US**") and China, and between Russia and Europe, casting challenges and uncertainties ahead.

FINANCIAL PERFORMANCE

During the year ended 31 March 2022, the revenue of the Group increased by approximately 50.7% to approximately HK$612.2 million from approximately HK$406.3 million of the same during last year. The increase in revenue was mainly attributable to the strong demand from customers who engaged in network and data storage industry during the year.

During the year ended 31 March 2022, the gross profit margin of the Group was approximately 16.3%, as compared to approximately 20.3% in the corresponding period last year. The decrease of approximately 4.0% in the gross profit margin of the Group was mainly due to higher costs in raw materials and direct labour, in addition to the change of product mix.

In respect of overall performance, the Group recorded a net loss of approximately HK$48.0 million for the year ended 31 March 2022, as compared to a net profit of approximately HK$18.4 million for the year ended 31 March 2021. The loss for this year was mainly attributable to the disposal of loss making subsidiaries during the year. Following the disposal, the Group broke away from a major segment of loss-making business and gloomy prospect. The Group has been better positioned to cope with the challenging environment and uncertainties ahead since completion of the disposal.

OUTLOOK

Looking forward, the economic environment remains overshadowed with uncertainties from the subsisting impact of the pandemic spreading out in the world, in addition to the escalating tensions between the major powers.

The difficulties, such as high production costs to the manufacturing industries in China, are expected to subsist in the foreseeable future. Certain numbers of the Group's customers will continue to relocate their business to the Southeast Asia.

Facing the challenges ahead, the Group will continue to streamline its operation, adopt stringent cost control measures and look for a stronger financial position, lower gearing structure, rich liquidity and better return on assets. At the same time, the Group will explore more potential opportunities to broaden the customer base and product portfolios.

Besides, the Group will continuously look for new long term and sustainable business opportunities to create better value for our customers, shareholders and investors.

ACKNOWLEDGEMENT

The steady development of the Group is owed to the enormous trust and support of our shareholders, investors and business partners, dedicated services of Directors, as well as the loyalty of our employees. I hereby express my sincere gratitude to them.

Zhang Haifeng
Chairman
Hong Kong

24 June 2022

Business Review

BUSINESS REVIEW

During the year ended 31 March 2022 (the "**Year**"), the business environment was hampered by global issues such as pandemic coronavirus variants, escalating conflicts between China and the United States, economic sanctions arising from military operations between Russia and Ukraine, as well as fluctuation of currency exchange rates.

The factory shutdowns in Suzhou and economic interruptions of Hong Kong due to the coronavirus infections during the Year had created short-term impacts to the Group's operations. Meanwhile, the Group was still under the pressure from the increasing material, labour and production costs in China. The Group also suffered from the unfavourable impact from Renminbi ("**RMB**") appreciation. The Group had sought ways to cope with the challenges and reviewed its business and operations for a streamlined structure. During the Year, the Company decided to dispose of its metal lathing segment as a result of the continuous deterioration of revenue over the recent years attributable to the change in demand of the major customers and the worsen business environment arising from the conflicts between China and the United States. In August 2021, the Group entered into an agreement ("**Disposal Agreement**") to dispose of its metal lathing business through the sale of the Group's entire shareholding in Kingdom (Reliance) Precision Parts Manufactory Holdings Limited, at a consideration of HK$66.0 million to a connected company. Completion of the transactions contemplated under the Disposal Agreement took place on 20 December 2021. Following the disposal, the Group broke away from a major segment of loss-making business and gloomy prospect. It positioned the Group to better cope with the challenging environment and uncertainties ahead.

During the Year, the Group recorded a revenue of approximately HK$612.2 million, with an increase by approximately HK$205.9 million or 50.7% as compared to a revenue from the continuing operation of approximately HK$406.3 million during the corresponding period last year. The increase was mainly due to the growth in the revenue derived from the customers engaged in the network and data storage industry as a result of surging demands arising from an acceleration and wider spread of digitalisation of business processes and higher volume of the internet activities subsequent to the outbreak of the pandemic. The total gross profit of the Group increased by approximately HK$17.3 million or 20.9% from approximately HK$82.6 million during the corresponding period last year to approximately HK$99.9 million during the Year. However, due to the increased production costs and changes in product mix, the overall gross profit margin of the Group decreased from approximately 20.3% during the corresponding period last year to approximately 16.3% during the Year.

The Group recorded an increase of approximately HK$9.6 million in general and administrative expenses to approximately HK$65.9 million from approximately HK$56.3 million in the corresponding period last year. The increase was mainly in line with the increase in the revenue during the Year as compared with the corresponding period last year.

As such, the Group recorded a net profit of approximately HK$13.3 million from the continuing operations during the Year, as compared with a net profit of approximately HK$9.1 million from the continuing operations during the corresponding period last year. Meanwhile, the discontinued metal lathing business recorded a loss of approximately HK$61.4 million during the Year, as compared with a net profit of approximately HK$9.3 million during the corresponding period last year. As completion of the transaction contemplated under the Disposal Agreement only took place in 20 December 2021, with loss making of the discontinued metal lathing business during the Year, the Group recorded a net loss for the Year of approximately HK$48.0 million as compared to a net profit of approximately HK$18.4 million during the corresponding period last year.

OUTLOOK AND STRATEGY

The world is watching the development of Russia-Ukraine conflicts and the ongoing China-US tension. The global economy is threatened by a downturn possibly following the energy crisis in Europe, the sanctions on Russia, and the virus-variant infections in China. In particular, Shanghai began implementing lock-down measures following the recent outbreak of COVID-19 with a new variant of the coronavirus. The local operations of some of the Group's major customers and the major logistic services in Shanghai were suspended during the second quarter of 2022. The Group experienced a slowdown in demand from the customers. There is a possibility for the pneumonia to spread further geographically over a long period of time, notwithstanding the recent decrease in number of infection cases in Shanghai and reopening of the city from June 2022. As there are still uncertainties about the development of the COVID-19 epidemic, the Company will continue to monitor closely the development of the epidemic and the market conditions. In addition, the upcoming interest rate hikes and cancellation of quantitative easing in the United States along with its inflation concerns will pose further risks to the economic environment. The business environment of manufacturing industries in China is still under challenge with high operating costs and low profit margins. It is also expected that a certain number of the Group's customers will continue to relocate their businesses to the Southeast Asia.

The Group has been making its best effort to cope with the challenges by streamlining its operations for optimal efficiency and taking appropriate actions to mitigate those impacts, as necessary. While the pandemic has posed threats, the Group has been grasping the opportunity in the surge of demands from the medial equipment industry as well as the network and data storage industry, which reaps from an acceleration and wider spread of digitalisation of business processes and higher volume of the internet activities. The Group will put efforts in not only maintaining good relationships with existing customers, but also broadening its customer bases to cover more business demand from the mainland as well as foreign countries. Last but not least, the Group will continue to 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.

Financial Review

Revenue

During the Year, revenue of the Group from the continuing operation was approximately HK$612.2 million, representing an increase of approximately HK$205.9 million or 50.7% from approximately HK$406.3 million for the corresponding period last year.

The increase was mainly due to an increase in number of orders from customers who engaged in network and data storage industry during the Year. The revenue from these customers recorded an approximately 170% increase as compared to the corresponding period last year.

Geographically, the People's Republic of China ("**PRC**"), South East Asia, Europe and North America continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 47.8%, 36.1%, 9.2% and 5.5% of the Group's revenue, respectively, for the Year. Details of a breakdown of revenue generated by different geographical locations are set out in note 7 to this consolidated financial statements.

BUSINESS REVIEW

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:

	2022		2021	
	HK$'000	%	HK$'000	%
Direct materials	**364,903**	**71.2**	199,307	61.6
Direct labour	**92,496**	**18.1**	55,165	17.0
Processing fee	**46,185**	**9.0**	38,593	11.9
Change in inventory	**(24,405)**	**(4.8)**	(2,087)	(0.6)
Other direct overheads	**33,091**	**6.5**	32,733	10.1
	512,270	**100.0**	323,711	100.0

During the Year, cost of sales of the Group increased by approximately HK$188.6 million or 58.3% as compared to the same of the corresponding period last year. The increase was primarily due to growth in the revenue and inflation of the direct costs, mainly, raw material cost and direct labour cost.

The percentage of cost of sales to the total revenue during the Year was approximately 83.7%, representing an increase of approximately 4.0%, as compared to approximately 79.7% in the corresponding period last year.

Gross profit and gross profit margin

During the Year, the gross profit margin of the Group was approximately 16.3%, with a decrease by approximately 4.0% as compared to approximately 20.3% in the corresponding period last year. The decrease of gross profit margin was mainly due to the change of product mix in which the increase in revenue derived from the customers engaged in network and data storage industry during the Year had relatively lower profit margins.

Other losses, net

During the Year, the Group recorded other losses, net which amounted to approximately HK$4.0 million. In the corresponding period last year, the Group recorded other losses, net of approximately HK$9.6 million, mainly comprising a net exchange loss upon RMB appreciation of approximately HK$10.7 million being offset by government subsidies of approximately HK$1.4 million. The Group experienced a reduction of a net exchange loss of approximately HK$5.6 million during the Year as compared to the corresponding period last year.

Distribution and selling expenses

Distribution and selling expenses represented 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 increased by approximately HK$1.3 million from approximately HK$5.7 million for the year ended 31 March 2021 to approximately HK$7.0 million for the Year, which is mainly in line with the growth of the revenue.

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 costs incurred by the Group. The general and administrative expenses of the Group increased from approximately HK$56.3 million for the corresponding period last year to approximately HK$65.9 million for the Year. The increase was mainly in line with the growth in revenue during the Year as compared with the corresponding period last year.

Finance costs

The Group's finance costs represented interest expenses on finance lease, bank borrowings and unsecured borrowings from a related company. During the Year, the Group's finance costs was approximately HK$5.5 million, as compared to approximately HK$4.6 million for the corresponding period last year. The increase in finance costs was mainly due to an increase in lease liabilities, as a result of the lease renewal of the production base in Suzhou, despite repayments of unsecured borrowings from a related company during the Year.

Income tax expenses

The Group's income tax expenses amounted to approximately HK$5.2 million for the Year, while the Group's income tax expenses for the corresponding period last year amounted to approximately HK$1.8 million. The increase was mainly attributable to the increase in taxable profit during the Year. The details are set out in the note 13 to this consolidated financial statements.

BUSINESS REVIEW

Profit attributable to owners of the Company

For the Year, profit attributable to owners of the Company from the continuing operations amounted to approximately HK$13.3 million and loss attributable to owners of the Company from the discontinued operations amounted to approximately HK$61.5 million upon a loss on remeasurement to fair value less costs to sell of approximately HK$63.9 million together with a net gain from the disposal of the discontinued operations of approximately HK$9.3 million, which in aggregate amounted to a net loss of approximately HK$48.2 million for the Group during the Year. For the corresponding period last year, the profit attributable to owners of the Company amounted to approximately HK$17.9 million.

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. As at 31 March 2022 and 31 March 2021, the Group's total current assets amounted to approximately HK$567.2 million and HK$683.6 million respectively, which represented approximately 73.0% and 74.3% of the Group's total assets as at 31 March 2022 and 2021, respectively.

Capital structure

The Group's capital structure is summarised as follows:

	2022 HK$'000	2021 HK$'000
Bank borrowings	36,580	–
Unsecured borrowings from a related company	–	166,000
Total debts	36,580	166,000
Shareholders' equity	504,663	559,631
Gearing ratio – Total debts to shareholders' equity ratio#	7.2%	29.7%

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, the Group generally financed its operation primarily with internal generated cash flows and bank borrowings.

Details of the Group's unsecured borrowings from a related company are set out in note 28 to the consolidated financial statements.

As at 31 March 2022, the Group's bank borrowings were denominated in Renminbi.

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 owners.

Capital expenditure

During the Year, the Group acquired plant and machinery of approximately HK$33.5 million, as compared to the year ended 31 March 2021 of approximately HK$22.1 million.

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

Charges on the Group's assets

As at 31 March 2022 and 2021, no bank borrowing of the Group was secured by assets 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 has been managing 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 2022 are set out in note 30 to the consolidated financial statements.

Contingent liabilities

As at 31 March 2022, the Group had no material contingent liabilities.

Future plans for material investments and capital assets

Save as those disclosed in this annual report, the Group currently has no other plan for material investments and capital assets.

Subsequent event

The Group has no material subsequent events up to date of this annual report.

Employees and Remuneration Policy

As at 31 March 2022, the Group had a total number of 1,053 full-time employees (2021: 1,356). 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.

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

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 March 2022.

CORPORATE GOVERNANCE PRACTICES

The Board is always committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Board is of the view that the Company has complied with the code provision as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the year ended 31 March 2022.

THE BOARD OF DIRECTORS

Responsibilities

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems. The authority and responsibilities for the day-to-day management and operations of the Group is delegated by the Board to the senior management. The Board is well balanced with Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, the non-executive Director and independent non-executive Directors bring a variety of experience and expertise to the Company.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Board Composition

The Board currently comprises six members, consisting of two executive Directors, one non-executive Director and three independent non-executive Directors. The biographical details of the Board members are set out on pages 44 to 46 of this Annual Report. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Throughout the year, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional accounting qualifications and financial management expertise, and the independent non-executive Directors represented at least one-third of the Board.

The Company has received, from each of the existing independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent in accordance with the Listing Rules.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Policy**") which sets out the approach to achieve and maintain diversity on the Board in order to enhance the quality of its performance.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender.

The nomination committee of the Board will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption and review the Policy that may be required.

Appointments, Re-election and Removal of Directors

The non-executive Director has entered into an appointment letter with the Company without a specific term commencing from 13 October 2016. Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 September 2012. After the expiry of the current term, the term of service shall be renewed and extended automatically by one year and on the expiry of every successive period of one year thereafter, unless either party has given at least three months' written notice of non-renewal before the expiry of the then existing terms. Mr. Wan Kam To, an independent non-executive Director, has been appointed for an initial term of two years commencing from 22 September 2012 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term appointment, whereas each of Ms. Zhao Yue and Mr. Shen Zheqing, also an independent non-executive Director, has entered into an appointment letter with the Company without a specific fixed term commencing from 3 February 2016.

According to the articles of association of the Company, at every annual general meeting of the Company ("**AGM**"), one-third of the Directors (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire by rotation provided that every Director shall be subject to retirement at least once every three years. Directors to retire in every year will be those who have been the longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

The articles of association of the Company also provide that any Director appointed by the Board to fill a casual vacancy in Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Chairman and chief executive officer

Under CG Code C.2.1, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. For the year ended 31 March 2022, the roles of the Chairman and the chief executive officer have been performed by Mr. Zhang Haifeng and Mr. Sun Kwok Wah Peter respectively.

The chairman and the chief executive officer have separate defined responsibilities. The chairman is responsible in leading the Board in forming the Group's strategies and policies and for organising the business of the Board, ensuring its effectiveness and setting its agenda but not involved in the day-to-day business of the Group. The chief executive officer is directly in charge of the daily operations of the Group and is accountable to the Board for the financial and operational performance of the Group. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the Board.

Directors' continuous training and development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Directors are committed to complying with the CG Code C.1.4 on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received during the year to the Company.

According to the records provided by the Directors, a summary of training received by the Directors during the year is as follows:

Name of Directors	Type of continuous professional development programmes
Non-executive Director	
Mr. Zhang Haifeng (Chairman)	A, B
Executive Directors	
Mr. Sun Kwok Wah Peter	A, B
Mr. Wong Chi Kwok	A, B
Independent non-executive Directors	
Mr. Wan Kam To	A, B
Ms. Zhao Yue	A, B
Mr. Shen Zheqing	A, B

Notes:

A: attending training/seminars

B: reading newspapers, journals, seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

Board and general meetings and attendance

During the year, the Board met regularly to review the financial and operating performance of the Company and to discuss future strategy. Directors may participate either in person or through electronic means of communications. The chairman of the Board also met with the independent non-executive Directors without the presence of executive Directors.

For the year ended 31 March 2022, the Company has adopted the practice of holding board meetings regularly for at least four times a year in approximately quarterly intervals. At least 14 days' notice is given to all Directors for all regular board meetings and all Directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all Directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept by the company secretary and are available to all Directors for inspection.

At the board meetings, the Board reviewed significant matters including, among others, the Company's annual consolidated financial statements and interim consolidated financial information, proposals for final and interim dividends (if any), annual and interim reports, approved material capital expenditure and other corporate actions of the Group.

During the year, the Company has convened five Board meetings and one general meeting. The attendance record for each of the Directors at the board meetings and general meeting are set out below:

Name of Directors	Number of attendance Board meetings	General meeting
Non-executive Director		
Mr. Zhang Haifeng (Chairman)	6/6	1/1
Executive Directors		
Mr. Sun Kwok Wah Peter	6/6	1/1
Mr. Wong Chi Kwok	6/6	1/1
Independent non-executive Directors		
Mr. Wan Kam To	6/6	1/1
Ms. Zhao Yue	6/6	1/1
Mr. Shen Zheqing	6/6	1/1

One of the Board meetings held during the year was to approve the Disposal.

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 2022 and up to 24 June 2022, the date of this Annual Report.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following board committees to oversee the particular aspects of the Group's affairs. Each of these committees comprises independent non-executive Directors who are being invited to join as members.

Audit committee

The Company established an audit committee on 22 September 2012 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of the Company are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures and risk management of the Company. The full terms of reference are available on the Company's website (www.kingdom.com.hk) and the Stock Exchange's website.

The audit committee currently consists of three independent non-executive Directors, namely Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing. The chairman of the audit committee is Mr. Wan Kam To, who has appropriate professional qualifications and experience in accounting matters.

The composition of the audit committee during the year as well as the meeting attendance of the committee members is as follows:

Membership and attendance of members

Members	Attendance/ Number of meetings
Independent non-executive Directors	
Mr. Wan Kam To (Chairman)	2/2
Ms. Zhao Yue	2/2
Mr. Shen Zheqing	2/2

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2021, and interim condensed consolidated financial statements for the six months ended 30 September 2021. The audit committee has discussed the financial information with the management and the external and internal auditors of the Company during the year before submission to the Board for approval and the Group's risk management with the risk management personnels.

Nomination committee

The Company established a nomination committee on 22 September 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee of the Company include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors, and making recommendations to the Board on matters relating to the appointment of Directors. The full terms of reference are available on the Company's website (www.kingdom.com.hk) and the Stock Exchange's website.

The nomination committee currently comprises three independent non-executive Directors, one non-executive Director and one executive Director. The nomination committee is chaired by the chairman of the Board.

The composition of the nomination committee during the year as well as the meeting attendance of the committee members is as follows:

Membership and attendance of members

Members	Attendance/ Number of meeting
Non-executive Director	
Mr. Zhang Haifeng (Chairman)	1/1
Executive Director	
Mr. Sun Kwok Wah Peter	1/1
Independent non-executive Directors	
Mr. Wan Kam To	1/1
Ms. Zhao Yue	1/1
Mr. Shen Zheqing	1/1

One meeting was held during the year in which the nomination committee reviewed the structure, size and composition of the Board and its committees, reviewed the board diversity policy and its measurable objectives, reviewed and make recommendations to the Board adoption of the nomination policy, reviewed the background and experiences of the Board members and evaluated the contributions of the Board members to the Group and made recommendations to the Board on the nomination and re-appointment of Directors, and assessed the independence of independent non-executive Directors.

Remuneration committee

The Company established a remuneration committee on 22 September 2012 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The primary functions of the remuneration committee of the Company are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure none of the Directors determine their own remuneration. The full terms of reference are available on the Company's website (www.kingdom.com.hk) and the Stock Exchange's website.

The remuneration committee currently comprises two independent non-executive Directors and one non-executive Director. The chairman of the remuneration committee is Ms. Zhao Yue, an independent non-executive Director.

The composition of the remuneration committee during the year as well as the meeting attendance of the committee members is as follows:

Membership and attendance of members

Members	Attendance/ Number of meeting
Independent non-executive Directors	
Ms. Zhao Yue (Chairman)	1/1
Mr. Wan Kam To	1/1
Non-executive Director	
Mr. Zhang Haifeng	1/1

One meeting was held during the year in which the remuneration committee reviewed the remuneration policies and approved the salaries and bonuses of the executive Directors and senior management. No Director took part in any discussion about his/her own remuneration. The remuneration committee has communicated with the chairman of the Board about proposals relating to the remuneration packages of other Directors and senior management.

Details of the Directors' emoluments and retirement benefits and remuneration payable to members of senior management are disclosed in the notes 12 and 31(D) to the consolidated financial statements respectively.

Nomination policy

The Board has adopted a nomination policy (the "**Nomination Policy**") during the current year. A summary of the Nomination Policy is disclosed below:

1. *Objective*

   The nomination policy aims to set out the relevant selection criteria and nomination procedures to help the nomination committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspective appropriate to the requirement of the Group's businesses.

2. *Selection criteria*

   The selection criteria specified in the Nomination Policy include:

   – commitment of available time and ability to devote sufficient time and attention to the affairs of the Company;

   – reputation for integrity;

   – accomplishment and experience in the relevant industry(ies);

   – effectiveness in carrying out the responsibilities of the Board; and

   – diversity in all its aspects as set out in the board diversity policy of the Company.

   These factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee has the discretion to nominate any person, as it considers appropriate.

3. *Nomination procedures*

   (i) For filling a casual vacancy, the nomination committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.

   (ii) Until the publication of circular to the shareholders of the Company (the "**Shareholders**"), the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

   (iii) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from the Shareholders, a circular will be sent to the Shareholders. The circular will set out the lodgment period for the Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to the Shareholders.

   (iv) A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

   The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4. *Review of the Nomination Policy*
   The nomination committee of the Board will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The nomination committee of the Board will discuss any revisions that may be required.

Corporate Governance Functions

During the year, the Board is also responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with the relevant legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

FINANCIAL REPORTING AND AUDIT

Directors' responsibility for financial statements

The Directors acknowledge their responsibility for preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the year end date and of the Group's results and cash flows for the financial year then ended. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to code provision D.1.1 of the CG Code, management would provide such explanation and information to the Board in order to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. As at the date of this report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The consolidated financial statements for the year ended 31 March 2022 are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

The responsibilities of SHINEWING (HK) CPA Limited, the Company's external auditor, on the Group's consolidated financial statements are set out in the section headed "Independent Auditor's Report" in this Annual Report.

Auditor's Remuneration

For the year ended 31 March 2022, the Group's external auditor and its affiliated firm provided the following services to the Group:

	HK$'000
Audit services	1,020
Non-audit services	
– Interim review services	250
– Investment circular reporting services	300
– Taxation (Note)	74
– Financial review service (Note)	220
Total	1,864

Note: Services performed by the affiliated firms of SHINEWING (HK) CPA Limited

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has in place an internal control system which enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Group adopts a risk management system which manages the risk associated with its business and operations, and the system enables the Group to identify, evaluate and manage significant risks.

The Board is responsible for overseeing the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The risk management and internal audit departments of the Company play a major role in monitoring the risk management and internal control systems of the Group and report directly to the Board. They have full access to review all aspects of the Group's activities, risk management and internal controls. The internal audit of the Group conducted an independent review of the risk management and internal control systems of the Group on a regular basis from time to time in order to maintain high standards of corporate governance. The review covers material controls and risk management process to ensure that the systems in place are adequate and effective. The internal audit review plan has been approved by the audit committee.

The Board reviews the adequacy and effectiveness of the Group's risk management and internal control systems. Several areas have been considered during such reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems. These reviews also cover the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's internal audit, risk management and financial reporting functions. For the year ended 31 March 2022, the Board considered such systems effective and adequate throughout the year.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") and the Listing Rules. In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures, which include the access of information being restricted to a limited number of employees on a need-to-know basis, to ensure that proper safeguards exist to prevent possible mishandling of inside information within the Group.

SHAREHOLDERS' RIGHT

Convening of extraordinary general meeting ("EGM") on requisition by shareholders

In accordance with Article 64 of the articles of association of the Company, any one or more shareholders ("**Requisitionist(s)**") holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice to the Board or the company secretary of the Company by mail at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition. Such EGM shall be held within two months after the deposit of such requisition. If the Directors fail to proceed to convene such meeting within twenty-one (21) days of such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company:

The Company Secretary
KFM Kingdom Holdings Limited
Email: comsec@kingdom.com.hk
Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong

The company secretary of the Company shall forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("**Proposal**") with his/her/its detailed contact information at the Company's principal place of business at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the shareholders of consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follow:

(a) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;

(b) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company; and

(c) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

COMMUNICATION WITH SHAREHOLDERS

The management endeavours to maintain effective communications with the shareholders and potential investors of the Company.

The Company meets the shareholders at the annual general meeting, publishes interim and annual reports on the Company's website (www.kingdom.com.hk) and the Stock Exchange's website, and releases press releases on the Company's website to keep the shareholders and potential investors abreast of the Group's business and development.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2022, there is no change in the Company's constitutional documents.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS AS DISCLOSED IN THE PROSPECTUS

Long term relocation plan

As disclosed in the prospectus of the Company dated 28 September 2012 (the "**Prospectus**"), one of the Group's four production bases, namely the Group's factory building and staff dormitory currently located in Xili, Nanshan District, Shenzhen (the "**Xili Leased Properties**") were leased by Kingdom (Reliance) Precision Parts (Shenzhen) Manufactory Limited ("**KRP-Shenzhen**"). As advised by the Company's PRC legal advisers, there is a potential risk of demolition and expropriation of the Xili Leased Properties as it may be deemed as the historical illegal construction. For details, please refer to pages 186 to 190 of the Prospectus. In view of the abovementioned risks, the Group did not renew the Xili Leased Properties after the expiry of the previous lease on 31 October 2021.

On 13 August 2021, Able Elite Holdings Limited ("**Able Elite**"), a direct wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement in relation to the disposal of the entire issued share capital of Kingdom (Reliance) Precision Parts Manufactory Holdings Limited ("**KRP Holdings**"), the holding company of KRP-Shenzhen (the "**Disposal**"). The Disposal was eventually completed on 20 December 2021. Upon the completion of the Disposal, KRP Holdings and its subsidiaries including KRP-Shenzhen ceased to the subsidiaries of the Company and their financial results, assets, liabilities will no longer be included in the consolidated financial statements of the Group. As a result, the Company is of the view that no material risk on the Group will arise from the Xili Leased Properties.

Environmental, Social and Governance Report

ABOUT THE REPORT

This Environmental, Social and Governance Report (the "**Report**") allows stakeholders to have better understandings about the progress and direction of the Group's sustainable development. Through this Report, stakeholders including shareholders, employees, customers, suppliers, creditors, regulators and the general public will be given a channel to review the performance of the Group in terms of environmental, social and governance (the "**ESG**") aspects.

SCOPE OF THE REPORT

The Report covers the plants of the Group located in Shenzhen Xili, Suzhou and Shanghai of the People's Republic of China (the "**PRC**"). The plants are principally engaged in the manufacturing of precision metal (referred to as "**Business Units**"). The Report covers the financial year ended 31 March 2022 and discloses the Group's corporate social responsibility approach and performance. Due to the fact that Business Units of Shenzhen Xili and Shanghai had been disposed of on 20 December 2021, the ESG performances disclosed in the Report for the Business Units of Shenzhen Xili and Shanghai were presented up to the end of December 2021.

BOARD STATEMENT

The Group's sustainable development strategy contains different issues include integrating environmental considerations into business, strengthening staffs' ability, caring community, improving corporate social responsibility performance, enhancing the transparency and so on. The Group devotes effort to mitigate the environment and natural resource impacts from production processes, and strives to balance the advantages between environment, market and society. In terms of employee's development, we insist on treating all employees equally, so as to develop the future with employees together.

In response to the worldwide tendency of sustainable development, the Group has been satisfying the stakeholders' demands continuously under the changing environmental control requirements. The Group's principle of corporate social responsibility is to strengthen the environmental and social management and to promote the value of sustainable development to the stakeholders. For the ESG managing strategy, the management reports to the Board regularly for the managing performance of the ESG related issues and risks as well as the monitor of sustainability and corporate social responsibility matters, and review the existing policies to meet the Group's social and development needs. The Board supervises the ESG relevant objectives and progress in order to maximise returns to the Group.

The Group has established review procedures to guarantee the presented materials in the Report are accurate and reliable. The ESG report has been reviewed and approved by the Board after discussion with the relevant management of the Group regarding the effectiveness of the corporate social responsibility system. Looking forward to the future challenges, we will continue to improve the ESG controls and deepen the management of sustainable development.

REPORTING PRINCIPLES

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules, which is prepared on the basis of four reporting principles of Materiality, Quantitative, Balance and Consistency. To allow stakeholders to have better understandings about the performance of the Group in terms of environmental, social and governance aspects, this Report complies with the "comply or explain" requirement to disclose the environmental key performance indicators (the "**KPIs**").

Reporting principles	Definition	Response
Materiality	Focusing on environmental, social and governance issues which have significant impact on the Group and stakeholders.	The Group has conducted a materiality analysis in identified important environmental, social and governance issues based on factors such as the nature of the Group's business and the expectations of stakeholders.
Quantitative	The data of key performance indicators should be measurable and comparable when appropriate.	The key performance indicators for the ESG components of the Group are derived from the statistics of the relevant departments. In order to ensure the accuracy of the environmental KPIs, the Group has performed carbon assessment with standards of the Reporting Guidance on Environmental KPIs issued by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").
Balance	The Group shall objectively and realistically report the performance of the year in respect of the environmental, social and governance aspects.	In the process of preparing the Report, the Group focuses on the elaboration of environmental, social and governance outcomes, and describes the difficulties encountered and response plans.
Consistency	Consistent disclosure and statistical method shall be adopted for the disclosure of the report, in order to make the key performance indicators comparable and understand corporate performance.	The same statistical method as in prior years has been adopted in this Report. Please refer to the each section of this report for the annual comparative statistical data.

MATERIALITY ASSESSMENT

In order to identify the materiality of environmental, social and governance issues to formulate an appropriate management strategies and determine the direction of this Report, the management has conducted a relevant materiality assessment. The materiality assessment considered our operation reviews and communication of stakeholders. Based on the materiality assessment, the material ESG issues for the Group are shown as follows:

Material issues	Corresponding sections
A. Environmental	
– Greenhouse gas emission	Emissions, climate change
– Energy efficiency	Emissions, use of resources
– Effective use of resources	Emissions, use of resources
B. Social	
– Occupational health and safety	Health and safety, development and training
– Employee skills development	Health and safety, development and training
– Quality assurance and product responsibility	Supply chain management, product responsibility
– Data security and protecting intellectual property	Intellectual property protection

ENVIRONMENTAL PROTECTION

Emissions

Business Units comply with the following laws promulgated by the Government of the PRC on waste gas, sewage emission and noise pollution:

– Law of the PRC on the prevention and control of atmospheric pollution

– Water pollution prevention and control law of the PRC

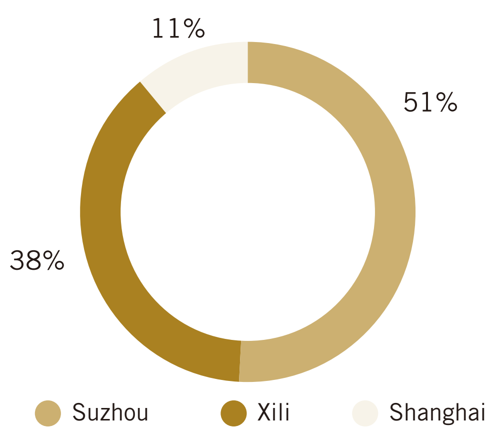
– Law of the PRC on prevention and control of pollution from environmental noise

It is the Group's policy to comply with the relevant laws and regulations which have a direct impact on the business and operation of the Business Units. To maintain an environmental friendly production environment, the pollutants discharged have been closely monitored by the Business Units. In 1998, we obtained the first International Certification of Environmental Management System (ISO 14001). The certificate reflects our effectiveness in environmental controls and it is renewed regularly. For the year ended 31 March 2022, the results of environmental detecting reports of Business Units reflected that the waste emissions generated by our production processes were under good control and abided by the relevant rules and regulations of the PRC.

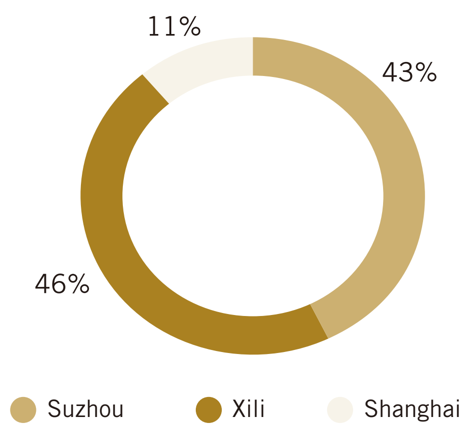
The overall emission of carbon dioxide by Business Units for the year ended 31 March 2022 was approximately 9,823 tonnes, representing a decrease of approximately 488 tonnes or 4.7% from approximately 10,311 tonnes for the corresponding period last year. Most of carbon dioxide emission was generated by our main energy consumption of electricity. The decrease in carbon dioxide emission during the year was mainly due to our more effective use of electricity resource in production output. The proportion of overall carbon dioxide emission for the years ended 31 March 2022 and 2021 among Business Units were as follows:

Carbon dioxide emission

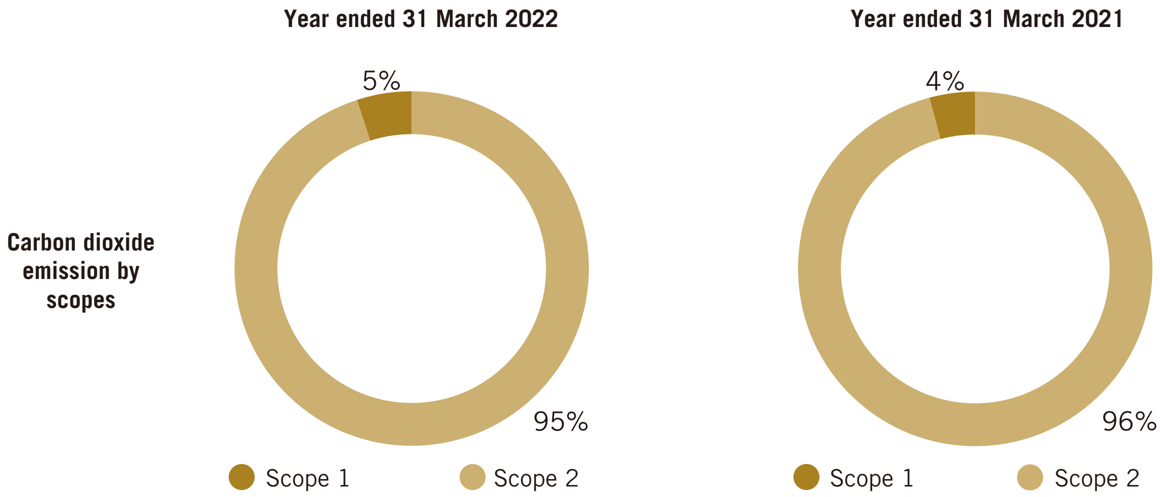
Year ended 31 March 2022



Year ended 31 March 2021



Business Units are engaged in precision metal processing and assembly business and primarily generate carbon dioxide by consuming electricity which is energy indirect greenhouse gas emission (Scope 2) during the production process. The consumption of natural gas, gasoline and diesel oil is direct greenhouse gas emission (Scope 1) that was much less than the energy indirect greenhouse gas emission. The proportion of carbon dioxide emission by scopes for the years ended 31 March 2022 and 2021 were as follows:

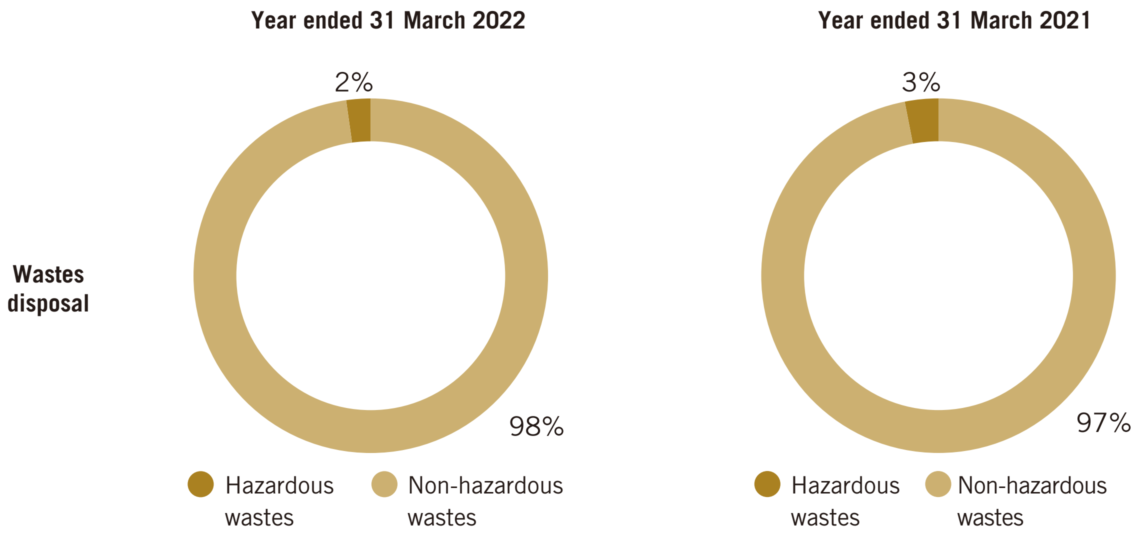


Business Units have implemented various measures to save the energy consumed during the production process and thereby reduce the emission of greenhouse gas. Solar board and intelligent energy saving on-off switches were introduced to Business Units. Besides, the waste disposal was implemented in compliance with International Certification of Environmental Management System (ISO 14001). For future environmental improvement, we aim to continuously reduce the emission of greenhouse gas and improve the efficiency of using electricity and water resources. In order to achieve the objective, we will maximise the effectiveness of using resources by encouraging employees to reduce the use of resources and replacing inefficient equipment.

To properly handle non-hazardous and hazardous wastes generated from our production process, Business Units have well established procedures to prevent the occurrence of the adverse impact to the environment. Under the procedures of wastes management and the aim of continuous wastes reduction, all wastes are systemically classified, stored in separate warehouses, and disposed of or recycled to the companies which are authorised by the PRC government. In order to minimise the material wastage, we will continuously improve the production processes and enhance the use of reusable materials during the production.

For the year ended 31 March 2022, the non-hazardous wastes, including metals, wooden boxes, plastics and non-chemical wastes, being disposed of amounted to approximately 2,283 tonnes (2021: approximately 2,138 tonnes) and the hazardous wastes, including electronic items and chemical wastes, being disposed of amounted to approximately 52 tonnes (2021: approximately 61 tonnes).

The proportion of non-hazardous wastes and hazardous wastes for the years ended 31 March 2022 and 2021 were as follows:



Use of Resources

Business Units stress high commitment in energy and water resources saving. Resources reduction was implemented in compliance with International Certification of Environmental Management System (ISO 14001). Production processes are evaluated periodically on the efficiency of energy consumption. As mentioned in the emission section above, certain devices were installed for energy saving purpose and we adhere to the principles of maximisation of the utilisation rate per energy consumed.

The overall consumption of electricity resources by Business Units decreased by approximately 0.7 million kilowatt per hour or 5.8% from approximately 12.1 million kilowatt per hour for the year ended 31 March 2021 to approximately 11.4 million kilowatt per hour for the year ended 31 March 2022. The decrease in consumption of electricity resource in the year was mainly due to a more effective use of electricity during production.

For the overall consumption of water resources by Business Units, it increased by approximately 4.8 thousand tonnes or 12.0% from approximately 39.9 thousand tonnes for the year ended 31 March 2021 to approximately 44.7 thousand tonnes for the year ended 31 March 2022. In order to reduce the consumption of water, management will enhance employees' training and resources control to save water.

The finished goods packaging usually uses a lot of paper. In order to save packaging paper, Business Units have designed procedures to reduce paper for finished goods packaging by using recyclable packaging material. Business Units provide an option to customers to use recyclable material for new production orders. The recyclable packaging material including recycled cartons and plastic boxes that are recollected from customers back to our factories after the delivery of finished goods, and then all boxes will be re-used for next production orders.

For the year ended 31 March 2022, the rate of usage of recyclable packaging materials was approximately 6% (2021: approximately 5%) on the sale of total products. The increased rate of usage of recyclable packaging materials was mainly due to our encouragement to the customers for using recyclable packaging materials in new orders. According to the Group's policy, we will continuously encourage customers to use recyclable packaging material for appropriate production orders.

The Environment and Natural Resources

The Group is aware of certain natural resources are used in production processes, such as water and paper for product packaging that may have impact to environment. To minimise the environmental impact and reduce resource consumption as stipulated in the Group's policies, a set of environmental controls and measures has been implemented. The controls include replacing the energy-inefficient electrical equipment, employees' training on saving resources, reducing the use of paper by double sided printing and wastes separation for recycling. Eventually, a large amount of paper and plastic have been reduced, reused or recycled by Business Units.

Climate Change

In 2020, the PRC government announced that it would strive to achieve carbon neutrality by 2060, which demonstrates the PRC Government's emphasis on climate change control. The Group has examined the risks and opportunities brought from climate change and improved the environmental management during the operation. Besides, as mentioned in the emissions section above, we have obtained the International Certification of Environmental Management System (ISO 14001) and it is renewed regularly. The certificate reflects that we have a set of environmental protection system, policies and guidelines in place to facilitate the measures of environmental management and climate change mitigation.

In respect of climate change, extreme weather such as high temperature, storm and heavy rains are likely to become more frequent in the future. In order to mitigate the climate risks resulting from extreme weather, we have used most of our plant's roof to install many solar boards to reduce greenhouse gas emission through less consumption of electricity resource from production. In addition, the Group is considering that existing equipments which are using petrochemical energy may be replaced by those using electric energy, if the equipments exceed their useful life. For example, when a gasoline vehicle is broken and out of its useful life, this vehicle may be replaced by electric vehicle or hybrid electric vehicle.

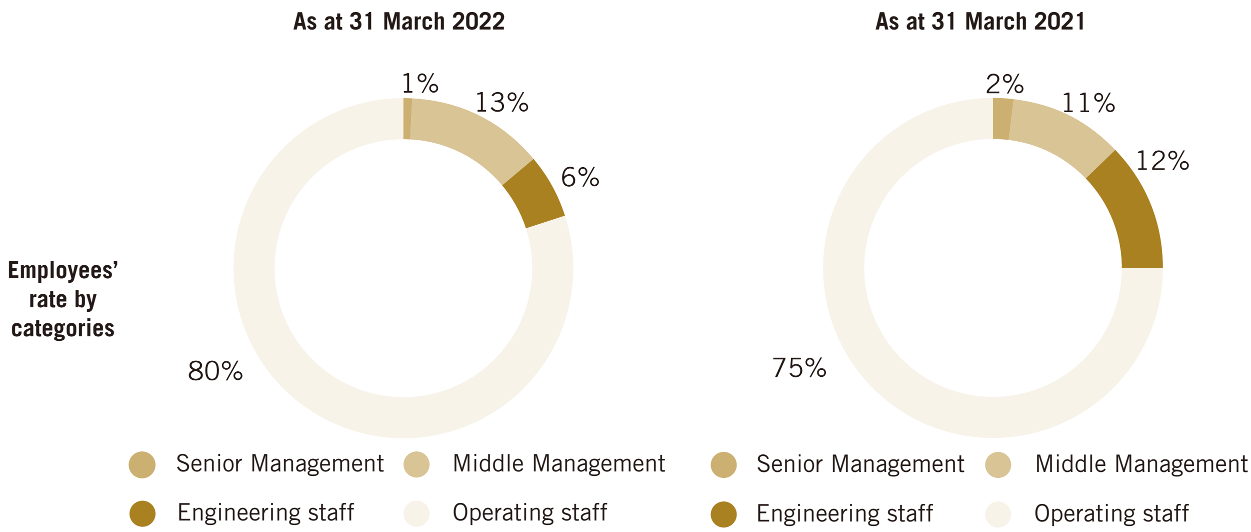
In the future, the Group will continue to review the current policies, consider new climate issues that have a significant impact to the Group, and more comprehensively and effectively deal with the relevant risks and opportunities brought by various environmental problem.

WORKING ENVIRONMENT

Basic Information

As at 31 March 2022, the Group employed a total of 1,053 employees (2021: 1,356 employees). The Group persists in the principle of fair and equal opportunities regardless of age, gender, marital status, ethnicity, nationality, religion or disability on recruitment, and always treats staff as the most important asset and appoints them according to their ability and suitability. The Group complied with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The remuneration policy is determined with regard to the employees' qualification, experience and performance on their jobs, and with reference to the current market situation.

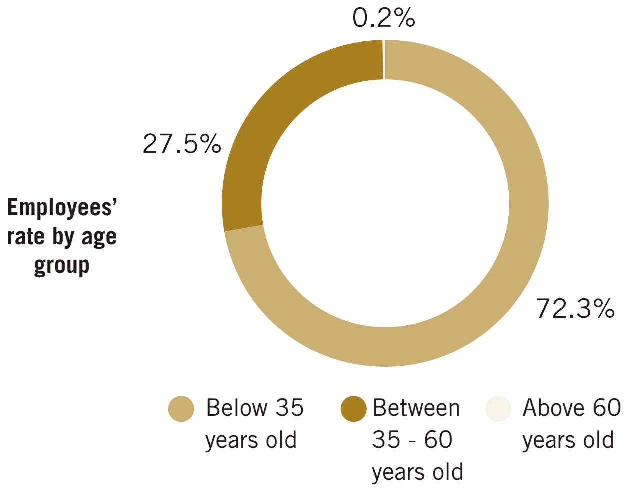
The proportion of employee by categories as at 31 March 2022 and 2021 were set out below:



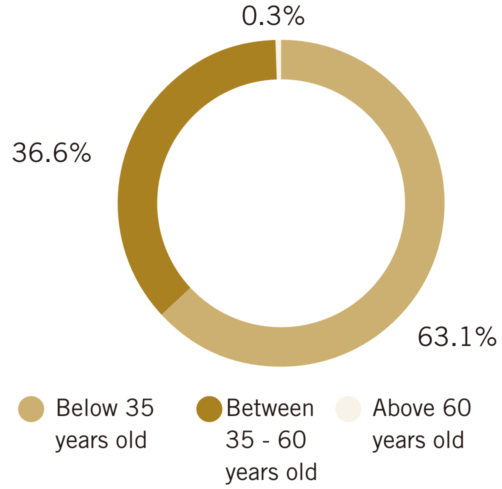
An employee representative union had been established to protect employees' rights and interests. Members of the union represent employees' interests and represent them to discuss with management on matters in relation to the improvement of employees' welfare. In order to motivate the employees to make continuous improvement in their individual performance and contribution, Business Units continue to enhance the human resource management and improve the appraisal system.

The employees' rate by age group as at 31 March 2022 and 2021 were set out below:

As at 31 March 2022



As at 31 March 2021



Health and Safety

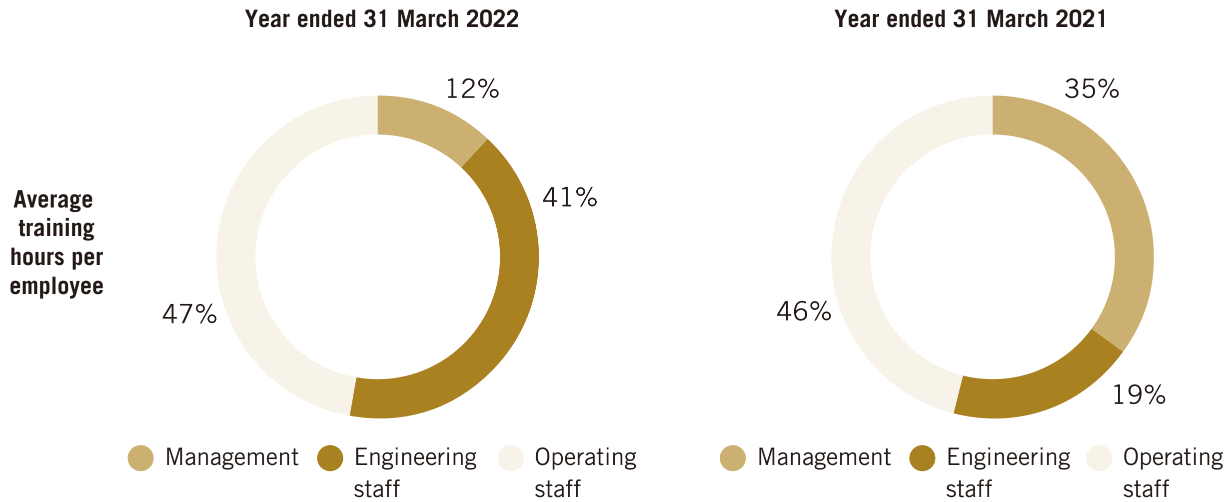
Employees' health and safety are important to the Group. The Group complied with relevant laws and regulations that have a significant impact on the Group relating to the provision of a safe working environment and protection of employees from occupational hazards. A set of policies have been adopted to protect employees that include factory environment safety management and control, occupational disease prevention management, and management of occupational health and safety monitoring. Some policies have cited the requirements from the relevant laws and regulations of the PRC.

To enhance the employees' awareness of health and safety manners, the Group has determined an objective to maintain zero significant casualty event. In order to achieve this objective, Business Units made efforts to promote employees' health and safety conditions and launched a series of regular training activities to ensure that the employees understand the relevant laws and regulations. Several specific trainings are provided to employees in risky working positions and help them to properly use the protective equipment and methods. For the years ended 31 March 2022, 2021 and 2020, Business Units sustained zero fatality due to work-related accident. The health and safety controls will be continuously reviewed and maintained by the management.

Development and Training

Business Units operate in a highly competitive market. In response to the competition, we have implemented a comprehensive training system for employees to ensure our long term competitiveness. The objective of the training is to enhance the employees' knowledge and skills so as to achieve the Group's mission. The training courses for employees cover a wide range of working areas such as regulations and policies regarding the jobs, management and controls in the manufacturing industry, product quality, working safety and so on.

The proportion of average training hours per employee for the years ended 31 March 2022 and 2021 were as follows:



In response to enhance the employees' competitiveness, we aim to achieve a higher training coverage rate to employees if they are willing to be trained. In order to achieve the objective, we will continually improve the development and training system, encourage employees to perform self-studying, and search for some training workshops in specialised areas which are provided by external training institutions.

Labour Standards

Business Units follow the Group's policies to maintain a high standard on the labour working conditions. All employees working in Business Units must be over 18 years old, and they should follow the free-will principle if they work on overtime duties. Steps were taken to prevent child and forced labour which include policy to require human resource department to check candidates' resident identity document before recruitment interview, random on-site inspection and so on. In case child and/or forced labour is identified, it will be directly reported to the relevant management for further action. For the years ended 31 March 2022 and 2021, the Group has complied with relevant laws and regulations relating to preventing child and forced labour and no child labour was employed by Business Units. The management will closely and regularly monitor the employment practices and relevant control procedures to avoid any child labour in Business Units.

For the year ended 31 March 2022, Business Unit in Suzhou obtained an Award of Enterprise of Harmonious Labour Relationship which was issued by The People's Government of Huqiu District of Suzhou in July 2021. The management will continuously enhance our policy to improve the labour protection.

OPERATING PRACTICES

Supply Chain Management

Supply chain management links to the product quality control system, and therefore Business Units implemented strict controls to select suppliers. Our policies require our suppliers to pass a high level scrutiny procedure mandatorily before they become our qualified suppliers. Based on the scrutiny procedure, suppliers are subject to the assessments and onsite audits on their product quality, environmental friendliness as well as suitability and quality consistency tests conducted by our specialised department. After the suppliers pass the audits and assessments, they are enrolled into the "List of Qualified Suppliers" and Business Units only place purchasing orders to the suppliers on the said list. It would be of higher chance for the suppliers to be included into the "List of Qualified Suppliers" if they achieved the International Quality Certification of The Quality Management System (ISO 9001) or the International Certification of Environmental Management System (ISO 14001).

In addition, the suppliers on the "List of Qualified Suppliers" are subject to yearly performance assessment for managing risks including environmental and social areas from the supply chain. The assessment includes review on the supplier's production quality and integrity, social responsibility, market price comparison and other considerations. The suppliers may be required to carry out some improvements if the assessment result is unqualified. Furthermore, if the suppliers do not meet our requirements after their improvements, they may be eliminated from the "List of Qualified Suppliers".

Product Responsibility

In response to the needs and requirements of customers, we have achieved the International Quality Certifications of The Quality Management System (ISO 9001) since 1995 and the certificate is renewed regularly. Our production employees are familiar with the provisions, and strive for compliance with specific requirements during the production process.

According to ISO 9001, the production lines have established a sound quality testing and detecting system. The products rejection rate has remained at a relatively low level and the products are in compliance with relevant health and safety regulations. Besides, Business Units applied the strict quality controls over the production process. The controls include making monitoring plans on production procedures, setting process parameters and product testing parameters, and preparing test working guidance for specific products. Apart from on-site testing, the high grade testing instruments in the measuring office are also used to analyse product defects. All testing instruments are regularly calibrated by the measuring office or external calibration institutions.

For the improvement of product quality, in case the management receives a feedback on product quality from customers, we will immediately communicate with relevant customer to resolve the quality problem. If necessary, a technician will be arranged to conduct further on-site investigation in the customer's warehouse. Accordingly, all returned products are taken to necessary defect measurements for our further improvement. For the years ended 31 March 2022 and 2021, all products that had been recalled from customers were in relation to the product quality defect without any significant problem in relation to the health and safety issues.

Intellectual Property Protection

As a responsible company, the Group treats intellectual property rights as important assets. The Group's policy requires employees to carefully handle business confidential information. We have provided training to employees to ensure that they understand and comply with the guidelines on intellectual property protection. The labour contract has clearly stipulated that employees shall abide by the principle of business secrets. The Group may require individual personnel to sign confidentiality commitments on specific matters subject to circumstances.

Furthermore, the Group does not allow any leakage of confidential information. If an employee is found to be leaking business secrets, the Group will immediately terminate his or her labour contract, and reserve the right to pursue the economic and legal liabilities of the parties concerned. At the same time, the joint liability of other relevant personnel shall be investigated. In the supplier contract, the Group requires mutual respect on each other's intellectual property rights and joint compliance with relevant laws and regulations. In the future, the Group will regularly review the policy of intellectual property protection to ensure that the information of the Group, customers and suppliers is appropriately protected.

In addition, data protection and privacy are very important to the Group. We have implemented information technology policy and measures for data protection. The measures include setting variety levels of password as the first line of defense against unauthorised access, physical control such as computer servers locked in a server room, technical safeguards such as regular update firewall and antivirus software, daily data backup and so on. The Group will regularly update information technology managing technique to reduce the relevant risks from data protection and privacy.

ANTI-CORRUPTION

For the purpose of facilitating a working environment with integrity, the Group has implemented a strict internal control policy and will continue to improve the internal control system with an aim to strengthen the internal supervision and anti-corruption system in the Group.

The main regulations of the anti-corruption management are as follows:

1. All employees are prohibited from giving and accepting of bribes, the acceptance of valuables, the embezzlement of funds, extortion, fraud, and money laundering;

2. Travel and entertainment with definite business purposes shall apply the principle of thrifty and necessity. Excessive claim of travel expenses, incompliant dining expenses and reception of unrelated persons at Business Units' expenses are not allowed; and

3. A whistle-blowing system has been implemented in Business Units. All employees are allowed to make direct contact to senior management through the whistle-blowing system for any reason in regard to the operation of Business Units.

In order to maintain a higher level of ethic to employees, the Group has provided anti-corruption training to directors and employees to ensure that their integrity is kept in an acceptable level. The internal control division has been reviewing the Group's policies to confirm that the Group has an honest system. In the long run, the Group will regularly provide anti-corruption training to employees to maintain a high ethic level.

For the years ended 31 March 2022 and 2021, the Group complied with laws and regulations relating to bribery, extortion, fraud and money laundering, and there were no legal cases regarding corrupt practices which were brought against the Group or its employees. The management applied sound controls to the anti-corruption and maintained a clean working environment with integrity in Business Units.

COMMUNITY INVESTMENT

Contribution to Society

Business Units have been playing a positive role in taking social responsibilities and promoting a harmonious social development to communities that include the areas of education, environmental concerns, labour needs, health, culture and sports as important directions for our long-term development of society contribution.

Apart from making cash donation to charitable organisations amounted to HK$174,726 from the Group during the year ended 31 March 2022, the management and employees of Business Units have also been taking their own initiatives in helping, supporting and participating the activities of local community and neighbour.

For the year ended 31 March 2022, the Group performed the followings:

1. Business Unit in Suzhou employed disabled residents as our employees;

2. Business Unit in Suzhou provided practice opportunities to university students in China to work in engineering and production departments for a short period to obtain working experience;

3. Business Units in Suzhou and Shenzhen Xili invited medical institutions to provide free body check service to employees in Suzhou and Shenzhen Xili factories; and

4. Business Unit in Suzhou obtained an Award of Enterprise of Harmonious Labour Relationship which was issued by The People's Government of Huqiu District of Suzhou in July 2021.

The Group will continue to identify new opportunities in promoting sustainability through its business operations, as well as to strengthen our partnership with charities and to nurture a culture of giving within the community.

SUMMARY OF KEY PERFORMANCE INDICATORS

The following environmental and social performance data are prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange:

Data for environment:

Environmental KPIs	Unit	2022	2021
Total Greenhouse gas emission	Tonnes (CO_2)	**9,823**	10,311
Scope 1 – Direct emissions	Tonnes (CO_2)	**460**	402
Scope 2 – Energy indirect emissions	Tonnes (CO_2)	**9,363**	9,909
Intensity of total greenhouse gas emissions	kg (CO_2)/unit (Product)	**0.095**	0.062
Total non-hazardous waste produced	Tonnes	**2,283**	2,138
Intensity of non-hazardous waste produced	g/unit (Product)	**22.11**	12.88
Total hazardous waste produced	Tonnes	**52**	61
Intensity of hazardous waste produced	g/unit (Product)	**0.50**	0.37
Total energy consumption	kWh	**13,669,320**	12,090,613
Direct energy consumption	kWh	**2,249,305**	*
Intensity of direct energy consumption	kWh/unit (Product)	**0.02**	*
Indirect energy consumption	kWh	**11,420,015**	12,090,613
Intensity of indirect energy consumption	kWh/unit (Product)	**0.11**	0.07
Water consumption	Tonnes	**44,686**	39,888
Intensity of water consumption	kg/unit (Product)	**0.43**	0.24
Total packaging material	Tonnes	**851**	842
Intensity of packaging material	g/unit (Product)	**8.24**	5.07

* Insufficient past data for disclosure

Data for employment:

Employment KPIs	Unit	2022	2021
Employee profile			
Total workforce	No. of people	**1,053**	1,356
Total workforce by gender:			
Male	No. of people	**750**	876
Female	No. of people	**303**	480
Total workforce by employment type:			
Full time	No. of people	**1,053**	1,356
Part time	No. of people	**0**	0
Total workforce by employee category:			
Senior management	No. of people	**16**	26
Middle management	No. of people	**134**	155
Engineer	No. of people	**60**	163
General staff	No. of people	**843**	1,012
Total workforce by age group:			
Below 35	No. of people	**761**	855
35-60	No. of people	**290**	497
Over 60	No. of people	**2**	4
Employee turnover			
Employee turnover rate	Percentage (%)	**23.4**	14.6
Employee turnover rate by gender:			
Male	Percentage (%)	**16.5**	10.6
Female	Percentage (%)	**6.9**	4.0
Employee turnover rate by age group:			
Below 35	Percentage (%)	**19.4**	11.9
35-60	Percentage (%)	**4.0**	2.7
Over 60	Percentage (%)	**0**	0

Employment KPIs	Unit	2022	2021
Occupational Health and Safety			
No. of leave days due to work injuries	No. of days	**278**	209
Development and training			
Total employees trained	No. of trained people	**19,561**	17,846
Employees trained rate by gender:			
Male	Percentage (%)	**77.5**	74.7
Female	Percentage (%)	**22.5**	25.3
Employees trained rate by employee category:			
Senior and middle management	Percentage (%)	**6.2**	6.7
Engineer	Percentage (%)	**6.8**	10.0
General staff	Percentage (%)	**87.0**	83.3
Average training hours per employee by gender:			
Male	hrs/employee	**37**	33
Female	hrs/employee	**38**	23
Average training hours per employee by employee category:			
Senior and middle management	hrs/employee	**11**	26
Engineer	hrs/employee	**37**	14
General staff	hrs/employee	**42**	34

Data for operating practices:

Operating practice KPIs	Unit	2022	2021
Supply Chain Management			
Number of suppliers by geographic location:			
Shenzhen Xili	No. of suppliers	**130**	132
Suzhou	No. of suppliers	**738**	670
Shanghai	No. of suppliers	**25**	25
Product Responsibility			
Percentage of total products sold subject to recalls for safety and health reasons	Percentage (%)	**0**	0
No. of products and service related complaints received	No. of complaints	**2,481**	2,467
Community Investment			
Area of cash donation:			
Health	HK$	**174,726**	0

CONTENT INDEX TO THE ESG REPORT

KPIs	HKEX ESG Reporting Guide Requirements	Pages
A3 The Environment and Natural Resources		
General Disclosure	Policies for minimising the issuers' significant impact on the environment and natural resources.	29
A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	29
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	29
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	29
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	30-31
B1.1	Total workforce by gender, employment type, age group and geographical region.	30-31, 37
B1.2	Employee turnover rate by gender, age group and geographical region.	37
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	31
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	31
B2.2	Lost days due to work injury.	38
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	31

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	HKEX ESG Reporting Guide Requirements	Pages
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	32
B3.1	The percentage of employees trained by gender and employee category.	32, 38
B3.2	The average training hours completed per employee by gender and employee category.	32, 38
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	32
B4.1	Description of measures to review employment practices to avoid child and forced labour.	32
B4.2	Description of steps taken to eliminate such practices when discovered.	32
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	33
B5.1	Number of suppliers by geographical region.	39
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	33
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	33
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	33

KPIs	HKEX ESG Reporting Guide Requirements	Pages
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	33-34
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	33, 39
B6.2	Number of products and service related complaints received and how they are dealt with.	33, 39
B6.3	Description of practices relating to observing and protecting intellectual property rights.	34
B6.4	Description of quality assurance process and recall procedures.	33
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	34
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	34
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	34
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	34
B7.3	Description of anti-corruption training provided to directors and staff.	34
Community		
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	35
B8.1	Focus areas of contribution.	35
B8.2	Resources contributed to the focus area.	35, 39

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Zhang Haifeng (張海峰), aged 55, was appointed as a non-executive Director and chairman on 13 October 2016. Mr. Zhang Haifeng is currently the vice general manager of 內蒙古坤龍房地產開發有限責任公司 (Inner Mongolia Kun Long Real Estate Development Limited). Prior to his current position at Inner Mongolia Kun Long Real Estate Development Limited, he worked for various positions at 包頭市對外經濟貿易公司 (Baotou Foreign Economic Relations and Trade Limited) from 1988 to 2002.

EXECUTIVE DIRECTORS

Mr. Sun Kwok Wah Peter (孫國華), aged 62, one of the founders at the Group, was appointed as an executive Director and the chief executive officer on 13 July 2011 and 3 February 2016 respectively. He is also a director of certain subsidiaries of the Group. Mr. Sun Kwok Wah Peter has more than 25 years of experience in the metal stamping industry. Since 1981, he has participated in his family business in metal kitchenware manufacturing in Hong Kong. He developed his expertise in metal stamping when he first started his metal stamping factory in the name of Kingdom Industrial Company in Kwai Chung in 1987. In 1989, he established Kingdom Fine Metal Limited and established Shenzhen Shunan Kingdom Contract Processing Factory in 1990. He is responsible for the overall strategic planning and partnership development as well as international key customer relations of the Group.

Mr. Sun Kwok Wah Peter was awarded for his achievements in the industry. He was given the Young Industrialist Awards of Hong Kong by the Federation of Hong Kong Industries in 1999. In 2001, he was awarded as 優秀青年企業家 (Shenzhen Excellent Young Entrepreneurs) by 共青團深圳市委員會 (Communist Youth Shenzhen Committee), 深圳市青年企業家聯合會 (Shenzhen Young Entrepreneurs' Joint Association), 深圳市青年聯合會 (Shenzhen Youth Joint Association), 深圳特區報社 (Shenzhen Special Zone Press Office) and 深圳電視台 (Shenzhen Television) as well as Directors of the Year Awards by the Hong Kong Institute of Directors. In 2002, he received the Bauhinia Cup Outstanding Entrepreneur Award by the Hong Kong Polytechnic University. In 2006, he was awarded the Medal of Honour by the Hong Kong SAR Government.

Mr. Sun Kwok Wah Peter serves numerous positions in various governmental bodies. He has been a member of both Shenzhen Nanshan District Standing Committee of the Chinese People's Political Consultative Conference (the "**CPPCC**") from 2006 to 2016 and Anhui Provincial Committee of CPPCC since 2003, respectively. He has also been the vice chairman of Shenzhen Association of Enterprises with Foreign Investment since 2005. He was the vice-president of Shenzhen Nanshan Foreign Enterprise's Chamber of Commerce between 2005 and 2012 and was appointed as the president in February 2012. He has been a member of Hong Kong CPPCC (Provincial) Members Association Limited since 2006.

Mr. Sun Kwok Wah Peter is an active member in different social organisations as well. He is an Honorary President and Standing Committee Member of the Hong Kong Young Industrialists Council Foundation Limited. Apart from that, he is involved in charitable organisations by being the founding chairman of Hong Kong Blind Sports Federation Limited, the Honorary Patron of The Asian Foundation for the Prevention of Blindness.

Mr. Sun Kwok Wah Peter holds an MBA degree from the Business School of the European University. In January 2002, Mr. Sun Kwok Wah Peter was awarded associateship (metal industry) by the Professional Validation Council of Hong Kong Industries. He was also appointed as the honorary professor of the 深圳大學工程技術學院 (College of Engineering and Technology of Shenzhen University) in December 2002. Mr. Sun Kwok Wah Peter was conferred as a University Fellow by The Hong Kong Polytechnic University in January 2014.

Mr. Wong Chi Kwok (黃志國), aged 70, was appointed as an executive Director on 22 September 2012. He is also a director of certain subsidiaries of the Group. He is responsible for advising the Board on strategic planning, partnership development and merger and acquisition strategies, but is not involved in day-to-day management of the Group.

He has over 40 years of experience in the sales, marketing and overall operational management of the printed circuit board manufacturing industry. From 1977 to 1996, he worked in HT (China) Limited and was responsible for setting up the operation of HT Circuits Limited ("**HT Circuits**") in Hong Kong in 1981. He was the general manager of HT Circuits from 1981 to June 1986 and was subsequently promoted as the managing director in July 1986, being responsible for its business planning, finance management and daily operation.

In 1995, HT (China) Limited decided to exit the Hong Kong market and Mr. Wong Chi Kwok then became the major shareholder of HT Circuits after the management buy-out. Mr. Wong Chi Kwok is currently a director of HT Electronic and Technology (Tianjin) Co., Ltd. (永捷電子科技(天津)股份有限公司), a company whose shares have been listed on NEEQ (NEEQ: 836607).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Kam To (尹錦滔), aged 69, was appointed as our independent non-executive Director in September 2012. Mr. Wan Kam To graduated from Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) in 1975 with a Higher Diploma in Accountancy. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Wan Kam To has been a practicing accountant in Hong Kong for over 30 years and has extensive experience in auditing and advisory work. Mr. Wan is a former partner of PricewaterhouseCoopers Hong Kong.

He is the Treasurer and member of the Council of the Hong Kong Metropolitan University.

Mr. Wan Kam To is also currently an independent non-executive director of several listed companies, which are listed on the Stock Exchange, namely Fairwood Holdings Limited (stock code: 52), Haitong International Securities Group Limited (stock code: 665), China Resources Land Limited (stock code: 1109), and A-Living Smart City Services Co., Ltd (stock code: 3319). He is also currently an independent executive director of China World Trade Centre Co., Ltd., a company listed on the Shanghai Stock Exchange with stock code of 600007, since November 2016.

Mr. Wan had served as an independent non-executive director of several listed companies, which are listed on the Stock Exchange, namely Harbin Bank Co., Ltd. (stock code: 6138) from October 2013 to October 2019, and Target Insurance (Holdings) Limited (stock code: 6161) from 1 November 2014 to 9 August 2021.

Ms. Zhao Yue (趙悦), aged 47, was appointed as an independent non-executive Director on 3 February 2016. Ms. Zhao is currently a director of Togni & Zhao Limited, a private company incorporated in Hong Kong which engages in the business of executive search. Ms. Zhao was admitted to the New York State Bar in 2003 and has years of experience in the legal industry. Ms. Zhao had working experiences at Paul, Weiss, Rifkind, Wharton & Garrison and Skadden, Arps, Slate, Meagher & Flom. Ms. Zhao graduated from the University of Bridgeport with a Bachelor of Science degree in Biology, and graduated from the New York University with a Juris Doctor degree.

Mr. Shen Zheqing (沈哲清), aged 42, was appointed as an independent non-executive Director on 3 February 2016. He is currently the director of ZQ Capital Limited. Mr. Shen Zheqing has served as a director of Nu Skin Enterprises (a company listed on New York Stock Exchange: NUS) since July 2016. Mr. Shen Zheqing has years of experience in the financial industry, having worked with Lehman Brothers and the Goldman Sachs Group. He was also a managing director of the investment banking division of Barclays Capital Asia Limited. Mr. Shen Zheqing graduated from Wesleyan University with a Bachelor of Arts degree in Economics and Mathematics.

SENIOR MANAGEMENT

Mr. Kwok For Chi (郭科志), aged 52, joined the Group in February 2012 and is the chief financial officer of the Company. He is primarily responsible for financial management of the Group. Mr. Kwok has over 20 years of experience in corporate finance, merger and acquisition, investor relationship, corporate strategy, legal matters, financial management and auditing. Prior to joining the Group, Mr. Kwok served as senior financial positions in various listed and non-listed companies during the period 2006 to 2012. Mr. Kwok also worked in a major international accounting firm from August 1994 to October 2006.

Mr. Kwok received his bachelor's degree in business administration in accounting from the Hong Kong University of Science and Technology in November 1994. Mr. Kwok For Chi is a member of the Hong Kong Institute of Certified Public Accountants.

Report of the Directors

The Board submits herewith its report and the audited consolidated financial statements of the Group for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in the manufacturing and sales of precision metal stamping and metal lathing products. Details of the principal activities of the Company's subsidiaries are set out in note 35 to the consolidated financial statements.

An analysis of the Group's revenue and operating results by business segments for the year ended 31 March 2022 is set out in note 7 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and its outlook are set out in the Chairman's Statement on pages 4 to 5, and Business Review section on pages 6 to 11 of this Annual Report. Certain financial information are provided in the section of Five Year Financial Summary on pages 131 to 132 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

The Group regards caring and contributing to the community as an important element in the Group's strategy to achieve sustainable development. The Group places importance in the social well-being in the course of conducting its business and takes part in community and charitable activities. The details of the corporate social responsibility can be found in the chapter of Environmental, Social and Governance Report on pages 23 to 43.

PRINCIPAL FINANCIAL RISKS

The Group is exposed to a variety of financial risks including foreign exchange risk, interest risk, credit risk and liquidity risk. Details of the aforesaid key risks are set out in note 5 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. To the best of the Directors' knowledge, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group in the mainland China and Hong Kong. During the year ended 31 March 2022, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENT POLICIES

The Group is committed to promoting an environmentally-friendly corporation and strives to minimise our environmental impact by saving electricity in the way of switching off idle lightings and electrical appliances and encouraging recycle of office supplies and double-sided printing. The Group's factories in the Mainland China are operated in strict compliance with the relevant environment regulations and rules and possess all necessary permission and approval from the relevant Chinese regulators.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Customers

The Group is committed to offer a high-quality products to the customers. It values the opinions and feedback of all customers through various means and channels, including the usage of telephone, direct mail and after-sale return visit. In addition, the Group continues to proactively manage customer relations, expand its customer base and enhance customers' loyalty.

Suppliers

The Group establishes working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The Group's requirements and standards are well-communicated to suppliers before placing orders in order to ensure the deliverance of high-quality raw materials. All key suppliers have a close and long term relationship with the Group.

RESULTS

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 61.

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 March 2022 (2021: nil). No interim dividend was paid during the year ended 31 March 2022 (2021: nil).

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") during the current year. A summary of the Dividend Policy is disclosed as below.

The Board takes into account the following factors when considering the declaration and payment of dividends:

– the requirements of the Company's constitutional documents;

– the solvency requirements of the Companies Act of the Cayman Islands;

– there being sufficient amount of retained profits and share premium of the Company for the dividend payment;

– any financial covenants and other restrictions that exist with respect to certain of the Company's financing arrangements and other agreements by which the Company is bound from time to time;

– the earnings, financial position, results of operation, expansion plans, working capital requirements, and anticipated cash needs of the Company and its subsidiaries;

– the payment by subsidiaries of cash dividends to the Company; and

– other factors which the Board may deem appropriate.

The form and frequency of dividend declaration and payment shall be at the sole and absolute discretion of the Board. In measuring the Company's performance against the target dividend payout ratio in relation to a financial year, the Board shall seek to maintain consistency from year to year by smoothing the effect of any variation in free cash flows that may be due to one off gains or losses in individual years. The Board will review the Dividend Policy, as appropriate, to ensure the compliance of the Dividend Policy and discuss and approve any revision as and when appropriate.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year ended 31 March 2022 are set out in note 17 to the consolidated financial statements.

BORROWINGS AND FINANCE COSTS

Particulars of borrowings of the Group as at 31 March 2022 is set out in notes 28 and 29 to the consolidated financial statements. Finance costs of the Group are set out in note 9 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 65 and note 34(ii) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company's reserves available for distribution to shareholders amounted to approximately HK$254.5 million, comprising retained profit of approximately HK$228.4 million and share premium of approximately HK$26.1 million. Under the Cayman Islands Law, a company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

RETIREMENT BENEFITS SCHEMES

Details of retirement benefits schemes of the Group are set out in note 11 to the consolidated financial statements.

DONATIONS

Donation made by the Group during the year ended 31 March 2022 amounted to approximately HK$175,000 (2021: nil).

FINANCIAL SUMMARY

A summary of the results and total assets and liabilities of the Group for the last five financial years is set out on pages 131 to 132.

DIRECTORS

The Directors during the year ended 31 March 2022 and up to the date of this report were:

Non-executive Director:

Mr. Zhang Haifeng (Chairman)

Executive Directors:

Mr. Sun Kwok Wah Peter
Mr. Wong Chi Kwok

Independent non-executive Directors:

Mr. Wan Kam To
Ms. Zhao Yue
Mr. Shen Zheqing

At the AGM held on 23 August 2021, Mr. Wong Chi Kwok and Mr. Shen Zheqing were re-elected as Directors.

In accordance with the Company's articles of association, Mr. Sun Kwok Wah and Ms. Zhao Yue shall retire from office and, being eligible, offer themselves for re-election at the forthcoming AGM.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Biographical details of Directors are set out on pages 44 to 46.

INDEPENDENCE CONFIRMATION

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent in accordance with the Listing Rules.

DIRECTORS' REMUNERATION

The remuneration of the Directors is determined with reference to the Director's duties, responsibilities, performance and the results of the Group. Details of the remuneration of the Directors are set out in note 12 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2022.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhang Haifeng, a non-executive Director, has entered into an appointment letter with the Company without a specific fixed term. This appointment letter commenced from 13 October 2016.

Each of the executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for a term of three years commencing from 22 September 2012 until terminated by not less than three months' notice in writing served by either party. After the expiry of the current term, the term of service shall be renewed and extended automatically by one year and on the expiry of every successive period of one year thereafter, unless either party has given at least three months' written notice of non-renewal before the expiry of the then existing terms.

Mr. Wan Kam To, an independent non-executive Director, has been appointed for an initial term of two years commencing from 22 September 2012 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company expiring at the end of the initial term or at any thereafter.

Each of Ms. Zhao Yue and Mr. Shen Zheqing, independent non-executive Directors, has entered into an appointment letter with the Company without a specific fixed term. All letters of appointment commenced from 3 February 2016.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2022. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the agreements disclosed under the paragraph headed "Financial Review" under the section headed "Business review", and the paragraph headed "Continuing connected transactions and connected transactions" under the section headed "Report of the Directors" in this Annual Report, no transaction, arrangement or contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company, or a controlling shareholder of the Company or any of its subsidiaries, had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2022.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2022 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2022 and up to the date of this report, none of the Directors are considered to have direct or indirect interests in businesses which compete or are likely to compete with businesses of the Group pursuant to the Listing Rules.

SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company dated 22 September 2012, the share option scheme (the "**Share Option Scheme**") of the Company was approved and adopted.

The Share Option Scheme was established for the purpose of providing incentives or rewards for the contribution of Directors and eligible persons. The Share Option Scheme will remain in force for a period of ten years from adoption of the Share Option Scheme. The Share Option Scheme will expire on 21 September 2022.

Under the Share Option Scheme, the Directors may at their discretion grant options to (i) any Director (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Company, any of its subsidiaries or any entity in which the Group holds an equity interest; or (ii) any suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners to subscribe for the shares.

The offer of a grant of options must be taken up within 21 days of the date of offer. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 30% of the issued share capital of the Company at any point in time. The total number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares in issue at the time dealings in the shares first commence on the Stock Exchange. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the Directors and commences after a certain vesting period and ends in any event not later than ten years from the date of grant of the relevant share option, subject to the provisions for early termination thereof. Options may be granted upon payment of HK$1 as consideration for each grant. The exercise price is equal to the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of the offer of grant; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) nominal value of the shares.

During the year ended 31 March 2022, no option was granted, exercised cancelled, lapsed or outstanding under the Share Option Scheme. As at the date of this Annual Report, the total number of shares available for issue under the Share Option Scheme was 60,000,000, representing 10% of the issued share capital of the Company.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2022, no Directors or chief executive of the Company had any interest or short position in the shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS', OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2022, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Name of group member/ associated corporation	Capacity/Nature of Interest	Number and class of securities (Note 1)	Approximate shareholding percentage
Massive Force Limited	Company	Beneficial owner	449,999,012 Shares (L) (Note 2)	75%

Notes:

1 The letter "L" denotes the corporation/person's long position in our Shares.

2 These shares were held by Massive Force Limited, which is owned as to 40% by Mr. Zhang Yongdong.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected Transactions

(1) Major and connected transactions in relation to the Disposal Agreement

On 13 August 2021, Able Elite entered into a sale and purchase agreement (the "**Disposal Agreement**") in relation to the entire issued share capital of KRP Holdings with Cosmic Master Holdings Limited ("**Cosmic Master**"), a connected party of the Group, pursuant to which Cosmic Master had agreed to acquire and Able Elite has agreed to sell the entire issued share capital of KRP Holdings at a consideration of HK$66,000,000.

Under the Disposal Agreement, Cosmic Master shall also procure KRP Holdings to settle in full the existing intra-group loan of HK$38,000,000 (the "**Existing Loan**") owing by KRP Holdings to the Group before the completion of the Disposal.

The Directors were of the view that both the Disposal Agreement and the Existing Loan were not entered into in the ordinary and usual course of business of the Group, but the terms thereof are on normal commercial terms and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Details of the major and connected transactions in relation to the Disposal Agreement were set out in the announcements of the Company dated 13 August 2021, 3 September 2021, 17 September 2021, 4 October 2021, 26 October 2021, 22 November 2021, 30 November 2021, 10 December 2021 and the circular dated 15 December 2021 respectively.

(2) Major and connected transactions in relation to the New Tenancy Agreement

On 20 September 2021, Kingdom Precision Product (Suzhou) Company Limited ("**KPP (SZ)**") (as tenant), an indirectly wholly-owned subsidiary of the Company, and Kingdom Precision Science and Technology (Suzhou) Company Limited ("**KP(Suzhou)**") (as landlord), which is indirectly owned by the Company's executive directors Mr. Sun Kwok Wah Peter and Mr. Wong Chi Kwok as to approximately 45.5% and 12.6% respectively, entered into a tenancy agreement (the "**New Tenancy Agreement**") in relation to the leasing of several factory buildings located in Suzhou, the PRC (the "**Factories**") for a term of six years.

The value (unaudited) of the right-of-use asset recognised by the Company under the New Tenancy Agreement amounted to approximately RMB92.5 million (equivalent to approximately HK$111.0 million).

The Directors were of the view that the New Tenancy Agreement was entered into in the ordinary and usual course of business of the Group, and the terms of the New Tenancy Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Details of the major and connected transactions in relation to the New Tenancy Agreement were set out in the announcements of the Company dated 20 September 2021, 4 October 2021, 12 October 2021 and the circular dated 1 November 2021 respectively.

Continuing Connected Transactions

The four leasing continuing connected transactions (which were no longer treated as continuing connected transaction due to the change in accounting standard) as disclosed in the Group's 2021 annual report, namely, (i) the Suzhou factory leasing agreement; (ii) the HK office leasing agreement; (iii) the carpark 1 leasing agreement; and (iv) the carpark 2 leasing agreement had expired on 1 November 2021. For details of the four expired leases, please refer to the Group's 2021 annual report.

Apart from the aforesaid connected and continuing connected transactions and the related party transactions as set out in note 31 to the consolidated financial statements entered into by the Group during the year ended 31 March 2022 did not either fall within the definition of "connected transaction" or "continuing connected transaction", or were treated as de minimis transactions under Rule 14A.76 of the Listing Rules. The Company confirms that it has complied with applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION 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 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's article of association or the laws in the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holdings in the Shares.

EMOLUMENT POLICY

The emoluments of the Directors are decided by the Remuneration Committee having regard to the market rates, workload and responsibilities and general economic situation.

EQUITY-LINKED AGREEMENTS

Save for the share option plan as set out above in the section of "Share Option Scheme", no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result the Company issuing shares were entered into by the Company during the year ended 31 March 2022, or subsisted at the end of the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report as required by the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively during the year is as follows:

Percentage of the Group's total

Sales	
The largest customer	23.0%
Five largest customers in aggregate	74.9%
Purchases	
The largest supplier	8.0%
Five largest suppliers in aggregate	26.4%

To the best of the Directors' knowledge and belief, none of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers at any time during the year ended 31 March 2022.

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 23 August 2022 (the "**AGM**"), the register of members of the Company will be closed from Thursday, 18 August 2022 to Tuesday, 23 August 2022, 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 (to be moved to 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong with effect from 15 August 2022) for registration not later than 4:30 p.m. on Wednesday, 17 August 2022.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 12 to 22.

AUDIT COMMITTEE

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2022.

AUDITOR

There was no change in auditor of the Company during the past three years.

The consolidated financial statements for the year ended 31 March 2022 have been audited by SHINEWING (HK) CPA Limited. SHINEWING (HK) CPA Limited will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution will be submitted to the forthcoming AGM to reappoint SHINEWING (HK) CPA Limited as the auditor of the Company.

On behalf of the Board
KFM Kingdom Holdings Limited

Zhang Haifeng
Chairman

Hong Kong, 24 June 2022

Independent Auditor's Report

SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

To the SHAREHOLDERS of KFM Kingdom HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KFM Kingdom Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 61 to 130, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

PROVISION OF EXPECTED CREDIT LOSS (THE "ECL") FOR TRADE RECEIVABLES

Refer to note 20 to the consolidated financial statements and the accounting policies on pages 79 to 84.

The key audit matter	How the matter was addressed in our audit
We have identified provision of the ECL for trade receivables as a key audit matter because the carrying amount of trade receivables of approximately HK$141,121,000 are significant to the consolidated financial statements and the provision of ECL involves significant judgements and estimates. No provision of ECL has been recognised for the year ended 31 March 2022. Independent valuer was engaged by the management for the valuation of the ECL as at the reporting date. The valuation requires significant judgements and estimates made by the management since the calculation of the provision rates involves selection of forward-looking information.	Our procedures were designed to review the days past due as groupings of various debtors that have similar loss patterns. We also reviewed the provision matrix based on the Group's historical observed default rates and forward-looking information are considered. We have also challenged the reasonableness and selection of forward-looking information used in the calculation of ECL.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lau Kai Wong.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
24 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Continuing operations			
Revenue	6	**612,190**	406,340
Cost of sales		**(512,270)**	(323,711)
Gross profit		**99,920**	82,629
Other losses, net	8	**(4,016)**	(9,550)
Distribution and selling expenses		**(6,980)**	(5,712)
General and administrative expenses		**(65,862)**	(56,269)
Finance income	9	**1,033**	4,435
Finance costs	9	**(5,517)**	(4,601)
Profit before tax	10	**18,578**	10,932
Income tax expense	13	**(5,247)**	(1,815)
Profit for the year from continuing operations		**13,331**	9,117
Discontinued operations			
(Loss)/profit for the year from discontinued operations	14	**(61,350)**	9,286
(Loss)/profit for the year		**(48,019)**	18,403
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**12,363**	29,119
Release of exchange reserve upon disposal of subsidiaries	14	**(15,020)**	–
Other comprehensive (expense)/income for the year		**(2,657)**	29,119
Total comprehensive (expense)/income for the year		**(50,676)**	47,522

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 HK$'000	2021 HK$'000
(Loss)/profit for the year attributable to owners of the Company			
– from continuing operations		**13,331**	9,117
– from discontinued operations		**(61,523)**	8,806
(Loss)/profit for the year attributable to owners of the Company		**(48,192)**	17,923
Profit for the year attributable to non-controlling interests			
– from continuing operations		**–**	–
– from discontinued operations		**173**	480
Profit for the year attributable to non-controlling interests		**173**	480
		(48,019)	18,403
Total comprehensive (expense)/income attributable to:			
– Owners of the Company		**(50,849)**	47,042
– Non-controlling interests		**173**	480
		(50,676)	47,522
(Loss)/earnings per share			
From continuing and discontinued operations			
– Basic and diluted (HK cents)	15	**(8.03)**	2.99
From continuing operations			
– Basic and diluted (HK cents)	15	**2.22**	1.52

Consolidated Statement of Financial Position

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	17	**50,437**	135,637
Right-of-use assets	18	**109,029**	90,125
Prepayments, deposits and other receivables	21	**49,866**	8,945
Deferred income tax assets	26	**–**	1,975
Total non-current assets		**209,332**	236,682
Current assets			
Inventories	19	**112,120**	90,802
Trade and bills receivables	20	**141,121**	172,670
Prepayments, deposits and other receivables	21	**9,722**	13,112
Current income tax recoverable		**–**	2,829
Financial asset at fair value through profit or loss	22	**8**	27
Time deposits with maturity over three months	23	**221,009**	160,000
Restricted bank deposits	23	**341**	675
Cash and cash equivalents	23	**82,841**	243,452
Total current assets		**567,162**	683,567
Total assets		**776,494**	920,249
EQUITY			
Capital and reserves			
Share capital	24	**60,000**	60,000
Share premium	24	**26,135**	26,135
Reserves	25	**418,528**	469,377
Capital and reserves attributable to owners of the Company		**504,663**	555,512
Non-controlling interests		**–**	4,119
Total equity		**504,663**	559,631
LIABILITIES			
Non-current liabilities			
Lease liabilities	18	**96,154**	62,928
Deferred income tax liabilities	26	**656**	2,136
Total non-current liabilities		**96,810**	65,064

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2022 HK$'000	2021 HK$'000
Current liabilities			
Trade and other payables	27	**124,807**	105,133
Lease liabilities	18	**10,953**	20,840
Unsecured borrowings from a related company	28	**–**	166,000
Bank borrowings	29	**36,580**	–
Current income tax liabilities		**2,681**	3,581
Total current liabilities		**175,021**	295,554
Total liabilities		**271,831**	360,618
Total equity and liabilities		**776,494**	920,249
Net current assets		**392,141**	388,013
Total assets less current liabilities		**601,473**	624,695

The consolidated financial statements on pages 61 to 130 were approved and authorised for issue by the board of directors on 24 June 2022 and are signed on its behalf by:

Zhang Haifeng
Director

Sun Kwok Wah Peter
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note 25(a))	Statutory reserve HK$'000 (note 25(b))	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2020	60,000	26,135	2,358	47,256	(3,224)	375,945	508,470	3,639	512,109
Profit for the year	–	–	–	–	–	17,923	17,923	480	18,403
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	29,119	–	29,119	–	29,119
Total comprehensive income for the year	–	–	–	–	29,119	17,923	47,042	480	47,522
Transfer of retained profits to statutory reserve	–	–	–	6,076	–	(6,076)	–	–	–
Balance at 31 March 2021	60,000	26,135	2,358	53,332	25,895	387,792	555,512	4,119	559,631

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium HK$'000**	**Capital reserve HK$'000 (note 25(a))**	**Statutory reserve HK$'000 (note 25(b))**	**Exchange reserve HK$'000**	**Retained profits HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
Balance at 1 April 2021	**60,000**	**26,135**	**2,358**	**53,332**	**25,895**	**387,792**	**555,512**	**4,119**	**559,631**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**(48,192)**	**(48,192)**	**173**	**(48,019)**
Other comprehensive income/(expense) for the year:									
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**12,363**	**–**	**12,363**	**–**	**12,363**
Release of exchange reserve upon disposal of subsidiaries (note 14)	**–**	**–**	**–**	**–**	**(15,020)**	**–**	**(15,020)**	**–**	**(15,020)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**–**	**(2,657)**	**(48,192)**	**(50,849)**	**173**	**(50,676)**
Disposal of subsidiaries (note 14)	**–**	**–**	**(2,357)**	**(20,294)**	**–**	**22,651**	**–**	**(4,292)**	**(4,292)**
Transfer of retained profits to statutory reserve	**–**	**–**	**–**	**111**	**–**	**(111)**	**–**	**–**	**–**
Balance at 31 March 2022	**60,000**	**26,135**	**1**	**33,149**	**23,238**	**362,140**	**504,663**	**–**	**504,663**

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Profit before tax from continuing operations	**18,578**	10,932
(Loss)/profit before tax from discontinued operations	**(61,074)**	10,397
(Loss)/profit before tax	**(42,496)**	21,329
Adjustments for:		
Depreciation of plant and equipment	**11,461**	28,446
Depreciation of right-of-use assets	**26,611**	29,685
Write-off of inventories	**1,021**	765
Reversal of write-down of inventories	**–**	(6,795)
Loss on disposal of plant and equipment	**239**	183
Gain on disposal of subsidiaries	**(9,346)**	–
Loss on remeasurement to fair value less costs to sell	**63,993**	–
Fair value loss/(gain) on financial asset at fair value through profit or loss	**19**	(15)
Finance income	**(1,223)**	(4,579)
Finance costs	**13,537**	11,254
Government subsidies	**(939)**	(6,109)
Operating cash flows before movements in working capital	**62,877**	74,164
Increase in inventories	**(86,124)**	(13,842)
(Increase)/decrease in trade and bills receivables	**(65,640)**	3,866
(Increase)/decrease in prepayments, deposits and other receivables	**(32,803)**	8,580
Increase in trade and other payables	**81,972**	2,746
Net cash generated (used in)/from operations	**(39,718)**	75,514
Income tax paid	**(2,898)**	(5,469)
Income tax refunded	**2,829**	829
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(39,787)**	70,874

CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of plant and equipment	**3,143**	30
Purchase of plant and equipment	**(42,343)**	(28,456)
Purchase of right-of-use assets	**–**	(3,801)
Purchase of financial asset at fair value through profit or loss	**–**	(12)
Repayment from related companies	**–**	7,816
Net cash outflows from disposal of subsidiaries (note 14)	**43,368**	–
Placement of time deposits with maturity over three months	**(61,009)**	(160,000)
Placement of restricted bank deposits	**–**	(641)
Withdraw of restricted bank deposits	**348**	–
Interest received	**1,223**	4,579
NET CASH USED IN INVESTING ACTIVITIES	**(55,270)**	(180,485)
FINANCING ACTIVITIES		
New bank borrowings raised	**35,695**	–
Repayment of unsecured borrowings from a related company raised	**(66,000)**	–
Receipts from government subsidies	**939**	6,109
Repayment of lease liabilities	**(23,362)**	(35,696)
Interest paid	**(14,850)**	(11,254)
NET CASH USED IN FINANCING ACTIVITIES	**(67,578)**	(40,841)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(162,635)**	(150,452)
CASH AND CASH EQUIVALENTS AT 1 APRIL	**243,452**	386,354
Currency translation difference	**2,024**	7,550
CASH AND CASH EQUIVALENTS AT 31 MARCH	**82,841**	243,452

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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 Act, Cap. 22 (Act 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 immediate holding company and controlling shareholder of the Company is Massive Force Limited, a company incorporated in the British Virgins Islands (the "**BVI**"). The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the Company's annual report.

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in the manufacturing and sales of precision metal stamping products. Details of the Company's subsidiaries are set out in note 35.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning on 1 April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The application of the amendments to HKFRSs in the current year has had no material effects on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

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 and related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract[1]
Amendment to HKFRSs	Annual improvements to HKFRSs 2018-2020 cycle[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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, Reference to the Conceptual Framework

The amendments update a reference to HKFRS 3 so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010). They also add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of Hong Kong (International Financial Report Interpretations Committee) Interpretations ("**HK(IFRIC)-Int**") 21 *Levies*, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

New and amendments to HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instrument that is measured at fair value, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes sales related taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies HKAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Employee benefits

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Provision obligations

The Group's entities operate defined contribution schemes which are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to owners of the Company after certain adjustments. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are recognised when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred income tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred income tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For the purposes of measuring deferred income tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Current and deferred income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred income tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method.

Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Plant and machinery	10 years
Motor vehicles	5 to 10 years
Furniture and office equipment	5 to 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Groups directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less incremental costs and other cost necessary to sell inventories.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**") and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Finance income" line item (note 9).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- The Group has not designated any debt instruments as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other (losses)/gains, net" line item. Fair value is determined in the manner described in note 5.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative.

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, including bills receivables and other receivables, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGU s, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

When measuring fair value except for the Group's leasing transaction, net realisable value of inventories and value in use of plant and equipment and right-of-use assets for the purpose of impairment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specially, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Depreciation and useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions.

Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

As at 31 March 2022, there is no revision of the estimated useful lives, residual values and the related depreciation charges of the plant and equipment with carrying amount of approximately HK$50,437,000 (2021: HK$135,637,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of plant and equipment and right-of-use assets

At the end of the reporting period, the Group's management reviews the carrying amount of the Group's plant and equipment and right-of-use assets of approximately HK$50,437,000 and HK$109,029,000 respectively (2021: HK$135,637,000 and HK$90,125,000) and identified if there is any indication for possible impairment. If any such indication exists, the recoverable amount of the CGUs in which the assets belonged, which is determined based on the higher of fair value less cost of disposal and value-in-use, is estimated in order to determine the extent of the impairment loss. No impairment loss of plant and equipment and right-of-use assets have been recognised for the years ended 31 March 2022 and 2021.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less incremental costs and other cost necessary to sell inventories. These incremental costs and other cost necessary to sell inventories are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of each reporting period.

As at 31 March 2022, the carrying amount of inventories of approximately HK$112,120,000 (2021: HK$90,802,000), net of accumulated provision of write-down of approximately HK$2,702,000 (2021: HK$6,013,000). No reversal of write-down of inventories (2021: HK$6,795,000) and no write-off of inventories (2021: HK$765,000) have been recognised to the profit or loss for the year ended 31 March 2022. A write-down of inventories of HK$1,021,000 (2021: nil) was recognised for the year ended 31 March 2022.

Provision of ECL for trade receivables

The Group uses a provision matrix to calculate the ECL for trade receivables as at 31 March 2022. The provision rates are based on days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially by reference to past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2022, the carrying amount of trade receivables is approximately HK$141,121,000 (2021: HK$166,551,000). No provision for ECL for trade receivables has been recognised for the years ended 31 March 2022 and 2021.

Income taxes

As at 31 March 2022, no deferred income tax assets (2021: HK$1,975,000) have been recognised in the Group's consolidated financial statements in relation to deductible temporary differences of nil (2021: HK$13,167,000). No deferred income tax asset has been recognised on the un-utilised tax losses of approximately HK$57,622,000 (2021: HK$49,894,000) due to the unpredictability of future profit streams. The realisability of the deferred income tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred income tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. Further details are contained in note 26.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost	**487,410**	583,384
Financial asset at FVTPL		
– Equity instruments at FVTPL	**8**	27
Financial liabilities		
Financial liabilities at amortised cost	**161,101**	259,669

The Group's major financial instruments include trade and bill receivables, other receivables and deposits, time deposits with maturity over three months, restricted bank deposits, cash and cash equivalents, financial asset at FVTPL, unsecured borrowings from a related company, bank borrowings and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 27% of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 100% of costs is denominated in the group entity's respective functional currency.

Each individual group entity has its own functional currency. Currency 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 People's Republic of China (the "**PRC**"). The Group is mainly exposed to currency risk arising from United States dollars ("**US$**").

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
US$	**147,202**	168,406	**12,884**	8,347

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

As at 31 March 2022, if the functional currencies of the Group's entities had strengthened/weakened by 5% (2021: 5%) against US$, with all other variables held constant, the profit before tax of continuing operations for the year ended 31 March 2022 would increase/decrease by approximately HK$6,716,000 (2021: increase/decrease by HK$8,003,000), respectively, mainly as a result of foreign exchange gain/loss on translation of US$ denominated financial assets and liabilities.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to time deposits with maturity over three months, other receivables and lease liabilities. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposure to cash flow interest rates is mainly attributable to its variable rate unsecured borrowings from a related company, variable rate bank borrowings, short-term bank deposits and bank balances. The Group's variable interest rate borrowings as at 31 March 2022 and 2021, are as follows:

	2022 HK$'000	2021 HK$'000
Short-term bank deposits and bank balances	**43,156**	171,897
Variable interest rate borrowings	**(36,580)**	(166,000)
	6,576	5,897

Other than short-term bank deposits and bank balances included in cash and cash equivalents, other receivable and unsecured borrowings from a related company, the Group does not have significant interest-bearing assets or liabilities. The Group's exposure to cash flow interest rate risk associated with the effects of fluctuations in the prevailing levels of the market interest rates on its cash flows is not deemed to be substantial in the view of management based on the nature of the assets and liabilities.

As at 31 March 2022, if the interest rates had been 50 basis points (2021: 50 basis points) higher/lower, with all other variables held constant, the net effect on the profit before tax of continuing operations for the year would have been HK$33,000 higher/lower (2021: HK$29,000 higher/lower).

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from trade and other receivables, time deposits with maturity over three months, restricted bank deposits and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. The credit risk is monitored on an ongoing basis with reference to the financial position of the debtors, past experience and other factors.

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit histories and the Group performs regular credit evaluations of its major customers.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other financial instruments, including bills receivables and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered amounts due from related companies to be low risk and thus the impairment assessment during the year was limited to 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks in Hong Kong with high credit ratings assigned by international credit-rating agencies or authorised banks in the PRC with high credit ratings.

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management uses the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL	
		Trade receivables	Other financial assets
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	Lifetime ECL (simplified approach)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

For the year ended 31 March 2022

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Net carrying amount HK$'000
Trade receivables	**Performing**	**Lifetime ECL (simplified approach)**	**141,121**	**141,121**
Other receivables	**Performing**	**12-month ECL**	**42,098**	**42,098**

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades. (Continued)

For the year ended 31 March 2021

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	166,551	–	166,551
Bills receivables	Performing	12-month ECL	6,119	–	6,119
Other receivables	Performing	12-month ECL	6,587	–	6,587
Other receivables	Default	Lifetime ECL – credit impaired	4,000	(4,000)	–

The Group has concentration of credit risk as 26% (2021: 11%) and 67% (2021: 36%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. No significant collectability issues have been identified in the past.

None of the Group's financial assets are secured by collateral or other credit enhancements.

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, unsecured borrowings from a related company with a repayable on demand clause are included in the earliest time band regardless of the probability of a related company choosing to exercise their rights. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

5. FINANCIAL INSTRUMENTS (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	On demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying Amount HK$'000
At 31 March 2022					
Trade and other payables	**124,521**	**–**	**–**	**124,521**	**124,521**
Bank borrowings	**37,758**	**–**	**–**	**37,758**	**36,580**
	162,279	**–**	**–**	**162,279**	**161,101**
Lease liabilities	**23,713**	**22,744**	**90,868**	**137,325**	**107,107**
At 31 March 2021					
Unsecured borrowings from a related company	166,000	–	–	166,000	166,000
Trade and other payables	93,669	–	–	93,669	93,669
	259,669	–	–	259,669	259,669
Lease liabilities	26,306	18,446	56,450	101,202	83,768

As at 31 March 2021, unsecured borrowings from a related company of HK$166,000,000 that contain a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. Nevertheless, in the opinion of the directors of the Company, the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from the end of the reporting period and the Group is expected to generate adequate cash flows to maintain its operation. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the related company will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows was HK$166,000,000 and approximately HK$781,000 respectively.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt-to-asset ratio. The ratio is calculated as total debt divided by total assets. Total debt is calculated as interest-bearing borrowings and lease liabilities.

	2022 HK$'000	2021 HK$'000
Total debt	**143,687**	249,768
Total assets	**776,494**	920,249
Debt-to-asset ratio	**19%**	27%

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(c) Fair value measurement

Fair value measurement recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 March 2022			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial asset at FVTPL				
Listed equity instruments	**8**	**–**	**–**	**8**

	31 March 2021			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial asset at FVTPL				
Listed equity instruments	27	–	–	27

There were no transfers between levels of fair value hierarchy during the year.

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement (Continued)

Fair value of financial assets that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instrument	Fair value hierarchy	Fair value as at 31.3.2022 HK$'000	Fair value as at 31.3.2021 HK$'000	Valuation technique and key inputs
Listed equity instruments	Level 1	**8**	27	Quoted bid prices in an active market

The directors of the Company consider that the fair value of the long-term portion of financial liabilities recorded at amortised cost approximate to their carrying amount as the discounting impact is not significant.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost approximate to their fair values due to their short-term maturities.

6. REVENUE

Revenue represents sales of high precision metal products to external parties exclude sales related taxes. Revenue from contracts with customers within the scope of HKFRS 15 are recognised at a point in time.

7. SEGMENT INFORMATION

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

During the year ended 31 March 2021, 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.

During the year ended 31 March 2022, an operating segment regarding the metal lathing was classified as discontinued operations, which are in more details in note 14. Since then, the Group operates in one business unit based on its products, and has only one reportable segment which is metal stamping. As such, no segmental analysis has been presented. The Group conducts its principal operation in Mainland China. Management monitors the operating results of its business unit for the purpose of making decisions about resources allocation and performance assessment.

7. SEGMENT INFORMATION (Continued)

Geographic information

Set out below was the disaggregation of the Group's revenue from contracts with customers from continuing operations:

	2022 HK$'000	2021 HK$'000
Geographical region		
The PRC	**292,351**	281,298
South East Asia	**221,173**	47,959
Europe	**56,122**	20,303
North America	**33,467**	42,655
Others	**9,077**	14,125
Total	**612,190**	406,340

The non-current assets, other than deposits and deferred income tax assets, of the Group as at 31 March 2022 and 2021 are as follows:

	2022 HK$'000	2021 HK$'000
The PRC	**164,423**	227,546
Hong Kong	**3,902**	4,611
	168,325	232,157

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group from continuing operations are as follows:

	2022 HK$'000	2021 HK$'000
Customer A	**140,897**	N/A[1]
Customer B	**113,009**	N/A[1]
Customer C	**123,310**	112,550
Customer D	**N/A[1]**	43,105

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER LOSSES, NET

	2022 HK$'000	2021 HK$'000
Continuing operations		
Loss on disposal of plant and equipment	**(272)**	(51)
Exchange losses, net	**(5,133)**	(10,656)
Government subsidies (Note)	**540**	1,407
Fair value (loss)/gain on financial asset at FVTPL	**(19)**	15
Others	**868**	(265)
	(4,016)	(9,550)

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 2022 and 2021.

9. FINANCE COSTS AND FINANCE INCOME

	2022 HK$'000	2021 HK$'000
Continuing operations		
Finance costs		
Interest expense on bank borrowings	**247**	–
Interest expense on unsecured borrowings from a related company	**1,856**	3,465
Interest expense on lease liabilities	**3,414**	1,136
	5,517	4,601
Continuing operations		
Finance income		
Interest income on bank balances and deposits	**469**	4,175
Interest income on amount due from a related company	**–**	260
Interest income on other receivables	**564**	–
	1,033	4,435

10. PROFIT BEFORE TAX

Profit for the year has been arrived at after charging:

	2022 HK$'000	2021 HK$'000
Continuing operations		
Staff costs		
Directors' emoluments (note 12)	**5,068**	5,068
Other staff:		
– salaries and other allowances	**117,158**	82,707
– retirement benefits scheme contributions (excluding directors)	**2,314**	2,372
	124,540	90,147
Continuing operations		
Auditor's remuneration		
– statutory audit services	**1,020**	1,020
– non-statutory audit services	**550**	378
Cost of inventories sold (Note (a))	**511,249**	329,773
Depreciation of plant and equipment	**5,768**	7,071
Depreciation of right-of-use assets	**19,863**	19,306
Research and development expenses (Note (b))	**19,203**	12,973

Notes:

(a) Included in cost of sales was write-down of inventories of approximately HK$1,021,000 (2021: reversal of write-down of inventories of HK$6,062,000 which were sold at profit) during the year ended 31 March 2022.

(b) Included in research and development expenses was staff cost of approximately HK$10,665,000 (2021: HK$9,046,000) which has been included in staff costs disclosure above.

11. EMPLOYEE BENEFITS EXPENSE

	2022 HK$'000	2021 HK$'000
Continuing operations		
Short-term employee benefits (Note (a))	**122,208**	87,757
Retirement benefits schemes contributions	**2,332**	2,390
Total employee benefits expense (including directors)	**124,540**	90,147

(i) Hong Kong

Subsidiaries in Hong Kong operate a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees. The assets of the MPF Scheme are held separately from those of the subsidiaries in an independent administered fund. The subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) The PRC, other than Hong Kong

The employees in the Group who work in the PRC are required to participate in pension schemes operated by the local governments. The Group is required to contribute 5% to 8% (2021: 5% to 8%) of their payroll costs to the schemes. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes.

Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions.

Notes:

(a) Short-term employee benefits represent salary, wages and bonus paid to employees of the Group, and insurance premium paid to the insurance agent for staff insurance schemes.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2021: one) director whose emoluments are reflected in the analysis shown in note 12. The emoluments payable to the remaining four (2021: four) individuals during the year ended 31 March 2022 are as follows:

	2022 HK$'000	2021 HK$'000
Continuing operations		
Short-term employee benefits	**7,476**	5,115
Retirement benefits schemes contributions	**118**	109
	7,594	5,224

11. EMPLOYEE BENEFITS EXPENSE (Continued)

Notes: (Continued)

(b) Five highest paid individuals (Continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follow:

	Number of individuals 2022	2021
Continuing operations		
HK$700,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**1**	–
	4	4

(c) For the year ended 31 March 2022, no remuneration were paid by the Group (2021: nil) to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which any of the five highest paid individuals waived or agreed to waive any of the remuneration.

12. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND THE LISTING RULES)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The remunerations paid or payable of each to the 6 (2021: 6) directors, including the chief executive, were as follows:

For the year ended 31 March 2022

	Executive directors		Non-executive director	Independent non-executive directors			
	Sun Kwok Wah Peter ("Mr. Sun") HK$'000	Wong Chi Kwok ("Mr. Wong") HK$'000	Zhang Haifeng HK$'000	Wan Kam To HK$'000	Zhao Yue HK$'000	Shen Zheqing HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings:							
Fees	–	300	150	400	150	150	1,150
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings:							
Salaries	3,900	–	–	–	–	–	3,900
Retirement benefits schemes contributions	18	–	–	–	–	–	18
Total emoluments	3,918	300	150	400	150	150	5,068

12. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND THE LISTING RULES) (Continued)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 March 2021

	Executive directors		Non-executive director	Independent non-executive directors			
	Mr. Sun	Mr. Wong	Zhang Haifeng	Wan Kam To	Zhao Yue	Shen Zheqing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations							
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings:							
Fees	–	300	150	400	150	150	1,150
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings:							
Salaries	3,900	–	–	–	–	–	3,900
Retirement benefits schemes contributions	18	–	–	–	–	–	18
Total emoluments	3,918	300	150	400	150	150	5,068

Mr. Sun was the chief executive of the Company for years ended 31 March 2022 and 2021.

(B) DIRECTORS' TERMINATION BENEFITS

No termination benefits was provided to or receivable by any director during the year as compensation for the early termination of appointment (2021: nil).

(C) WAIVER OF EMOLUMENTS

No directors waived or agreed to waive any emoluments during the years ended 31 March 2022 and 2021.

(D) INDUCEMENT TO JOIN OR UPON JOINING THE GROUP

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 March 2022 and 2021.

13. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Continuing operations		
Current income tax		
– Hong Kong profits tax	–	–
– The PRC	3,466	625
– Dividend withholding tax	1,280	604
Over provision in prior years		
– Hong Kong profits tax	(202)	–
	4,544	1,229
Deferred income tax (note 26)	703	586
Total	5,247	1,815

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 2022 and 2021.

(A) HONG KONG PROFITS TAX

No provision for Hong Kong Profits Tax was made for the years ended 31 March 2022 and 2021 as there were no assessable profits generated during the years ended 31 March 2022 and 2021.

(B) THE PRC ENTERPRISE INCOME TAX (THE "PRC EIT")

The PRC EIT is provided on the assessable income of the Group's PRC subsidiary, 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 2022 is provided at the rate of 25% (2021: 25%).

A PRC subsidiary was recognised by the PRC government as "High and New Technology Enterprise" and was 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 company outside the PRC when the PRC subsidiary declare dividend out of profits earned after 1 January 2008. During the year ended 31 March 2022, a lower 5% (2021: 5%) PRC dividend withholding tax rate was adopted since (i) the immediate holding company of the PRC subsidiary is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAX EXPENSE (Continued)

The income tax expense on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the entities, as follows:

	2022 HK$'000	2021 HK$'000
Continuing operations		
Profit before tax	**18,578**	10,932
Tax calculated at the standard tax rate of the respective entities	**2,574**	1,449
Tax effect of income not taxable for tax purpose	**(512)**	(802)
Tax effect of expenses not deductible for tax purpose	**3,094**	583
Tax effect of super deduction on research and development expense	**(2,880)**	(1,460)
Deferred income tax charged in respect of withholding income tax on undistributed profits	**1,613**	1,138
Over provision in prior years	**(202)**	–
Tax losses for which no deferred income tax asset was recognised	**1,560**	907
Income tax expense	**5,247**	1,815

14. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES

In August 2021, the Group entered into a sale and purchase agreement to dispose of its metal lathing business entirely through the sale of all of its shareholding in its indirect wholly-owned subsidiary, Kingdom (Reliance) Precision Parts Manufactory Holdings Limited ("**KRP BVI**"), to Cosmic Master Holdings Limited (the "**Purchaser**"), a connected company (being Mr. Lam Kin Shun is a director of a subsidiary of the Group and the ultimate beneficial owner of the Purchaser) (the "**Disposal**"). KRP BVI is an investment holding company and its subsidiaries are engaged in the manufacture and sales of metal lathing products. The disposal was completed on 20 December 2021, on which date control of KRP BVI passed to the Purchaser.

Details (including the facts and circumstances, the expected manner and timing of the Disposal as well as the terms of the sale and purchase agreement and the reasons for the Disposal) are set out in the Company's announcements dated 13 August 2021, 3 September 2021, 17 September 2021, 4 October 2021, 26 October 2021, 22 November 2021, 30 November 2021, 10 December 2021, 15 December 2021 and 20 December 2021 and the Company's circular dated 15 December 2021.

14. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES (Continued)

Loss from discontinued operations

The results of the discontinued operations for the period from 1 April 2021 to 20 December 2021, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the period from 1 April 2021 to 20 December 2021 HK$'000	For the year ended 31 March 2021 HK$'000
Revenue	186,030	271,988
Cost of sales	(149,344)	(202,642)
Gross profit	36,686	69,346
Other (losses)/gains, net	(1,425)	1,259
Distribution and selling expenses	(3,826)	(3,894)
General and administrative expenses	(30,032)	(49,805)
Finance income	190	144
Finance costs	(8,020)	(6,653)
(Loss)/profit before tax	(6,427)	10,397
Income tax expense	(276)	(1,111)
(Loss)/profit for the period/year (Note (b))	(6,703)	9,286
Loss on remeasurement to fair value less costs to sell (Note (a))	(63,993)	–
Gain on disposal of subsidiaries	9,346	–
(Loss)/profit for the period/year from discontinued operations	(61,350)	9,286

Notes:

(a) The Group engaged an independent valuer not connected to the Group, to assess the fair value less costs to sell of the abovementioned disposal group as a cash-generating unit. With reference to the valuation report issued, loss on remeasurement to fair value less costs to sell of approximately HK$63,993,000 were recognised, of which of approximately HK$36,476,000 and HK$27,517,000 were allocated to plant and equipment and right-of-use assets respectively.

(b) The profit for the year ended 31 March 2021 from discontinued operations of approximately HK$9,286,000 excluded a management charge on the corporate level of approximately HK$2,222,000. Were such corporate level management charge not eliminated, the net profit would have been approximately HK$7,064,000.

14. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES (Continued)

Loss from discontinued operations (Continued)

(Loss)/profit for the period/year from discontinued operation includes the following:

	For the period from 1 April 2021 to 20 December 2021 HK$'000	For the year ended 31 March 2021 HK$'000
Other (losses)/gains, net		
Gain/(loss) on disposal of plant and equipment	33	(132)
Exchange losses, net	(2,482)	(3,559)
Government subsidies (Note (a))	399	4,702
Other	625	248
	(1,425)	1,259
Finance income		
Interest income on bank balances and deposits	190	144
Finance costs		
Interest expense on unsecured borrowings from a related company	3,938	5,250
Interest expense on lease liabilities	4,082	1,403
	8,020	6,653
Auditor's remuneration	–	–
Cost of inventories sold (Note (b))	149,344	202,610
Depreciation of plant and equipment	5,693	21,375
Depreciation of right-of-use assets	6,748	10,379
Employee benefit expenses	50,745	64,809

Notes:

(a) The amounts represented the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the period from 1 April 2021 to 20 December 2021 and year ended 31 March 2021.

(b) No reversal of write-down of inventories (year ended 31 March 2021: approximately HK$733,000 which were sold at profit) and no write-off of inventories (year ended 31 March 2021: approximately HK$765,000) were included in the cost of sales during the period from 1 April 2021 to 20 December 2021.

14. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES (Continued)

Loss from discontinued operations (Continued)

During the period, the metal lathing business paid approximately HK$11,998,000 (year ended 31 March 2021: contributed HK$55,818,000) to the Group's net operating cash flows, paid approximately HK$51,573,000 (year ended 31 March 2021: HK$19,318,000) in respect of investing activities and paid approximately HK$12,428,000 (year ended 31 March 2021: HK$14,410,000) in respect of financing activities.

	HK$'000
Analysis of assets and liabilities over which control was lost as at the date of disposal:	
Property, plant and equipment	70,043
Right-of-use assets	46,115
Deferred income tax assets	1,373
Inventories	68,305
Trade and bills receivables	102,788
Prepayments, deposits and other receivables	47,145
Cash and cash equivalents	22,632
Trade and other payables (Note)	(104,981)
Unsecured borrowings from a related company	(100,000)
Lease liabilities	(73,063)
Current income tax liabilities	(2,971)
Deferred income tax liabilities	(1,420)
Net assets disposed of	75,966

Note: Included in trade and other payable was amount due to the Group of approximately HK$40,736,000 which was unsecured, carrying interest at 5.25% per annum and repayable within three years. As at 31 March 2022, the amount due to the Group was approximately HK$38,000,000.

	HK$'000
Gain on disposal of subsidiaries:	
Consideration	66,000
Net assets disposed of	(75,966)
Non-controlling interests	4,292
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	15,020
Gain on disposal of subsidiaries	9,346
Net cash inflow arising on disposal:	
Cash consideration received	66,000
Less: cash and cash equivalents disposed of	(22,632)
	43,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share

	2022	2021
(Loss)/profit attributable to owners of the Company (HK$'000)		
– from continuing operations	**13,331**	9,117
– from discontinued operations	**(61,523)**	8,806
	(48,192)	17,923
Weighted average number of shares in issue ('000)	**600,000**	600,000
Basic and diluted (loss)/earnings per share (HK cents per share)		
– from continuing operations	**2.22**	1.52
– from discontinued operations	**(10.25)**	1.47
	(8.03)	2.99

Basic (loss)/earnings per share for the years ended 31 March 2022 and 2021 is calculated by dividing the (loss)/profit attributable to owners of the Company by 600,000,000 ordinary shares in issue during the years ended 31 March 2022 and 2021.

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as the Company had no potential ordinary share in issue during the years ended 31 March 2022 and 2021.

16. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

17. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and office equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
Year ended 31 March 2021						
Opening net book amount	7,743	117,758	1,492	3,431	1,586	132,010
Additions	1,371	11,652	384	1,561	7,093	22,061
Disposals	–	(139)	(40)	(34)	–	(213)
Transfers	–	479	–	506	(985)	–
Depreciation	(5,772)	(21,115)	(507)	(1,052)	–	(28,446)
Exchange differences	394	8,987	74	320	450	10,225
Closing net book amount	3,736	117,622	1,403	4,732	8,144	135,637
At 31 March 2021						
Cost	36,261	326,308	3,275	15,888	8,144	389,876
Accumulated depreciation	(32,525)	(202,200)	(1,872)	(11,156)	–	(247,753)
Accumulated impairment	–	(6,486)	–	–	–	(6,486)
Net book amount	3,736	117,622	1,403	4,732	8,144	135,637
Year ended 31 March 2022						
Opening net book amount	**3,736**	**117,622**	**1,403**	**4,732**	**8,144**	**135,637**
Additions	**61**	**11,117**	**1,927**	**9,328**	**11,051**	**33,484**
Transfer from right-of-use assets (note 18)	**–**	**–**	**433**	**–**	**–**	**433**
Disposals	**–**	**(2,937)**	**(350)**	**(95)**	**–**	**(3,382)**
Disposal of subsidiaries * (note 14)	**(2,201)**	**(94,399)**	**(252)**	**(9,667)**	**–**	**(106,519)**
Transfers	**–**	**12,138**	**–**	**396**	**(12,534)**	**–**
Depreciation	**(1,248)**	**(8,513)**	**(820)**	**(880)**	**–**	**(11,461)**
Exchange differences	**51**	**1,796**	**20**	**142**	**236**	**2,245**
Closing net book amount	**399**	**36,824**	**2,361**	**3,956**	**6,897**	**50,437**
At 31 March 2022						
Cost	**14,337**	**110,849**	**3,375**	**11,613**	**6,897**	**147,071**
Accumulated depreciation	**(13,938)**	**(74,025)**	**(1,014)**	**(7,657)**	**–**	**(96,634)**
Net book amount	**399**	**36,824**	**2,361**	**3,956**	**6,897**	**50,437**

* Included loss on remeasurement to fair value less costs to sell of approximately HK$36,476,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. LEASES

(i) Right-of-use assets

	Plant and machinery HK$'000	Motor vehicles HK$'000	Buildings HK$'000	Total HK$'000
Year ended 31 March 2021				
Opening net book amount	–	614	41,750	42,364
Additions	11,329	–	60,672	72,001
Depreciation	(438)	(155)	(29,092)	(29,685)
Exchange differences	573	–	4,872	5,445
Closing net book amount	11,464	459	78,202	90,125
At 31 March 2021				
Cost	11,925	769	133,349	146,043
Accumulated depreciation	(461)	(310)	(55,147)	(55,918)
Net book amount	11,464	459	78,202	90,125
Year ended 31 March 2022				
Opening net book amount	**11,464**	**459**	**78,202**	**90,125**
Additions	**–**	**–**	**114,809**	**114,809**
Depreciation	**(517)**	**(26)**	**(26,068)**	**(26,611)**
Transfer to plant and equipment (note 17)	**–**	**(433)**	**–**	**(433)**
Disposal of subsidiaries* (note 14)	**(10,947)**	**–**	**(62,685)**	**(73,632)**
Exchange differences	**–**	**–**	**4,771**	**4,771**
Closing net book amount	**–**	**–**	**109,029**	**109,029**
At 31 March 2022				
Cost	**–**	**–**	**162,537**	**162,537**
Accumulated depreciation	**–**	**–**	**(53,508)**	**(53,508)**
Net book amount	**–**	**–**	**109,029**	**109,029**

The Group has lease arrangements for office premises, factories and carparks of approximately HK$1,653,000, HK$107,282,000, HK$94,000 (2021: office premises and factories, plant and machinery and motor vehicles of approximately HK$78,202,000, HK$11,464,000 and HK$459,000), respectively. The lease terms are generally ranged from two to six years (2021: two to six years).

* Included loss on remeasurement to fair value less costs to sell of HK$27,517,000.

18. LEASES (Continued)

(i) Right-of-use assets (Continued)

Additions to the right-of-use assets from continuing operations for the year ended 31 March 2022 amounted to approximately HK$114,809,000, due to new lease of factory (2021: HK$72,001,000, due to new lease of machineries, office premises and factory).

The right-of-use assets of approximately HK$433,000 had been transferred to plant and equipment since respective lease liabilities have been fully settled during the year ended 31 March 2022 (2021: nil).

No modification to the right-of-use assets for the year ended 31 March 2022 (2021: nil).

(ii) Lease liabilities

	2022 HK$'000	2021 HK$'000
Non-current	**96,154**	62,928
Current	**10,953**	20,840
	107,107	83,768

Amounts payable under lease liabilities:

	2022 HK$'000	2021 HK$'000
Within one year	**10,953**	20,840
After one year but within two years	**16,300**	14,361
After two years but within five years	**79,854**	48,567
	107,107	83,768
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(10,953)**	(20,840)
Amount due for settlement after 12 months	**96,154**	62,928

As at 31 March 2022, no lease liabilities were secured by the lessor's title to the leased assets (2021: leased motor vehicles and machineries amounted to approximately HK$53,000 and HK$7,124,000 respectively).

During the year ended 31 March 2022, the Group entered into a new lease agreement in respect of factory and recognised lease liability of approximately HK$114,809,000 (2021: new lease of machineries, office premises and factory and recognised lease liabilities of approximately HK$66,181,000).

18. LEASES (Continued)

(iii) Amount recognised in profit or loss

	2022 HK$'000	2021 HK$'000
Depreciation of right-of-use assets	**26,611**	29,685
Interest expense on lease liabilities	**7,496**	2,539
Expense relating to short-term leases	**490**	402

(iv) Other

During the year ended 31 March 2022, the total cash outflow for leases amounted to HK$31,348,000 (2021: HK$38,637,000).

Restrictions or covenants on leases

As at 31 March 2022, lease liabilities of approximately HK$107,107,000 are recognised with related right-of-use assets of approximately HK$109,029,000 (2021: lease liabilities of approximately HK$83,768,000 and related right-of-use assets of approximately HK$90,125,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**58,291**	30,096
Work in progress	**20,335**	17,206
Finished goods	**33,494**	43,500
	112,120	90,802

As at 31 March 2022, the carrying amount of inventories of approximately HK$112,120,000 (2021: HK$90,802,000), has been net of accumulated provision of write-down of approximately HK$2,702,000 (2021: HK$6,013,000). No reversal of write-down of inventories (2021: approximately HK$6,795,000 was recognised which were sold at profit) for the year ended 31 March 2022. A write-down of inventories to their net realisable values of approximately HK$1,021,000 (2021: nil) was recognised for the year ended 31 March 2022. The amount has been included in the cost of sales in the consolidated statement of profit or loss and other comprehensive income.

20. TRADE AND BILLS RECEIVABLES

	2022 HK$'000	2021 HK$'000
Bills receivables (Note (a))	–	6,119
Trade receivables (Note (b))		
– third parties	**141,121**	166,515
– a related company	–	36
	141,121	166,551
	141,121	172,670

At as 31 March 2022, the gross amount of trade receivables and bills receivables arising from contracts with customers amounted to approximately HK$141,121,000 and nil (2021: HK$166,551,000 and HK$6,119,000) respectively.

The Group did not hold any collaterals over these balances.

Notes:

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

	2022 HK$'000	2021 HK$'000
Up to 3 months	–	6,119

The Group measured the loss allowance for bills receivables at an amount equal to 12-month ECL. As the counterparties were banks with high credit ratings, no additional loss allowance was provided on the Group's bills receivables during the years ended 31 March 2022 and 2021.

(b) The Group normally grants credit periods of 30 to 120 days (2021: 30 to 90 days). The following is an ageing 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.

	2022 HK$'000	2021 HK$'000
Up to 3 months	**138,470**	152,952
3 to 6 months	**2,651**	9,753
6 months to 1 year	–	3,838
1 to 2 years	–	8
	141,121	166,551

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

20. TRADE AND BILLS RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The lifetime ECL for trade receivables based on the past due status of customers collectively that are not individually significant as follows:

For the year ended 31 March 2022	Range of expected loss rate	Carrying amount HK$'000
Current to 1 month past due	0.12% to 0.15%	**108,297**
1 month to 3 months past due	0.18% to 0.37%	**30,173**
More than 3 months past due	1.22%	**2,651**
		141,121

For the year ended 31 March 2021	Range of expected loss rate	Carrying amount HK$'000
Current to 1 month past due	0.22% to 0.26%	154,455
1 month to 3 months past due	0.37% to 0.70%	11,249
More than 3 months past due	1.68% to 3.33%	847
		166,551

The changes in range of expected loss rate were mainly due to the change of macro-economic and the recession in one of the customers' industry.

For the years ended 31 March 2022 and 2021, the directors of the Company consider the ECL of trade receivables is immaterial.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Non-current assets		
Prepayments and deposits	**11,866**	8,945
Other receivable from an independent third party (Note (c))	**38,000**	–
	49,866	8,945
Current assets		
Prepayments, deposits and other receivables	**9,722**	13,112
Amounts due from non-controlling shareholders (Note (b))	–	4,000
	9,722	17,112
Less: allowance for impairment losses (Note (a))	–	(4,000)
	9,722	13,112
	59,588	22,057

The Group did not hold any collaterals over these balances.

Notes:

(a) The Group recognised lifetime ECL and 12-month ECL for other receivables based on individually significant customers as follows:

For the year ended 31 March 2022

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Other receivables – Performing	*	42,098	–	42,098

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) The Group recognised lifetime ECL and 12-month ECL for other receivables based on individually significant customers as follows: (Continued)

For the year ended 31 March 2021

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Other receivables – Default	100%	4,000	(4,000)	–
Other receivables – Performing	*	6,587	–	6,587
		10,587	(4,000)	6,587

*: For the remaining balance of other receivables, it has low risk of default or has not been significantly increased in credit risk since initial recognition. The directors of the Company consider the ECL is immaterial.

The movement in the impairment allowance for amounts due from non-controlling shareholders during the years ended 31 March 2022 and 2021 are as follows:

	2022 HK$'000	2021 HK$'000
At 1 April	**4,000**	4,000
Disposal of subsidiaries	**(4,000)**	–
At 31 March	**–**	4,000

(b) The balances are unsecured, non-interest bearing and repayable on demand.

(c) The balance represented amount due from KRP BVI, a former subsidiary of the Group, and was unsecured, carrying interest at 5.25% per annum and repayable within three years. Details are set out in note 14.

22. FINANCIAL ASSET AT FVTPL

Financial asset at FVTPL comprise:

	2022 HK$'000	2021 HK$'000
Financial asset measured at FVTPL – Equity securities listed in Hong Kong	**8**	27

23. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS/TIME DEPOSITS WITH MATURITY OVER THREE MONTHS

	2022 HK$'000	2021 HK$'000
Cash and bank balances	**83,182**	193,452
Bank deposits	**221,009**	210,675
	304,191	404,127
Less: Time deposits with maturity over three months (Note (ii))	**(221,009)**	(160,000)
Restricted bank deposits (Note (iii))	**(341)**	(675)
Cash and cash equivalents (Note (i))	**82,841**	243,452

Notes:

(i) Cash and cash equivalents comprise bank balances at market rates which ranged from 0.01% to 0.40% (2021: 0.01% to 0.50%) per annum and short-term bank deposits at market interest rate at 0.08% (2021: 0.08%) per annum with a maturity date of 3 months for the year ended 31 March 2022.

(ii) Time deposits carry interest rate ranged from 0.10% to 0.40% (2021: 0.2% to 0.29%) per annum with an original maturity of 6 months for the year ended 31 March 2022.

(iii) Restricted bank deposits are for certain import purchases in the PRC.

(iv) As at 31 March 2022, the Group's cash and cash equivalents included balances of approximately HK$38,949,000 (2021: HK$112,146,000), which were bank balances in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Details of impairment assessment of bank balances and bank deposits are set out in note 5.

24. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital HK$'000	Share premium HK$'000	Total HK$'000
Ordinary share of HK$0.1 each				
Authorised				
At 31 March 2021 and 2022	4,500,000,000	450,000		
Issued and fully paid				
At 31 March 2021 and 2022	600,000,000	60,000	26,135	86,135

25. RESERVES

(a) Capital reserve

During the year ended 31 March 2012, as part of the re-organisation, KFM Group Limited ("**KFM BVI**") acquired 100% of the issued share capital of Kingdom Fine Metal Limited ("**KFM HK**") on 11 October 2011 and KFM-HK acquired the issued share capital of 49% and 10% of Kingdom (Reliance) Precision Parts Manufactory Limited ("**KRP HK**") and Kingdom Precision Product Limited ("**KPP HK**") on 29 November 2011 and 29 December 2011 respectively, by allotting shares of KFM BVI to each of the respective companies' then shareholders and gained 100% control of the companies. The subscription of new shares of KFM-BVI was accounted for by the Group using merger method and approximately HK$3,500,000 was recognised in capital reserve which mainly represented 100%, 49% and 10% of the aggregated issued share capital of KFM HK, KRP HK and KPP HK respectively.

On 13 September 2012, the Company acquired the entire equity interest in KFM BVI by (a) issuing and allotting 999,999 new shares of the Company to Kingdom International Group Limited ("**KIG**"), credited as fully paid; and (b) crediting as fully paid at par the one nil-paid share which was then registered in the name of KIG. As result of the subscription of new shares of the Company, approximately HK$100,000 was charged to capital reserve.

During the year ended 31 March 2020, entire equity interest in KFM HK was disposed and resulting a debit of approximately HK$1,087,000 to the capital reserve.

During the year ended 31 March 2022, entire equity interest in KRP BVI was disposed and resulting a debit of approximately HK$2,357,000 to the capital reserve.

(b) Statutory reserve

In accordance with the PRC laws and regulations, the PRC subsidiaries are required to transfer not less than 10% of their net profit as stated in the financial statements prepared under PRC accounting regulations to statutory reserves before the corresponding PRC subsidiaries can distribute any dividend. Such a transfer is not required when the amount of statutory reserves reaches 50% of the corresponding subsidiaries' registered capital. In addition, the PRC subsidiaries may make further contribution to the statutory reserve using its post-tax profits in accordance with resolutions of the shareholders of the PRC subsidiaries of the Company.

The statutory reserve shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries. Upon approval of the corresponding subsidiaries' shareholders in general meetings, the subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to the existing owners in proportion to the existing ownership structure.

26. DEFERRED INCOME TAX

The analysis of deferred income tax assets/(liabilities) is as follows:

	2022 HK$'000	2021 HK$'000
Deferred income tax assets	**–**	1,975
Deferred income tax liabilities	**(656)**	(2,136)
	(656)	(161)

The movements in deferred income tax assets and liabilities during the years ended 31 March 2022 and 2021 are as follows:

	2022 HK$'000	2021 HK$'000
Deferred income tax assets:		
At 1 April	**1,975**	667
Disposal of subsidiaries (note 14)	**(1,373)**	–
(Charged)/credited to profit or loss	**(602)**	1,191
Exchange differences	**–**	117
At 31 March	**–**	1,975
Deferred income tax liabilities:		
At 1 April	**(2,136)**	(879)
Disposal of subsidiaries (note 14)	**1,420**	–
Credited/(charged) to profit or loss	**60**	(1,257)
At 31 March	**(656)**	(2,136)

26. DEFERRED INCOME TAX (Continued)

The followings are the major deferred income tax assets/(liabilities) recognised and movement thereon during the current and prior years:

	Provision of termination benefit HK$'000	Accelerated accounting/(tax) depreciation HK$'000	Undistributable profits from subsidiaries HK$'000 (Note)	Total HK$'000
At 1 April 2020	–	667	(879)	(212)
(Charged)/credited to profit or loss	1,282	(91)	(1,257)	(66)
Exchange differences	68	49	–	117
At 31 March 2021 and 1 April 2021	**1,350**	**625**	**(2,136)**	**(161)**
Charged to profit or loss of continuing operations (note 13)	**–**	**(370)**	**(333)**	**(703)**
(Charged)/credited to profit or loss of discontinued operations	**–**	**(232)**	**393**	**161**
Disposal of subsidiaries (note 14)	**(1,350)**	**(23)**	**1,420**	**47**
At 31 March 2022	**–**	**–**	**(656)**	**(656)**

Note: Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred income tax has been provided for in the consolidated financial statements in respect of temporary taxable difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$13,113,000 (2021: HK$42,720,000) as the Group considered the temporary differences will be reversed in the foreseeable future upon declaration of dividends of subsidiaries.

As at 31 March 2022, no deferred income tax assets (2021: approximately HK$1,975,000) have been recognised in the Group's consolidated financial statements in relation to deductible temporary differences (2021: approximately HK$13,167,000).

The Group did not recognise deferred income tax assets of approximately HK$9,508,000 (2021: HK$8,232,000) due to the unpredictability of future profit stream in respect of tax losses amounting to approximately HK$57,622,000 (2021: HK$49,894,000) available for offset against future profits which can be carried forward indefinitely.

27. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables (Note (a))	**109,672**	74,018
Accruals and other payables (Note (b))	**15,135**	31,115
	124,807	105,133

Notes:

(a) The ageing analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
Up to 3 months	**109,557**	73,168
3 to 6 months	**–**	658
6 months to 1 year	**61**	54
1 to 2 years	**54**	138
	109,672	74,018

The average credit period on purchases of goods is from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) Included in the Group's accruals and other payables as at 31 March 2022 were accrued directors' emoluments of approximately HK$71,000 and nil (2021: HK$71,000 and HK$9,000,000 for accrued directors' emoluments and provision of severance payment in relation to the relocation of factory) respectively.

28. UNSECURED BORROWINGS FROM A RELATED COMPANY

	2022 HK$'000	2021 HK$'000
Due for repayment within 1 year which contains a repayment on demand clause	**–**	166,000

As at 31 March 2021, unsecured borrowings of HK$166,000,000 were advanced from KIG, a company in which a director of the Company, Mr. Wong, has beneficial interests in.

As at 31 March 2021, the interest rate of the unsecured borrowings from a related company is at the prime rate of 5.25% per annum.

During the year ended 31 March 2022, unsecured borrowings from a related company of HK$66,000,000 was repaid and HK$100,000,000 was derecognised upon the disposal of subsidiaries (note 14).

29. BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Unsecured bank borrowings	**36,580**	–

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2022 HK$'000	2021 HK$'000
Within one year	**36,580**	–

The Group has variable-rate borrowings denominated in RMB at floating rates calculated based on the Loan Prime Rate ("**LPR**").

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2022	2021
Effective interest rate:		
Variable-rate borrowings	**3.85% to 4.3%**	–

As at 31 March 2022, the Group's banking borrowings with carrying amount of HK$24,180,000 (2021: nil) are subject to the fulfilment of covenants relating to certain of the Group's financial ratios including debt asset ratio not higher than 50% and current ratio not less than 1.0. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 5. As at 31 March 2022, none of the covenants relating to drawn down facilities had been breached (2021: nil).

30. COMMITMENTS

Capital commitments

	2022 HK$'000	2021 HK$'000
Authorised or contracted for but not provided:		
– Plant and machinery	**7,347**	48,486
– Capital investments	**–**	5,270
	7,347	53,756

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Apart from as disclosed elsewhere in the consolidated financial statements, the Group had the following related parties and related party transactions.

(a) Name and relationship with related parties

Name	Relationship
Mr. Sun	An executive director and the chief executive of the Group
KIG	A related company in which Mr. Wong, the executive director of the Company, has beneficial interests
KIG Real Estate Holdings Limited ("**KREH**")	A related company in which Mr. Sun and Mr. Wong, the executive directors of the Company, have beneficial interests
Dongguan Tech-in Technical Electrical & Mechanical Products Limited ("**Dongguan Tech-in**")	A subsidiary of Gold Joy (HK) Industrial Limited which is owned by a connected party of Mr. Sun
Golden Express Capital Investment Limited ("**GECI**")	A subsidiary of KREH
Kingdom Precision Science and Technology (Suzhou) Company Limited ("**KPST Suzhou**")* (金德精密科技(蘇州)有限公司)	A subsidiary of KREH
KFM HK	A subsidiary of KIG
Kingdom Technology (Shenzhen) Co., Ltd. ("**KFM SZ**")* (金德鑫科技(深圳)有限公司)	A subsidiary of KIG

* The English name is for identification purpose only

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Material related party transactions

During the year, the Group had the following material transactions with related parties, which were entered into at terms mutually agreed by respective parties.

Continuing operations	2022 HK$'000	2021 HK$'000
Purchase of products from related companies:		
KFM HK	–	597
KFM SZ	–	1,854
Dongguan Tech-in	**280**	179
Finance costs – interest expense on unsecured borrowings from a related company:		
KIG	**1,856**	3,465
Finance costs – interest expense on lease liabilities:		
KPST Suzhou	**3,272**	794
GECI	**142**	240
Finance income – interest income from amount due from a related company:		
KFM HK	–	260
Lease payments:		
KPST Suzhou	**18,613**	20,743
GECI	**2,050**	2,050

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related companies

	2022 HK$'000	2021 HK$'000
Amounts due from non-controlling shareholders	–	4,000
Less: Provision for impairment	–	(4,000)
	–	–
Trade receivables from a related company		
KFM SZ	–	36
Lease liabilities		
KPST Suzhou	**(105,269)**	(5,908)
GECI	**(1,838)**	(3,746)
Unsecured borrowings from a related company		
KIG	–	(166,000)

In 2018, the Group entered into three-year lease in respect of a factory from KPST Suzhou. The amount of rent payable by the Group under the lease is approximately HK$1,419,000 per month. As at 31 March 2022, the carrying amount of such lease liabilities is nil (2021: HK$5,908,000). During the year ended 31 March 2022, the Group has made lease payment of approximately HK$10,269,000 (2021: HK$20,743,000) to KPST Suzhou.

In 2021, the Group entered into six-year lease in respect of a factory from KPST Suzhou. The amount of rent payable by the Group under the lease is approximately HK$1,776,000 per month. As at 31 March 2022, the carrying amount of such lease liabilities is approximately HK$105,269,000 (2021: nil). During the year ended 31 March 2022, the Group has made lease payment of approximately HK$8,344,000 (2021: nil) to KPST Suzhou.

In 2019, the Group entered into three three-year leases in respect of one office premises and two carparks with GECI respectively. The amount of rents payable by the Group under these leases is approximately HK$171,000 per month in total. As at 31 March 2022, the carrying amount of such lease liabilities is approximately HK$1,838,000 (2021: HK$3,746,000). During the year ended 31 March 2022, the Group has made lease payment of approximately HK$2,050,000 (2021: HK$2,050,000) to GECI.

(d) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	**8,770**	6,844
Retirement benefits schemes contributions	**36**	36
	8,806	6,880

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

For the year ended 31 March 2022

			Non-cash changes				
	1 April 2021 HK$'000	Financing cash flows HK$'000	New lease arrangements HK$'000	Interest cost incurred HK$'000	Disposed upon the disposal of subsidiaries (note 14) HK$'000	Exchange differences HK$'000	31 March 2022 HK$'000
Lease liabilities	83,768	(23,362)	114,809	–	(73,063)	4,955	107,107
Unsecured borrowings from a related company	166,000	(66,000)	–	–	(100,000)	–	–
Interest payable (included in trade and other payable)	1,313	(14,850)	–	13,537	–	–	–
Bank borrowings	–	35,695	–	–	–	885	36,580
	251,081	(68,517)	114,809	13,537	(173,063)	5,840	143,687

For the year ended 31 March 2021

			Non-cash changes				
	1 April 2020 HK$'000	Financing cash flows HK$'000	New lease arrangements HK$'000	Interest cost incurred HK$'000	Purchase of right-of-use assets (note 33) HK$'000	Exchange differences HK$'000	31 March 2021 HK$'000
Lease liabilities	48,089	(35,696)	58,653	–	7,528	5,194	83,768
Unsecured borrowings from a related company	166,000	–	–	–	–	–	166,000
Interest payable (included in trade and other payable)	1,313	(11,254)	–	11,254	–	–	1,313
	215,402	(46,950)	58,653	11,254	7,528	5,194	251,081

33. NON-CASH TRANSACTIONS

During the year ended 31 March 2022, the Group entered into new arrangements in respect of factory. Right-of-use assets and lease liabilities of approximately HK$114,809,000 and HK$114,809,000 respectively were recognised at the commencement of the leases.

During the year ended 31 March 2021, the Group entered into new arrangements in respect of office premises and factory. Right-of-use assets and lease liabilities of approximately HK$60,672,000 (included payment made before the commencement date of approximately HK$2,019,000) and HK$58,653,000 respectively were recognised at the commencement of the leases.

During the year ended 31 March 2021, the Group entered into a finance lease arrangement of approximately HK$7,528,000 in respect of plant and machineries with capital value at the commencement of the lease of approximately HK$11,329,000.

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current asset			
Investment in subsidiaries		**90,734**	90,734
Current assets			
Amount due from a subsidiary	(i)	**52,500**	60,000
Financial asset at FVTPL		**8**	27
Time deposits with maturity over three months		**100,000**	100,000
Cash and cash equivalents		**71,255**	71,198
Total current assets		**223,763**	231,225
Total assets		**314,497**	321,959
EQUITY			
Capital and reserves			
Share capital		**60,000**	60,000
Share premium		**26,135**	26,135
Retained profits	(ii)	**228,362**	235,824
Total equity		**314,497**	321,959

Notes:

(i) The amount is unsecured, non-interest bearing and repayable on demand.

(ii) Retained profits:

	Retained profits HK$'000
At 1 April 2020	239,054
Loss for the year	(3,230)
At 31 March 2021 and 1 April 2021	235,824
Loss for the year	(7,462)
At 31 March 2022	**228,362**

35. SUBSIDIARIES

The following is a list of the subsidiaries directly or indirectly held by the Company at 31 March 2022 and 2021:

Company name	Place of incorporation/ establishment/operation and kind of legal entity	Issued and fully paid up capital/ registered capital	Percentage of equity interest attributable to the Company 2022		2021		Principal activities
			Direct	Indirect	Direct	Indirect	
Able Elite	BVI, limited liability company	US$6,000,000	100%	–	100%	–	Investment holding
Fast Great Consultants Limited	Hong Kong, limited liability company	HK$1	–	100%	–	100%	Investment holding
Fortune Reliance Smart Technology (Shanghai) Ltd* (富賽德智能科技(上海)有限公司)#	Shanghai, the PRC, wholly foreign-owned enterprise	US$780,000	–	–	–	60%	Manufacturing of senor products in the PRC
KFM Kingdom Management Limited	Hong Kong, limited liability company	HK$1	–	100%	–	100%	Provision of management services in Hong Kong
KFM Kingdom Services Holdings Limited	BVI, limited liability company	US$1	–	100%	–	100%	Investment holding
KFM Kingdom Services Limited	Hong Kong, limited liability company	HK$1	–	100%	–	100%	Provision of management services in Hong Kong
Smart Galaxy Holdings Limited	BVI, limited liability company	US$1	100%	–	100%	–	Investment holding
Elite Sun Holding Limited@	Samoa, limited liability company	US$1	–	100%	–	–	Inactive
Kingdom Precision Product Holdings Limited	BVI, limited liability company	US$1	–	100%	–	100%	Investment holding
Kingdom Network Technology (Suzhou) Limited* 金德網絡科技(蘇州)有限公司@	Suzhou, the PRC, wholly foreign-owned enterprise	RMB1,000,000	–	100%	–	–	Inactive
Kingdom Reliance Mechatronic Components (Shanghai) Manufactory Limited* (金德利賽精密機電部件(上海)有限公司)#	Shanghai, the PRC, wholly foreign-owned enterprise	US$3,530,000	–	–	–	100%	Manufacturing and sale of fine metal products in the PRC

35. SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment/operation and kind of legal entity	Issued and fully paid up capital/ registered capital	Percentage of equity interest attributable to the Company 2022 Direct	2022 Indirect	2021 Direct	2021 Indirect	Principal activities
Kingdom (Reliance) Precision Parts Manufactory Holdings Limited#	BVI, limited liability company	US$2	–	–	–	100%	Investment holding
Kingdom (Reliance) Smart Technology Limited#	Hong Kong, limited liability company	HK$10,000,000	–	–	–	60%	Investment holding
KPP HK	Hong Kong, limited liability company	HK$10,000	–	100%	–	100%	Sale of fine metal products in Hong Kong and the PRC
Kingdom Precision Product (Suzhou) Limited* (金德精密配件(蘇州)有限公司)	Suzhou, the PRC, wholly foreign-owned enterprise	US$15,570,880	–	100%	–	100%	Manufacturing and sale of fine metal products in the PRC
KRP HK#	Hong Kong, limited liability company	HK$5,000,000	–	–	–	100%	Sale of fine metal products in Hong Kong and the PRC
Kingdom (Reliance) Precision Parts (Shenzhen) Manufactory Limited* (德利賚精密五金制品(深圳)有限公司)#	Shenzhen, the PRC, wholly foreign-owned enterprise	US$8,500,000	–	–	–	100%	Manufacturing and sale of fine metal products in the PRC
Ningbo Hongka Smart Technology Limited* (寧波港華智能科技有限公司)#	Ningbo, the PRC, wholly foreign-owned enterprise	US$160,000	–	–	–	60%	Trading of senor products in the PRC
Kingdom Reliance Technology (Huizhou) Co., Ltd.* (德利賚精密智造(惠州)有限公司)#	Huizhou, the PRC, wholly foreign-owned enterprise	RMB28,000,000	–	–	–	100%	Manufacturing and sale of fine metal products in the PRC

Subsidiary disposed of during the year ended 31 March 2022

@ Subsidiary incorporated during the year ended 31 March 2022

* The English name is for identification purpose only

None of the subsidiaries had issued any debt securities at the end of the years ended 31 March 2022 and 2021.

None of the subsidiaries have non-controlling interests that are material to the Group.

Five Year Financial Summary

Set out below is a summary of the financial information of the Group for the last five financial years.

	Years ended 31 March				
	2022 HK$'000	2021 HK$'000 (restated)	2020 HK$'000	2019 HK$'000	2018 HK$'000
Results					
Revenue	**612,190**	406,340	986,744	1,006,441	983,935
Cost of sales	**(512,270)**	(323,711)	(751,675)	(754,201)	(687,750)
Gross profit	**99,920**	82,629	235,069	252,240	296,185
Other (losses)/gains, net	**(4,016)**	(9,550)	26,039	44,735	(24,646)
Distribution and selling expenses	**(6,980)**	(5,712)	(21,562)	(25,074)	(21,228)
General and administrative expenses	**(65,862)**	(56,269)	(186,352)	(192,984)	(190,875)
Finance income	**1,033**	4,435	894	388	136
Finance costs	**(5,517)**	(4,601)	(18,611)	(17,460)	(20,156)
(Loss)/gain on disposal of subsidiaries	**–**	–	(26,786)	3,884	–
Profit before income tax	**18,578**	10,932	8,691	65,729	39,416
Income tax expense	**(5,247)**	(1,815)	(8,059)	(15,037)	(4,212)
Profit/(loss) for the year	**13,331**	9,117	632	50,692	35,204
Loss for the year from discontinued operations	**(61,350)**	9,286	–	–	–
Other comprehensive income/(expenses)					
Currency translation differences	**12,363**	29,119	(20,368)	(36,737)	52,114
Release of exchange reserve	**(15,020)**	–	7,529	8,631	–
Total comprehensive (expense)/income	**(50,676)**	47,522	(12,207)	22,586	87,318
(Loss)/profit for the year attributable to:					
Owners of the Company	**(48,192)**	17,923	644	49,658	35,064
Total comprehensive (expenses)/ income attributable to:					
Owners of the Company	**(50,849)**	47,042	(12,195)	21,552	87,178
(Loss)/earnings per share for profit/ (loss) attributable to owners of the Company					
– Basic and diluted (HK cents)	**(8.03)**	2.99	0.11	8.28	5.84
Dividends	**–**	–	–	–	–

FIVE YEAR FINANCIAL SUMMARY

	As at 31 March				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Total assets	**776,494**	920,249	825,309	930,602	1,097,043
Total liabilities	**(271,831)**	(360,618)	(313,200)	(406,286)	(595,313)
Net assets	**504,663**	559,631	512,109	524,316	501,730

BASIS OF PRESENTATION

The reorganisation has been accounted for using merger accounting and, accordingly, the financial information for the years ended 31 March 2018 as contained in "Five Years Financial Summary" had been prepared as if the structure of the Group resulting from the reorganisation had been in existence.