KFM KINGDOM HOLDINGS LIMITED
KFM金德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3816)

PROFIT WARNING

This announcement is made by KFM Kingdom Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(1) of the Rules Governing (the "**Listing Rules**") the Listing of Securities on The Stock Exchange of Hong Kong Limited and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Reference is made to the interim results announcement of the Company dated 19 November 2015 (the "**2015 Interim Results Announcement**").

As already been disclosed in the 2015 Interim Results Announcement, the Group recorded a decline in revenue for the six months ended 30 September 2015 by approximately 21.1% as compared to the corresponding period in 2014. The decline in revenue was mainly attributable to the decline by approximately 45.5% of the revenue derived from the metal lathing segment, which yielded a relatively higher gross margin, for the six months ended 30 September 2015, as compared to the corresponding period in 2014. For the six months ended 30 September 2015, the Group recorded a loss for the period of about HK$4.0 million as opposed to a profit of about HK$30.5 million for the corresponding period in 2014.

The board (the "**Board**") of directors (the "**Directors**") of the Company wishes to inform the shareholders of the Company and potential investors that, based on the preliminary review of the unaudited consolidated results of the Group for the ten months ended 31 January 2016 and the information currently available to the Company, it is expected that the Group will record a loss for the year ending 31 March 2016, as opposed to a profit for the year ended 31 March 2015. This was mainly attributable to, among other things, (i) decline in revenue of the Group during the ten months ended 31 January 2016 by approximately 20% as compared to the same period last year, among which included a decline of about 44% of the revenue from the Group's metal lathing segment; (ii) a decrease in the Group's overall gross margin as a result of the increase in labour cost arising from the increased minimum wages in the PRC; (iii) certain professional fees in relation to the Group's corporate actions during the year ending

31 March 2016; (iv) additional expenses in relation to the relocation of operation in Suzhou after completion of the Group's new production facilities construction during the period; and (v) the cessation of interest capitalisation of the bank borrowings upon the completion of the Group's new production facilities in Suzhou during the period.

The information contained in this announcement is only based on the Board's preliminary assessment of the unaudited consolidated management accounts of the Group for the ten months ended 31 January 2016 and the information currently available to the Company. The information contained in this announcement is neither based on any figure nor information that has been audited or reviewed by the external auditor of the Company. The Group's actual results for the year ending 31 March 2016 are subject to the performance of the Group during the remaining period ending 31 March 2016 and will be audited by the Company's auditor prior to finalisation. Therefore, the actual results of the Group for the year ending 31 March 2016 may differ from the information contained in this announcement.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
KFM Kingdom Holdings Limited
Sun Kwok Wah Peter
Chief Executive Officer

Hong Kong, 10 March 2016

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