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KFM KINGDOM HOLDINGS LIMITED

KFM金德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3816)

VOLUNTARY ANNOUNCEMENT UPDATE ON PROFIT WARNING

References are made to the announcements (the “**Announcements**”) of KFM Kingdom Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 13 August 2021 and 25 August 2021 in relation to the disposal of the entire issued share capital of the Target Company (as defined in the announcement dated 13 August 2021) and the financial performance of the Group for the six months ended 30 September 2021 respectively. Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Announcements.

As stated in the Announcements, based on the unaudited consolidated results of the Company for the four months ended 31 July 2021 and the Board’s assessment on the then market condition for the following two months, as compared to a profit of approximately HK\$22.0 million for the six months ended 30 September 2020, the Group may record a loss of approximately HK\$8.0 million to HK\$10.0 million for the six months ended 30 September 2021 (the “**2021 Interim Period**”). As disclosed in the Announcements, the expected loss for the 2021 Interim Period is primarily due to the significant decrease of the gross profit in the Group’s metal lathing segment.

The Board wishes to inform the shareholders of the Company and the potential investors that, based on the information currently available to the Company and the preliminary review of the unaudited consolidated results of the Group for the 2021 Interim Period, it is expected that the Group may record a loss of approximately HK\$60.0 million to HK\$70.0 million, which is primarily due to the recognition of impairment loss of approximately HK\$64.0 million in the accounts upon remeasurement to fair value of the Target Companies arising from the Disposal for the 2021 Interim Period, instead of a loss of approximately HK\$8.0 million to HK\$10.0 million as previously disclosed in the Announcements. Such impairment loss was recognised as the assets and liabilities of the Target Companies are to be classified as held for sale for the 2021 Interim Period and having considered that (i) the Target Companies are anticipated to be but yet to be disposed of as at 30 September 2021; and (ii) the Group is committed to proceed with the Disposal and completion of the Disposal is highly probable to take place

within one year. Based on the mutual agreement of the parties to the Disposal Agreement, the long-stop date as set out in the Disposal Agreement has been extended to 12:00 p.m. on 30 November 2021. Upon recognition of the abovementioned impairment loss of approximately HK\$64.0 million, should completion of the Disposal subsequently take place, there may be material change in the total comprehensive expenses to be recorded by the Group from the Disposal (as compared to the expected amount of approximately HK\$72.3 million, comprising approximately HK\$64.2 million of loss from the Disposal and approximately HK\$8.1 million of release of translation reserve upon completion of the Disposal subject to adjustment and audit, as set out in the Announcements). The actual total comprehensive expenses to be recorded by the Group from the Disposal is subject to, among others, the consolidated net asset value of the Target Companies which shall be determined upon completion of the Disposal.

The Company is in the process of finalising the interim results of the Group for the 2021 Interim Period. The information contained in this announcement is only based on the information currently available to the Board and the Board's preliminary assessment after reviewing the unaudited consolidated management accounts of the Group for the 2021 Interim Period. The Group's interim results are subject to adjustments and finalisation and have not been reviewed by the Board and the audit committee of the Board. Therefore, the actual results of the Group for the 2021 Interim Period may be different from what is disclosed 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
Mr. Zhang Haifeng
Chairman and non-executive Director

Hong Kong, 9 November 2021

As at the date of this announcement, the Board comprises (1) Mr. Zhang Haifeng as a non-executive Director; (2) Mr. Sun Kwok Wah Peter and Mr. Wong Chi Kwok as executive Directors; and (3) Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing as independent non-executive Directors.