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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)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of KFM Kingdom Holdings Limited (the “**Company**”) would like to announce the interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 September 2021 (the “**Reporting Period**”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), together with the comparative figures for the corresponding period of 2020.

For and on behalf of  
**KFM Kingdom Holdings Limited**  
**Zhang Haifeng**  
*Chairman*

Hong Kong, 24 November 2021

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited and restated)
<b>Continuing operations</b>			
<b>Revenue</b>	4	<b>263,453</b>	184,442
Cost of sales		<u>(218,384)</u>	<u>(150,263)</u>
<b>Gross profit</b>		<b>45,069</b>	34,179
Other gains/(losses), net		<b>611</b>	(3,769)
Distribution and selling expenses		<b>(3,307)</b>	(2,634)
General and administrative expenses		<b>(30,697)</b>	(24,916)
Finance income		<b>315</b>	3,425
Finance costs		<u>(1,652)</u>	<u>(2,384)</u>
<b>Profit before tax</b>	5	<b>10,339</b>	3,901
Income tax expenses	6	<u>(2,247)</u>	<u>(1,528)</u>
<b>Profit for the period from continuing operations</b>		<b>8,092</b>	2,373
<b>Discontinued operations</b>			
(Loss)/profit for the period from discontinued operations	13	<u>(73,810)</u>	<u>19,618</u>
(Loss)/profit for the period		<u><b>(65,718)</b></u>	<u>21,991</u>
<b>Other comprehensive (expense)/income for the period:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(391)</u>	<u>7,069</u>
<b>Total comprehensive (expense)/income for the period</b>		<u><b>(66,109)</b></u>	<u>29,060</u>

	<b>Six months ended</b>	
	<b>30 September</b>	
<i>Notes</i>	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited and restated)
<b>(Loss)/profit for the period attributable to owners of the Company:</b>		
– from continuing operations	<b>8,092</b>	2,373
– from discontinued operations	<b>(73,838)</b>	19,375
	<u>(65,746)</u>	<u>21,748</u>
<b>(Loss)/profit for the period attributable to owners of the Company:</b>	<u>(65,746)</u>	21,748
<b>Profit for the period attributable to non-controlling interests</b>		
– from continuing operations	–	–
– from discontinued operations	<b>28</b>	243
	<u>28</u>	<u>243</u>
<b>Profit for the period attributable to non-controlling interests</b>	<u>28</u>	243
	<u>(65,718)</u>	<u>21,991</u>
<b>Total comprehensive (expense)/income attributable to:</b>		
– Owners of the Company	<b>(66,137)</b>	28,817
– Non-controlling interests	<b>28</b>	243
	<u>(66,109)</u>	<u>29,060</u>
<b>(LOSS)/EARNINGS PER SHARE</b>	<u>(66,109)</u>	<u>29,060</u>
<b>(LOSS)/EARNINGS PER SHARE</b>	<u>(10.96)</u>	<u>3.62</u>
From continuing and discontinued operations		
– Basic and diluted ( <i>HK cents</i> )	<u>(10.96)</u>	<u>3.62</u>
From continuing operations		
– Basic and diluted ( <i>HK cents</i> )	<u>1.35</u>	<u>0.40</u>

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2021**

		<b>30 September</b>	31 March
		<b>2021</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	7	<b>38,685</b>	135,637
Right-of-use assets		<b>4,451</b>	90,125
Prepayments and deposits		<b>6,740</b>	8,945
Deferred income tax assets		–	1,975
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>49,876</b>	236,682
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	8	<b>90,168</b>	90,802
Trade and bills receivables	9	<b>121,748</b>	172,670
Prepayments, deposits and other receivables		<b>11,119</b>	13,112
Current income tax recoverable		<b>422</b>	2,829
Financial asset at fair value through profit or loss		<b>8</b>	27
Time deposits with maturity over three months		<b>219,082</b>	160,000
Restricted bank deposits		<b>1,163</b>	675
Cash and cash equivalents		<b>76,426</b>	243,452
		<hr/>	<hr/>
		<b>520,136</b>	683,567
Assets classified as held for sale		<b>342,595</b>	–
		<hr/>	<hr/>
<b>Total current assets</b>		<b>862,731</b>	683,567
		<hr/>	<hr/>
<b>Total assets</b>		<b>912,607</b>	920,249
		<hr/> <hr/>	<hr/> <hr/>

		<b>30 September 2021</b>	31 March 2021
	<i>Notes</i>	<b>HK\$'000</b> <b>(Unaudited)</b>	<b>HK\$'000</b> <b>(Audited)</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	10	<b>60,000</b>	60,000
Share premium	10	<b>26,135</b>	26,135
Reserves		<b>403,240</b>	469,377
<b>Capital and reserves attributable to owners of the Company</b>			
Non-controlling interests		<b>4,147</b>	4,119
<b>Total equity</b>		<b>493,522</b>	559,631
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,901</b>	62,928
Deferred income tax liabilities		<b>1,073</b>	2,136
<b>Total non-current liabilities</b>		<b>2,974</b>	65,064
<b>Current liabilities</b>			
Trade and other payables	11	<b>141,227</b>	105,133
Lease liabilities		<b>1,335</b>	20,840
Unsecured borrowings from a related company	12	<b>36,000</b>	166,000
Current income tax liabilities		–	3,581
		<b>178,562</b>	295,554
<b>Liabilities associated with assets classified as held for sale</b>		<b>237,549</b>	–
<b>Total current liabilities</b>		<b>416,111</b>	295,554
<b>Total liabilities</b>		<b>419,085</b>	360,618
<b>Total equity and liabilities</b>		<b>912,607</b>	920,249
<b>Net current assets</b>		<b>446,620</b>	388,013
<b>Total assets less current liabilities</b>		<b>496,496</b>	624,695

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 April 2021 (audited)	60,000	26,135	2,358	53,332	25,895	387,792	555,512	4,119	559,631
(Loss)/profit for the period	-	-	-	-	-	(65,746)	(65,746)	28	(65,718)
<b>Other comprehensive expense for the period:</b>									
Exchange differences on translation of foreign operations	-	-	-	-	(391)	-	(391)	-	(391)
<b>Total comprehensive (expense)/income for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(391)</u>	<u>(65,746)</u>	<u>(66,137)</u>	<u>28</u>	<u>(66,109)</u>
Transfer of retained profits to statutory reserve	-	-	-	1,518	-	(1,518)	-	-	-
<b>Balance at 30 September 2021 (unaudited)</b>	<u>60,000</u>	<u>26,135</u>	<u>2,358</u>	<u>54,850</u>	<u>25,504</u>	<u>320,528</u>	<u>489,375</u>	<u>4,147</u>	<u>493,522</u>
	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 April 2020 (audited)	60,000	26,135	2,358	47,256	(3,224)	375,945	508,470	3,639	512,109
Profit for the period	-	-	-	-	-	21,748	21,748	243	21,991
<b>Other comprehensive income for the period:</b>									
Exchange differences on translation of foreign operations	-	-	-	-	7,069	-	7,069	-	7,069
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,069</u>	<u>21,748</u>	<u>28,817</u>	<u>243</u>	<u>29,060</u>
Transfer of retained profits to statutory reserve	-	-	-	2,996	-	(2,996)	-	-	-
<b>Balance at 30 September 2020 (unaudited)</b>	<u>60,000</u>	<u>26,135</u>	<u>2,358</u>	<u>50,252</u>	<u>3,845</u>	<u>394,697</u>	<u>537,287</u>	<u>3,882</u>	<u>541,169</u>

## NOTES

### 1. GENERAL INFORMATION

KFM Kingdom Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 July 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is Workshop C, 31/F., TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. 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 (“**Massive Force**”), a company incorporated in the British Virgins Islands (the “**BVI**”).

The Company is an investment holding company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the manufacturing and sales of precision metal stamping and metal lathing products.

This interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

This interim condensed consolidated financial information was approved by the directors of the Company for issue on 24 November 2021.

This interim condensed consolidated financial information has not been audited.

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2021 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

### 3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial information has been prepared on the historical cost basis.

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021, except as described below.

#### **Non-current assets (and disposal group) held for sale**

Non-current assets and disposal group are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or disposal group must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal group classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2021:

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

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

#### 4. REVENUE

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

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

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
<i>Geographical region</i>		
The People's Republic of China (the "PRC")	152,306	131,257
North America	55,857	29,476
Europe	17,415	11,126
Singapore	5,639	5,534
Japan	17	9
Others	32,219	7,040
	<u>263,453</u>	<u>184,442</u>

#### 5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
<b>Continuing operations</b>		
Cost of inventories sold	218,384	150,263
Depreciation of plant and equipment	2,875	3,580
Depreciation of right-of-use assets	9,459	9,371
	<u>229,718</u>	<u>163,214</u>



## 6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
<b>Continuing operations</b>		
Current income tax:		
– The PRC	1,139	1,519
Deferred income tax	1,108	9
Total	<u>2,247</u>	<u>1,528</u>

Income tax of the Group's entities has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the jurisdictions in which the entities operate.

Below are the major tax jurisdictions that the Group operates in for the six months ended 30 September 2021 and 2020.

### (a) Hong Kong profits tax

For the six months ended 30 September 2021 and 2020, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5% (2020: 16.5%).

### (b) The PRC Enterprise Income Tax (the "PRC EIT")

The PRC EIT is provided on the assessable income of the Company's PRC subsidiaries, adjusted for items which are not taxable or deductible for the PRC EIT purpose. The statutory PRC EIT tax rate for the six months ended 30 September 2021 is provided at the rate of 25% (2020: 25%).

Certain PRC subsidiaries were recognised by the PRC government as "High and New Technology Enterprise" and were eligible to a preferential tax rate of 15% for a period of three calendar years.

### (c) PRC dividend withholding tax

According to the Law of the PRC EIT, starting from 1 January 2008, a PRC dividend withholding tax of 10% will be levied on the immediate holding companies outside the PRC when the PRC subsidiaries declare dividend out of profits earned after 1 January 2008. During the six months ended 30 September 2021, a lower 5% (2020: 5%) PRC dividend withholding tax rate was adopted since (i) the immediate holding companies of the PRC subsidiaries that are incorporated in Hong Kong and fulfil certain requirements under the tax treaty arrangements between the PRC and Hong Kong; and (ii) successful application has been made in the year ended 31 March 2018.

## 7. PLANT AND EQUIPMENT

	Six months ended 30 September	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 April (Audited)	135,637	132,010
Reclassified as held for sale ( <i>note</i> )	(92,546)	–
Additions	4,828	17,416
Disposals	(1,451)	(154)
Depreciation	(8,568)	(12,361)
Reversal of impairment loss	1,074	–
Transfer from right-of-use assets	434	–
Exchange differences	(723)	2,440
	<u>38,685</u>	<u>139,351</u>
At 30 September (Unaudited)	<u>38,685</u>	<u>139,351</u>

*Note:* The amount was carrying amount before the remeasurement as at 31 July 2021 and are disclosed in more details in note 13.

## 8. INVENTORIES

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
	Raw materials	46,520
Work in progress	15,922	17,206
Finished goods	27,726	43,500
	<u>90,168</u>	<u>90,802</u>

## 9. TRADE AND BILLS RECEIVABLES

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
	Bills receivables ( <i>Note (a)</i> )	–
Trade receivables ( <i>Note (b)</i> )		
– third parties	121,748	166,515
– a related company	–	36
	<u>121,748</u>	<u>166,551</u>
	<u>121,748</u>	<u>172,670</u>

*Notes:*

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

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Up to 3 months	<u>–</u>	<u>6,119</u>

- (b) The Group normally grants credit periods of 30 to 90 days (31 March 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:

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Up to 3 months	<b>121,256</b>	152,952
3 to 6 months	<b>492</b>	9,753
6 months to 1 year	–	3,838
1 to 2 years	–	8
	<u><b>121,748</b></u>	<u>166,551</u>

## 10. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
<b>Ordinary shares of HK\$0.1 each</b>				
<b>Authorised</b>				
At 30 September 2021 and 31 March 2021	<u>4,500,000,000</u>	<u>450,000</u>		
<b>Issued and fully paid</b>				
At 30 September 2021 and 31 March 2021	<u>600,000,000</u>	<u>60,000</u>	<u>26,135</u>	<u>86,135</u>

## 11. TRADE AND OTHER PAYABLES

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Trade payables ( <i>Note</i> )		
– third parties	97,733	74,018
– a related company	<u>64</u>	<u>–</u>
	97,797	74,018
Accruals and other payables	<u>43,430</u>	<u>31,115</u>
	<u><b>141,227</b></u>	<u><b>105,133</b></u>

*Note:* The ageing analysis of trade payables presented (including trade payables from a related company) based on the invoice date at the end of the reporting period is as follows:

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Up to 3 months	97,719	73,168
3 to 6 months	26	658
6 months to 1 year	–	54
1 to 2 years	<u>52</u>	<u>138</u>
	<u><b>97,797</b></u>	<u><b>74,018</b></u>

## 12. UNSECURED BORROWINGS FROM A RELATED COMPANY

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Due for repayment within 1 year which contains a repayment on demand clause	<u><b>36,000</b></u>	<u><b>166,000</b></u>

As at 30 September 2021, an unsecured borrowings of HK\$36,000,000 (31 March 2021: HK\$166,000,000) were advanced from Kingdom International Group Limited, a related company in which the director of the Company, Mr. Wong Chi Kwok (“**Mr. Wong**”), has beneficial interests in, and which is repayable within 12 months from the end of the reporting period and contains a repayment on demand clause.

During the six months ended 30 September 2021, an unsecured borrowings from a related company of HK\$30,000,000 was paid and HK\$100,000,000 was reclassified to liabilities associated with assets classified as held for sale.

The interest rate of the unsecured borrowings from a related company is at prime rate of 5.25% per annum (31 March 2021: 5.25% per annum).

### 13. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

In August 2021, the Group entered into a sale and purchase agreement to dispose of its metal lathing business through the sale of the Company's entire shareholding in its indirect wholly-owned subsidiary, namely 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 subsidiaries of the Company and the ultimate beneficial owner of the Purchaser) (the “**Proposed Disposal**”). KRP BVI is an investment holding company and its subsidiaries are engaged in the manufacturing and sales of metal lathing products. The assets and liabilities attributable to the metal lathing business, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the interim condensed consolidated statement of financial position.

Details (including the facts and circumstances, the expected manner and timing of the Proposed Disposal as well as the terms of the sale and purchase agreement and the reasons for the Proposed 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 and 22 November 2021.

The (loss)/profit for the period from the discontinued metal lathing business is set out below. The comparative figures in the interim condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the metal lathing business as a discontinued operation.

	<b>Six months ended 30 September</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited and restated)
Revenue	<b>126,825</b>	161,947
Cost of sales	<b>(103,315)</b>	(112,414)
Other gains, net	<b>52</b>	1,481
Distribution and selling expenses	<b>(2,350)</b>	(1,843)
General and administrative expenses	<b>(24,543)</b>	(23,849)
Finance income	<b>141</b>	70
Finance costs	<b>(5,299)</b>	(3,098)
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(Loss)/profit before tax	<b>(8,489)</b>	22,294
Income tax expense	<b>(1,328)</b>	(2,676)
	<hr/>	<hr/>
(Loss)/profit for the period	<b>(9,817)</b>	19,618
Loss on remeasurement to fair value less costs to sell	<b>(63,993)</b>	–
	<hr/>	<hr/>
(Loss)/profit for the period from discontinued operations	<b>(73,810)</b>	19,618
	<hr/> <hr/>	<hr/> <hr/>

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.

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

	<b>Six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited and restated)</b>
<b>Finance income</b>		
Interest income on bank balances and deposits	<u>141</u>	<u>70</u>
<b>Finance costs</b>		
Interest expense on unsecured borrowings from a related company	<b>2,626</b>	2,626
Interest expense on lease liabilities	<u>2,673</u>	<u>472</u>
	<u><b>5,299</b></u>	<u>3,098</u>
Gain/(loss) on disposal of plant and equipment	<b>33</b>	(89)
Cost of inventories sold	<b>103,315</b>	112,414
Depreciation of plant and equipment	<b>5,693</b>	8,781
Depreciation of right-of-use assets	<u><b>6,748</b></u>	<u>4,435</u>

During the Reporting Period, the metal lathing business contributed approximately HK\$574,000 (six months ended 30 September 2020: HK\$50,414,000) to the Group's net operating cash flows, paid approximately HK\$39,534,000 (six months ended 30 September 2020: HK\$22,572,000) in respect of investing activities and paid approximately HK\$5,810,000 (six months ended 30 September 2020: HK\$6,864,000) in respect of financing activities.

The major classes of assets and liabilities of the metal lathing business as at 30 September 2021, which have been presented separately in the interim condensed consolidated statement of financial position, are as follows:

	<b>HK\$'000</b>
Plant and equipment	<b>58,072</b>
Right-of-use assets	<b>43,731</b>
Deferred income tax assets	<b>1,350</b>
Inventories	<b>44,440</b>
Trade and bills receivables	<b>95,237</b>
Prepayments, deposits and other receivables	<b>47,618</b>
Cash and cash equivalents	<u><b>52,147</b></u>
Total assets classified as held for sale	<u><b>342,595</b></u>
Trade and other payables	<b>58,611</b>
Amounts due to an intermediate holding company and a fellow subsidiary	<b>40,192</b>
Unsecured borrowings from a related party	<b>100,000</b>
Lease liabilities	<b>74,709</b>
Current income tax liabilities	<b>2,674</b>
Deferred income tax liabilities	<u><b>1,555</b></u>
	<b>277,741</b>
Amounts due to an intermediate holding company and a fellow subsidiary of KRP BVI which are wholly eliminated on consolidation for financial reporting purpose	<u><b>(40,192)</b></u>
Total liabilities associated with assets classified as held for sale	<u><b>237,549</b></u>

Cumulative amount of HK\$8,302,000 relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

#### 14. (LOSS)/EARNINGS PER SHARE

##### Basic and diluted (loss)/earnings per share

	Six months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited and restated)
(Loss)/profit attributable to owners of the Company ( <i>HK\$'000</i> )		
– from continuing operations	8,092	2,373
– from discontinued operations	(73,838)	19,375
	<u>(65,746)</u>	<u>21,748</u>
Weighted average number of shares in issue ( <i>'000</i> )	<u>600,000</u>	<u>600,000</u>
Basic and diluted (loss)/earnings per share ( <i>HK cents per share</i> )		
– from continuing operations	1.35	0.40
– from discontinued operations	(12.31)	3.22
	<u>(10.96)</u>	<u>3.62</u>

Basic (loss)/earnings per share for the Reporting Period and the corresponding period last year is calculated by dividing the (loss)/profit attributable to owners of the Company by 600,000,000 ordinary shares in issue during the period.

Diluted (loss)/earnings per share is same as basic (loss)/earnings per share as the Company had no potentially dilutive ordinary share in issue during the Reporting Period and the corresponding period last year.

#### 15. DIVIDEND

No dividend was paid, declared or proposed during the Reporting Period, nor has any dividend been proposed since the end of the Reporting Period (six months ended 30 September 2020: nil).

#### 16. CAPITAL COMMITMENTS

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
	Authorised or contracted for but not provided:	
– Plant and machinery	45,138	48,486
– Capital investment	5,270	5,270
	<u>50,408</u>	<u>53,756</u>

## **17. COMPARATIVE FIGURES**

Certain comparative figures in these condensed consolidated interim financial information have been restated in order to conform to the current period's presentation of the financial results of the discontinued operations.

## **18. EVENT AFTER THE REPORTING PERIOD**

Subsequent to the Reporting Period, Kingdom Precision Product (Suzhou) Company Limited\* 金德精密配件(蘇州)有限公司, an indirect wholly-owned subsidiary of the Company, entered into a leasing agreement of a factory for a term of six years with Kingdom Precision Science and Technology (Suzhou) Company Limited, a related company of the Group, at an initial yearly rent of approximately RMB17.6 million, subject to adjustments over the lease term. Right-of-use assets and lease liabilities of the Group will be increased upon recognition of the lease at the commencement date. Details of the leasing agreement are set out in the Company's announcements dated 20 September 2021 and 12 October 2021 and the circular of the Company dated 1 November 2021.

\* *The English name is for identification purpose only*



## REVIEW OF INTERIM RESULTS

The interim results and the interim condensed consolidated financial information of the Group for the Reporting Period, after being reviewed by the audit committee of the Company (the “**Audit Committee**”) and by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, were approved by the Board on 24 November 2021.

## BUSINESS REVIEW

During the Reporting Period, the disputes between the People’s Republic of China (“**PRC**”) and the United States of America (the “**US**”) and COVID-19 pandemic continuously affected the business environment of the Group. Furthermore, the disruptions of electricity supply in China and the appreciation of Renminbi (“**RMB**”) during the Reporting Period had created adverse impacts on the Group’s operations. Meanwhile, the Group was still under the pressure from the increase in material cost, labour cost and production costs in China. The Group was therefore subject to reduced demands, surging operating cost and the unfavourable impact from foreign exchange.

The Group had sought ways to cope with the challenges and reviewed its business and operations for a streamlined structure. 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 KRP BVI, at a consideration of HK\$66.0 million to a connected company, with the extended long-stop date on 30 November 2021 as disclosed in the announcement of the Company dated 9 November 2021. Completion of the transactions contemplated under the Disposal Agreement is expected to take place within twelve months. The assets and liabilities attributable to the metal lathing business have been classified as a disposal group held for sale and its financial performance is separated as discontinued operations herein this section below.

During the Reporting Period, the Group recorded revenue of approximately HK\$263.5 million, with an increase by approximately HK\$79.1 million or 42.8% as compared to a revenue of approximately HK\$184.4 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\$10.9 million or 31.9% from approximately HK\$34.2 million during the corresponding period last year to approximately HK\$45.1 million during the Reporting Period. However, due to the increased production costs and changes in product mix, the overall gross profit margin of the Group decreased from approximately 18.5% in the corresponding period last year to approximately 17.1% in the Reporting Period.

As mentioned above, during the Reporting Period, 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 US. The discontinued metal lathing business recorded revenue of approximately HK\$126.8 million during the Reporting Period, with a decrease of approximately HK\$35.1 million or 21.7% as compared to approximately HK\$161.9 million for the corresponding period last year. The gross profit margin of the metal lathing business dropped to approximately 18.5% during the Reporting Period from approximately 30.6% during the corresponding period last year, mainly due to the drop in revenue derived from major customers who engaged in consumer electronics industry with the products sold thereto had higher profit margin.

As such, the Group recorded a net profit of approximately HK\$8.1 million from the continuing operations during the Reporting Period, as compared with a net profit of approximately HK\$2.4 million during the corresponding period last year. Meanwhile, the discontinued metal lathing business recorded an operating loss of approximately HK\$9.8 million during the Reporting Period, as compared with a net profit of approximately HK\$19.6 million during the corresponding period last year. The decrease was mainly attributable to the significant drop in revenue derived from the customers who engaged in consumer electronic industry. The net operating loss of the Group for the Reporting Period was approximately HK\$1.7 million as compared to a net profit of approximately HK\$22.0 million during the corresponding period last year. Further to the operating loss, the Group also recognised an impairment loss on remeasurement to fair value less costs to sell of the discontinued operation of approximately HK\$64.0 million during the Reporting Period. The total net loss for the Reporting Period was therefore approximately HK\$65.7 million, as compared to a net profit of approximately HK\$22.0 million for the corresponding period last year.

## **FINANCIAL REVIEW**

### **Revenue**

During the Reporting Period, revenue of the Group was approximately HK\$263.5 million, representing an increase of approximately HK\$79.1 million or 42.8% from approximately HK\$184.4 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 Reporting Period. The revenue from these customers recorded an approximately 165% increase as compared to the corresponding period last year.

Geographically, the PRC, North America, Europe and Singapore continued to be the major markets of the Group's products. Sales to such areas accounted for approximately 57.8%, 21.2%, 6.6% and 2.1% of the Group's revenue, respectively, for the Reporting Period. Details of a breakdown of revenue generated by different geographical locations are set out in Note 4 to this interim results announcement.

## Cost of sales

Cost of sales primarily comprises the direct costs associated with the manufacturing of the Group's products. It mainly consists of direct materials, direct labour, processing fee and other direct overheads. Set out below is the breakdown of the Group's cost of sales:

	Six months ended 30 September		2020	
	2021	%	2020	%
	HK\$'000		HK\$'000	
	(Unaudited)		(Unaudited and restated)	
Direct material	153,168	70.1	91,836	61.1
Direct labour	40,908	18.7	29,494	19.6
Processing fee	22,642	10.4	19,503	13.0
Change in inventory of finished goods and work in progress	(14,224)	(6.5)	(7,175)	(4.8)
Other direct overheads	15,890	7.3	16,605	11.1
	<u>218,384</u>	<u>100.0</u>	<u>150,263</u>	<u>100.0</u>

During the Reporting Period, cost of sales of the Group increased by approximately HK\$68.1 million or 45.3% 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.

## Gross profit and gross profit margin

During the Reporting Period, the gross profit margin of the Group was approximately 17.1%, with a decrease by approximately 1.4% as compared to approximately 18.5% in the corresponding period last year. The decrease of gross profit margin was mainly due to the change of product mix as well as surging production costs during the Reporting Period.

## Other gains/(losses), net

During the Reporting Period, the Group recorded other gains, net which amounted to approximately HK\$0.6 million. In the corresponding period last year, the Group recorded other losses, net of approximately HK\$3.8 million, mainly comprising a net exchange loss upon RMB appreciation of approximately HK\$4.3 million being offset by government subsidies of approximately HK\$0.6 million. The Group experienced a reduction of a net exchange loss of approximately HK\$3.7 million during the Reporting Period 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\$0.7 million from approximately HK\$2.6 million for the six months ended 30 September 2020 to approximately HK\$3.3 million for the Reporting Period, 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\$24.9 million for the corresponding period last year to approximately HK\$30.7 million for the Reporting Period. The increase was mainly due to the increase in personnel, research and development costs during the Reporting Period.

## **Finance costs**

The Group's finance costs represented interest expenses on finance lease and unsecured borrowings from a related company and finance costs of operating lease.

During the Reporting Period, the Group's finance costs was approximately HK\$1.7 million, as compared to approximately HK\$2.4 million for the corresponding period last year. The decrease in finance costs was mainly due to a decrease in average balances of unsecured borrowings from a related company and a decrease in lease liabilities as compared to corresponding period last year.

## **Income tax expenses**

The Group's income tax expenses amounted to approximately HK\$2.2 million for the Reporting Period, while the Group's income tax expenses for the corresponding period last year amounted to approximately HK\$1.5 million. The increase was mainly attributable to the increase in taxable profit during the Reporting Period.

The effective tax rate of the Company for the Reporting Period and the corresponding period last year was approximately 21.7% and 39.2% respectively. The decrease was mainly due to (i) the bigger portion of taxable profits arising from the Company's subsidiaries in the PRC as compared to the corresponding period last year; and (ii) the Group did not recognise deferred tax effect on certain tax loss arising from most of the Group's loss making companies. Excluding the effect of such tax loss arising from the loss making companies, the adjusted effective tax rate during the Reporting Period would have been approximately 15.5%, while

the same for the corresponding period last year would have been approximately 19.1%. The decrease was mainly due to tax reductions arising from preferential tax treatment in the PRC being granted for the Group's research and development costs during the Reporting Period.

### Profit attributable to owners of the Company

For the Reporting Period, profit attributable to owners of the Company from the continuing operations amounted to approximately HK\$8.1 million and loss attributable to owners of the Company from the discontinued operations amounted to approximately HK\$73.8 million upon a provision of approximately HK\$64.0 million for the impairment loss on the remeasurement to the fair value less costs to sell of the discontinued operations, which in aggregate amounted to a net loss of approximately HK\$65.7 million for the Group during the Reporting Period. For the corresponding period last year, the profit attributable to owners of the Company amounted to approximately HK\$22.0 million.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Financial resources and liquidity

The Group's current assets comprise mainly cash and cash equivalents, trade and other receivables and inventories. As at 30 September 2021 and 31 March 2021, the Group's total current assets amounted to approximately HK\$862.7 million and HK\$683.6 million respectively, which represented approximately 94.5% and 74.3% of the Group's total assets as at 30 September 2021 and 31 March 2021, respectively.

### Capital structure

The Group's capital structure is summarised as follows:

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Unsecured borrowings from a related company		
– Continuing operations	<b>36,000</b>	166,000
– Discontinued operations	<b>100,000</b>	–
	<b>136,000</b>	166,000
Total debts	<b>136,000</b>	166,000
Shareholders' equity	<b>493,522</b>	559,631
Gearing ratio		
– Total debts to shareholders' equity ratio <sup>#</sup>	<b>27.6%</b>	29.7%

<sup>#</sup> Total debts to shareholders' equity ratio is calculated based on total debts divided by shareholders' equity at the end of the respective periods.

Total debts comprise unsecured borrowings from a related company. For the Reporting Period, the Group generally financed its operation primarily with internal generated cash flows and unsecured borrowings from a related company.

Details of the Group's unsecured borrowings from a related company as at 30 September 2021 are set out in Note 12 to this interim results announcement.

As at 30 September 2021, the Group's unsecured borrowings from a related company were denominated in Hong Kong dollars.

The capital structure of the Group consists of equity attributable to the equity holder of the Company (comprising issued share capital and reserves) 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 Reporting Period, the Group acquired plant and equipment of approximately HK\$4.3 million in its continuing operations, as compared to the six months ended 30 September 2020 of approximately HK\$17.4 million.

The Group financed its capital expenditure through cash flows generated from operating activities and unsecured borrowings from a related company.

### **Charges on the Group's assets**

As at 30 September 2021 and 31 March 2021, no 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 RMB, while the Group's PRC entities are exposed to foreign exchange risk arising from United States dollars.

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

### **Capital commitments**

Details of the Group's capital commitments as at 30 September 2021 are set out in Note 16 to this interim results announcement.

## **Contingent liabilities**

As at 30 September 2021, the Group had no material contingent liabilities.

## **OUTLOOK AND STRATEGY**

The China-US tension on political and trade disputes will likely subsist for a period of time. The business environment in China is expected to experience stagnant economic growth and high operating costs such as employment and utilities cost. The difficulties faced by the manufacturing industries in China will likely linger in the foreseeable future. The increasing labour, material and production costs in China will remain the major challenges to the Group. It is also expected that a certain number of the Group's customers will continue to relocate their businesses to the Southeast Asia.

Looking forward, the tension between China-US and the pandemic will remain to be the major factors to affect the global economy and business environment. Notwithstanding the adversity, 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. The Group has been striving to explore more new customers in the region to broaden its customer base, notably seen in the metal stamping business which has been benefited from the surge of demands from the data and network industry arising from an acceleration and wider spread of digitalisation of business processes and higher volume of the internet activities since the lockdowns due to the pandemic. The Group will also put more efforts in maintaining good relationships with existing customers. 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.

## **SUBSEQUENT EVENT**

Saved as disclosed in the Note 18 to this interim result announcement, the Group had no material subsequent events from the end of the Reporting Period up to the date of this interim result announcement.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2021, the Group had a total number of 1,555 employees (as at 30 September 2020: 1,338). The Group determined the remuneration packages of all employees based on several 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 relationship 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 Reporting Period.

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

## **CORPORATE GOVERNANCE**

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Reporting Period.

## **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 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 Reporting Period.

## **INTERIM DIVIDEND**

The Board does not recommend payment of any interim dividend for the Reporting Period.

## **AUDIT COMMITTEE**

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules with written terms of reference formulated for the committee.

The Audit Committee has reviewed the Group's interim condensed consolidated financial information for the Reporting Period and had discussed the financial information with management and the independent auditor of the Company. The Audit Committee is of the view that the preparation of such financial report has complied with the standard and requirements and that adequate disclosures have been made.

## **SUBSTANTIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED CORPORATIONS**

Saved as disclosed in the Note 13 to this interim result announcement, the Group did not conduct any disposals or acquisitions for its subsidiaries and associated corporations during the Reporting Period.



## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the Reporting Period.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the Company's website at [www.kingdom.com.hk](http://www.kingdom.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the said websites in due course.