

KFM KINGDOM

KFM KINGDOM HOLDINGS LIMITED

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

INTERIM REPORT
2024

Our Goals are
FAR AND HIGH
We cultivate for
TOMORROW



www.kingdom.com.hk



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Corporate Information

Executive Directors

Mr. Sun Kwok Wah Peter
(Chairman and Chief Executive Officer)
Mr. Wong Chi Kwok

Independent non-executive Directors and audit committee

Mr. Wan Kam To (Chairman)
Mr. Chan Ming Sun Jonathan
(appointed on 20 August 2024)
Ms. Cheng Yuan Ting Cana
(appointed on 20 August 2024)
Ms. Zhao Yue
(retired on 20 August 2024)
Mr. Shen Zheqing
(retired on 20 August 2024)

Remuneration committee

Mr. Chan Ming Sun Jonathan (Chairman)
(appointed as Chairman on 20 August 2024)
Ms. Cheng Yuan Ting Cana
(appointed on 20 August 2024)
Ms. Zhao Yue (Chairman)
(retired on 20 August 2024)
Mr. Shen Zheqing
(retired on 20 August 2024)
Mr. Wan Kam To

Nomination committee

Mr. Sun Kwok Wah Peter (Chairman)
Mr. Wan Kam To
Mr. Chan Ming Sun Jonathan
(appointed on 20 August 2024)
Ms. Cheng Yuan Ting Cana
(appointed on 20 August 2024)
Ms. Zhao Yue
(retired on 20 August 2024)
Mr. Shen Zheqing
(retired on 20 August 2024)

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 adviser 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
17/F, Far East Finance Centre
No. 16 Harcourt Road
Hong Kong

Website

www.kingdom.com.hk

Stock code

3816

Review of Interim Results

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 2024 (the “**Reporting Period**”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), together with the comparative figures for the corresponding period of 2023.

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 22 November 2024.

Business Review

During the Reporting Period, the Group faced uncertainties from global economy and business environment. The global economy was affected by global inflation, higher level of interest rate and fluctuation in currency exchange rates. Besides, the conflicts in Ukraine and Middle East region, political tension between the People’s Republic of China (“**PRC**”) and the United States of America (the “**US**”) continuously affected the global business environment. Meanwhile, China experienced stagnant economic growth and risk on China’s property market. During the Reporting Period, due to the change of product mix which included more assembly processes in the production, the Group was under the pressure from the increase in labour, material and production costs.

During the Reporting Period, the Group recorded revenue of approximately HK\$376.7 million, with an increase by approximately HK\$62.6 million or 19.9% as compared to a revenue of approximately HK\$314.1 million during the corresponding period last year. The increase was mainly due to the increase in the revenue derived from the customers engaged in the network and data storage industry. On the other hand, the increase in revenue was partially offset by the decrease in revenue derived from the office automation industry.

The total gross profit of the Group increased by approximately HK\$0.8 million or 1.2% from approximately HK\$67.0 million during the corresponding period last year to approximately HK\$67.8 million during the Reporting Period. In respect of the gross profit margin of the Group was approximately 18.0% during the Reporting Period, with a decrease by approximately 3.3% as compared to approximately 21.3% in the corresponding period last year. The decrease of gross profit margin was mainly due to the increase in assembly production processes from the customers engaged in the network and data storage industry that resulted in the increase in direct material and direct labour costs during the Reporting Period.

During the Reporting Period, the volatility in Renminbi (“**RMB**”) exchange rate resulted in a net exchange gain of approximately HK\$2.0 million, with a decrease by approximately HK\$2.3 million as compared to a net exchange gain of approximately HK\$4.3 million recorded in the corresponding period last year. In regard to finance income during the Reporting Period, the Group recorded finance income of approximately HK\$1.6 million, with a decrease by approximately HK\$3.7 million as compared to a finance income of approximately HK\$5.3 million during the corresponding period last year.

As a result of the above, the Group recorded a net profit attributable to owners of the Company of approximately HK\$21.8 million during the Reporting Period, as compared with a net profit attributable to owners of the Company of approximately HK\$29.4 million during the corresponding period last year.

Financial Review

Revenue

During the Reporting Period, the Group recorded revenue of approximately HK\$376.7 million, with an increase by approximately HK\$62.6 million or 19.9% as compared to a revenue of approximately HK\$314.1 million during the corresponding period last year. The increase was mainly due to the increase in the revenue derived from the customers engaged in the network and data storage industry. On the other hand, the increase in revenue was partially offset by the decrease in revenue derived from the office automation industry.

Geographically, South East Asia, the PRC, Europe and North America continued to be the major markets of the Group’s products. Sales to such areas accounted for approximately 63.8%, 24.5%, 7.0% and 3.5% 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 6 to this interim condensed consolidated financial information.

Review of Interim Results (Continued)

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 material costs, direct labour costs, processing fee and other direct overheads. Set out below is the breakdown of the Group's cost of sales:

| | Six months ended 30 September | | | |
|--|---------------------------------|--------------|---------------------------------|-------|
| | 2024 HK\$'000 (Unaudited) | % | 2023 HK\$'000 (Unaudited) | % |
| Direct material | 224,432 | 72.6 | 157,804 | 63.9 |
| Direct labour | 47,391 | 15.3 | 42,173 | 17.1 |
| Processing fee | 12,831 | 4.2 | 11,800 | 4.8 |
| Change in inventory of finished goods and work in progress | 2,789 | 0.9 | 14,127 | 5.7 |
| Other direct overheads | 21,476 | 7.0 | 21,201 | 8.5 |
| | 308,919 | 100.0 | 247,105 | 100.0 |

During the Reporting Period, cost of sales of the Group increased by approximately HK\$61.8 million or 25.0% as compared to the same of the corresponding period last year. The increase was primarily due to the increase in direct material costs, direct labour costs and processing fee. In respect of the increase in direct material costs and direct labour costs, it was mainly due to the increase in assembly production processes during the Reporting Period. The percentage of cost of sales to total revenue during the Reporting Period was approximately 82.0%, representing an increase of approximately 3.3% as compared to approximately 78.7% in the corresponding period last year.

Gross profit and gross profit margin

During the Reporting Period, the gross profit of the Group was approximately HK\$67.8 million, representing an increase of approximately HK\$0.8 million or 1.2% from approximately HK\$67.0 million for the corresponding period last year. In respect of the gross profit margin of the Group was approximately 18.0% during the Reporting Period, with a decrease by approximately 3.3% as compared to approximately 21.3% in the corresponding period last year. The decrease of gross profit margin was mainly due to the increase in assembly production processes from the customers engaged in the network and data storage industry that resulted in the increase in direct material and direct labour costs during the Reporting Period.

Other gains, net

During the Reporting Period, the Group recorded other gains, net which amounted to approximately HK\$2.3 million. In the corresponding period last year, the Group recorded other gains, net of approximately HK\$3.7 million. The decrease in other gains, net during the Reporting Period was mainly due to a decrease in net exchange gain upon less RMB depreciation.

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 slightly increased by approximately HK\$0.5 million from approximately HK\$3.1 million for the six months ended 30 September 2023 to approximately HK\$3.6 million for the Reporting Period.

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\$33.8 million for the corresponding period last year to approximately HK\$40.2 million for the Reporting Period. The increase in general and administrative expenses was mainly due to the increase in the operating costs from Malaysia production base and Suzhou plant during the Reporting Period.

Finance costs

The Group's finance costs represented interest expenses on bank borrowings and finance costs of operating lease.

During the Reporting Period, the Group's finance costs was approximately HK\$0.9 million, as compared to approximately HK\$3.4 million for the corresponding period last year. The decrease in finance costs was mainly due to a decrease in lease liabilities as compared to corresponding period last year.

Review of Interim Results (Continued)

Income tax expenses

The Group's income tax expenses amounted to approximately HK\$4.4 million for the Reporting Period, while the Group's income tax expenses for the corresponding period last year amounted to approximately HK\$6.3 million. The decrease in income tax expenses was mainly attributable to the decrease in taxable profits during the Reporting Period.

Profit attributable to owners of the Company

For the Reporting Period, profit attributable to owners of the Company amounted to approximately HK\$21.8 million. During the corresponding period last year, profit attributable to owners of the Company amounted to approximately HK\$29.4 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 2024 and 31 March 2024, the Group's total current assets amounted to approximately HK\$502.0 million and HK\$431.3 million respectively, which represented approximately 59.6% and 55.4% of the Group's total assets as at 30 September 2024 and 31 March 2024, respectively.

Capital structure

The Group's capital structure is summarised as follows:

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|--|---|---|
| Bank borrowings | 82,500 | 49,500 |
| Total debts | 82,500 | 49,500 |
| Shareholders' equity | 618,935 | 602,798 |
| Gearing ratio | | |
| — Total debts to shareholders' equity ratio [#] | 13.3% | 8.2% |

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

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

Details of the Group's bank borrowings as at 30 September 2024 are set out in Note 24 to this interim condensed consolidated financial information.

As at 30 September 2024, the Group's bank borrowings were denominated in RMB.

The capital structure of the Group consists of equity attributable to the equity holder of the Company (comprising issued share capital and reserves) and bank borrowings. The Directors will review the capital structure regularly. As part of such review, the Directors will 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\$2.9 million, as compared to the six months ended 30 September 2023 of approximately HK\$23.0 million.

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

Charges on the Group's assets

As at 30 September 2024, a bank borrowing of approximately HK\$11,000,000 (31 March 2024: nil) is secured by trade receivables with carrying value of approximately US\$1,836,000, which equivalent to approximately HK\$14,263,000 (31 March 2024: nil).

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, the PRC and Malaysia. The Group's Hong Kong entities are exposed to foreign exchange risk arising from RMB and Malaysian ringgit, while the Group's PRC and Malaysia entities are exposed to foreign exchange risk arising from United States dollars.

Review of Interim Results (Continued)

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 2024 are set out in Note 25 to this interim condensed consolidated financial information.

Contingent liabilities

As at 30 September 2024, the Group had no material contingent liabilities.

Outlook and Strategy

Looking forward, due to the persistent geopolitical conflicts in Ukraine and Middle East region, the business environment is still facing difficulty in this financial year. Besides, global economy is also possibly threatened by the China-US political tension, uncertain global inflation trend, and the volatility of currency exchange rates. However, the interest rates is expected to reduce continuously in this financial year. Furthermore, the increasing labour, material and production costs in China and Malaysia will remain to be the challenges of the Group.

In order to cope with the change in business environment, the Group will put more efforts in maintaining good relationships with existing customers of the Group. In remaining financial year, the Group will strive to control of production costs by enhancing productive efficiency to improve the profit margin of the Group. The Group has also been striving to explore more new customers to broaden its customer base. 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.

Employees and Remuneration Policy

As at 30 September 2024, the Group had a total number of 1,057 employees (as at 30 September 2023: 877 employees). 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 various regulations in the jurisdictions the Group operated in, the Group participates in the social insurance schemes operated by the relevant local government authorities.

Share option scheme

The Company has adopted a share options scheme under which it may grant options to eligible participants to subscribe for shares of the Company. The share option scheme (the "**Share Option Scheme**") adopted by the Company on 23 August 2022 was amended by passing an ordinary resolution on 23 August 2023 for the purpose of bringing the Share Option Scheme in accordance with Chapter 17 of the Listing Rules (the "**Amended Share Option Scheme**").

The following is a summary of the principal terms of the Amended Share Option Scheme.

(a) *Purpose*

The purpose of the Amended Share Option Scheme is to enable the Group to (i) grant share options to the eligible participants as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote sustainable development of the Group; and (iii) to align the interest of the grantees with those of the Shareholders to promote long-term financial and business performance of the Company.

Review of Interim Results (Continued)

(b) Eligible participants

The eligible participants include any employees (whether full-time or part-time employee, including any executive Director but excluding any independent non-executive Director) of the Company or any of its subsidiaries (including persons who are granted options or awards under the Amended Share Option Scheme as an inducement to enter into employment contracts with these companies).

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all the share options and awards to be granted under the Amended Share Option Scheme and any other share scheme of the Company (if any) shall not in aggregate exceed 10% of the shares in issue (i.e. a maximum of 60,000,000 Shares) at the date of approval of the Share Option Scheme (the "**Scheme Mandate Limit**"). Unless expressly approved by the Shareholders in general meeting and expressly allowed by the Stock Exchange, no option or award may be granted under the Amended Share Option Scheme or any other share scheme if the grant of such option or award will result in the limit referred to herein being exceeded. The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit under the Amended Share Option Scheme, provided that:

- (i) the total number of Shares which may be allotted and issued upon exercise of all options and awards to be granted under the Amended Share Option Scheme and any other share scheme of the Company (if any) must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit, and for the purpose of calculating the refreshed Scheme Mandate Limit, options or awards lapsed in accordance with the terms of the Amended Share Option Scheme and any other share scheme of the Company (if any) will not be regarded as utilised; and

- (ii) where the refreshment of the Scheme Mandate Limit is sought:
 - (a) within three years from the date of Shareholders' approval for the last refreshment (or, as the case may be, the date of adoption of the Share Option Scheme):
 - (1) at the general meeting for considering and approving the proposed resolution of such refreshment, any controlling Shareholders and their associates (or if there is no controlling Shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) shall abstain from voting in favour of the relevant resolution; and
 - (2) the Company shall comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing),

provided that the requirements under paragraph (C)(ii)(1) do not apply if the refreshment is made immediately after an issue of securities by the Company to its Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Mandate Limit (as a percentage of the relevant class of Shares in issue) upon refreshment is the same as the unused part of the Scheme Mandate Limit immediately before the issue of securities, rounded to the nearest whole Share; and

- (b) after three years from the date of Shareholders' approval for the last refreshment (or, as the case may be, the date of adoption of the Share Option Scheme), the requirements under paragraph (C)(ii)(1) shall not be applicable.
- (iii) the Company may obtain a separate approval from the Company's shareholders in a general meeting to permit the granting of share options under the Amended Share Option Scheme beyond the Scheme Mandate Limit provided that such share options are granted only to eligible participants specifically identified by the Company before shareholders' approval is sought.

Review of Interim Results (Continued)

(d) *Maximum entitlement of each eligible participant*

Unless approved by the shareholders in a general meeting (with the relevant eligible participant and his/her close associates abstaining from voting), no eligible participant shall be granted an share option if the total number of shares issued and to be issued upon exercise of the share options or share awards granted and proposed to be granted to such eligible participant (excluding any share options and share awards lapsed in accordance with the Amended Share Option Scheme or other share scheme of the Company (if any)) under the Amended Share Option Scheme and any other share scheme of the Company (if any) in any 12-month period up to and including the date of the such further grant would in aggregate exceed 1% of the total number of shares in issue of the Company for the time being.

An offer of the grant of an option to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where any grant of share options or share awards to independent non-executive Director or a substantial shareholder, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all share options and share awards (excluding any share options and share awards lapsed in accordance with the terms of the Amended Share Option Scheme or other share scheme of the Company (if any)) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of shares in issue.

Such further grant of share options or share awards must be approved by the shareholders in general meeting (with such grantee, his/her associates and all core connected persons of the Company abstaining from voting in favour) at such general meeting in accordance with Rule 17.04(4) of the Listing Rules.

(e) Vesting period of share options granted under the Amended Share Option Scheme

The vesting period in respect of any share option granted to any eligible participant under the Amended Share Option Scheme shall not be shorter than 12 months from the date of the acceptance of the offer of share options, provided that where the eligible participant is:

- (a) an employee participant who is a Director or a member of the senior management specifically identified by the Company, the remuneration committee of the Board shall, or
- (b) an employee participant who is not a Director nor a member of the senior management specifically identified by the Company, the Directors shall:

have the authority to determine a shorter vesting period in the following circumstances:

- (i) grants of “make-whole” share options to new joiners to replace the share awards or options they forfeited when leaving the previous employer;
- (ii) grants to an employee participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (iii) grants that are made in batches during a year for administrative and compliance reasons, which include share options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the share options would have been granted; or
- (iv) grants with a mixed or accelerated vesting schedule such as where the share options may vest evenly over a period of 12 months.

Review of Interim Results (Continued)

(f) *Acceptance of an offer of share options*

A share option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the share options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date (which shall not be later than 21 days from the date of offer). To the extent that the offer to grant a share option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(g) *Performance target and clawback mechanism*

Save specific performance target(s) and clawback mechanism may be attached to any share option being granted to any of the grantee under the Amended Share Option Scheme as an inducement to enter into employment contracts with the Company or any of its subsidiaries, no performance target(s) should be attached to any share option being granted to any of the grantees under the Amended Share Option Scheme.

(h) *Subscription price*

The subscription price in respect of any share option shall be a price determined by the Board and notified to an eligible participant (subject to any adjustments made pursuant to the terms and conditions of the Amended Share Option Scheme) which must not be less than the highest of:

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; and
- (ii) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant.

(i) Ranking of shares

The shares to be allotted and issued upon the exercise of a share option will be subject to all the provisions of the articles of association for the time being in force and will rank pari passu in all respects with the then existing fully paid shares in issue on the date on which the share option is duly exercised.

The shares to be allotted upon the exercise of a share option will not carry voting rights until completion of the registration of the grantee (such other person nominated by the grantee) as the holder thereof.

(j) Life of the Amended Share Option Scheme

The Amended Share Option Scheme shall be valid and effective for a period of 10 years from 23 August 2022 (being the date of adoption of the Share Option Scheme), after which no further options shall be offered but the provisions of the Amended Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Amended Share Option Scheme. Share options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Amended Share Option Scheme. As at the date of this annual report, the Amended Share Option Scheme had a remaining life of approximately eight years.

During the Reporting Period, no option was granted, exercised, cancelled, lapsed or outstanding under either the Share Option Scheme or the Amended Share Option Scheme. As at the date of this interim report, the total number of shares available for issue under the Amended Share Option Scheme was 60,000,000, representing 10% of the issued share capital of the Company. As at 31 March 2024 and 30 September 2024, the number of options available for grant under the Share Option Scheme and the Amended Share Option Scheme respectively was 60,000,000.

Review of Interim Results (Continued)

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 30 September 2024, 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (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 C3 to the Listing Rules.

| Name of Director | Name of group member/ associated corporation | Capacity/ Nature of Interest | Number and class of securities (Note 1) | Approximate shareholding percentage |
|---------------------------------------|--|------------------------------------|---|-------------------------------------|
| Mr. Sun Kwok Wah, Peter (“Peter Sun”) | Company | Interest of controlled corporation | 449,999,012 Shares (L) (Note 2) | 75.00% |
| Peter Sun | KIG Real Estate Holdings Limited (“KREH”) | Beneficial owner | 4,490 shares | 45.45% |

Notes:

- 1 The letter “L” denotes our Directors’ long position in the shares of our Company or the relevant associated corporation.
- 2 These shares were held by KREH, which is owned as to 45.45% by Mr. Sun Kwok Wah Peter. Therefore, Peter Sun is deemed to be interested in the shares held by KREH under the SFO.

Substantial Shareholders', Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 2024, the following person (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 |
|---------------------|---|---------------------------------|--|-------------------------------------|
| KREH | Company | Beneficial owner | 449,999,012 shares (L) (Note 2) | 75% |
| Ms. Kwok Wing Yi | Company | Interest of spouse | 449,999,012 shares (L) (Note 2) | 75% |

Notes:

- The letter "L" denotes the corporation/person's long position in our shares.
- These shares were held by KREH, which is owned as to 45.45% by Peter Sun. Ms. Kwok Wing Yi is the spouse of Peter Sun and is therefore deemed to be interested in the shares held by Peter Sun under the SFO.

Review of Interim Results (Continued)

Corporate Governance

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code (“**CG Code**”) as set out in Appendix C1 to the Listing Rules during the Reporting Period with the following deviations:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sun Kwok Wah, Peter, serves as both the chief executive officer of the Company and the Chairman of the Board. Although such practice deviates from code provision C.2.1 of the CG Code, the Board believes that vesting the roles of both the Chairman of the Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership to advance long-term strategy, and allowing for further deepening the monetisation capabilities and optimising operating efficiency. In particular, Mr. Sun, being a founder of the Group and the chief executive officer of the Company, is familiar with the Company’s business operation and has superior knowledge and experience of the Company’s business.

In addition, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively, given that (i) decisions to be made by the Board require approval by at least a majority of the Directors; (ii) all the Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he/she acts for the benefits and in the best interests of the Company as a whole and will make decisions for the Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board, which consisting of two executive Directors and three independent non-executive Directors and has a fairly strong independence element; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussions at both the Board and senior management levels.

Therefore, the Board considers that the deviation from the code provision of C.2.1 of the CG Code is appropriate in such circumstances. Except for the above deviation from CG Code, the Board is of the view that the Company has complied with the CG Code during the Reporting Period. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time.

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 C3 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.

Subsequent Event

The Group had no material subsequent events from the end of the Reporting Period up to the date of this interim report.

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

The Group did not conduct any disposals or acquisitions for its subsidiaries and associated corporations during the Reporting Period.

Review of Interim Results (Continued)

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.

By order of the Board
Sun Kwok Wah Peter
Chairman

Hong Kong, 22 November 2024

Report on Review of Interim Condensed Consolidated Financial Information



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE BOARD OF DIRECTORS OF KFM KINGDOM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial information of KFM Kingdom Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 25 to 54, which comprise the interim condensed consolidated statement of financial position as at 30 September 2024 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review, and to report our conclusion 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.

Report on Review of Interim Condensed Consolidated Financial Information (Continued)

Scope of Review

We conducted our review 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 HKICPA. A review of these interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lau Kai Wong

Practising Certificate Number: P06623

Hong Kong

22 November 2024

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2024

| | Notes | Six months ended 30 September | |
|--|-------|---------------------------------|---------------------------------|
| | | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Revenue | 6 | 376,703 | 314,091 |
| Cost of sales | | (308,919) | (247,105) |
| Gross profit | | 67,784 | 66,986 |
| Other gains, net | 8 | 2,319 | 3,739 |
| Distribution and selling expenses | | (3,601) | (3,089) |
| General and administrative expenses | | (40,203) | (33,833) |
| Finance income | 9 | 1,550 | 5,321 |
| Finance costs | 9 | (866) | (3,442) |
| Profit before tax | 10 | 26,983 | 35,682 |
| Income tax expenses | 11 | (4,436) | (6,252) |
| Profit for the period | | 22,547 | 29,430 |
| Other comprehensive income/(expense) for the period: | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | 3,010 | (2,168) |
| Total comprehensive income for the period | | 25,557 | 27,262 |
| Profit for the period attributable to | | | |
| — Owners of the Company | | 21,759 | 29,430 |
| — Non-controlling interests | | 788 | — |
| | | 22,547 | 29,430 |
| Total comprehensive income attributable to | | | |
| — Owners of the Company | | 24,769 | 27,262 |
| — Non-controlling interests | | 788 | — |
| | | 25,557 | 27,262 |
| EARNINGS PER SHARE | 12 | | |
| — Basic and diluted (HK cents) | | 3.63 | 4.91 |

Interim Condensed Consolidated Statement of Financial Position

At 30 September 2024

| | Notes | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|---|-------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 251,932 | 256,146 |
| Right-of-use assets | 15 | 86,970 | 89,082 |
| Prepayments and deposits | 18 | 1,650 | 1,737 |
| Total non-current assets | | 340,552 | 346,965 |
| Current assets | | | |
| Inventories | 16 | 107,562 | 102,855 |
| Trade receivables | 17 | 161,789 | 145,017 |
| Prepayments, deposits and other receivables | 18 | 31,693 | 23,186 |
| Income tax recoverable | | — | 778 |
| Time deposit with maturity over three months | 19 | 43,000 | 48,000 |
| Cash and cash equivalents | 19 | 157,995 | 111,475 |
| Total current assets | | 502,039 | 431,311 |
| Total assets | | 842,591 | 778,276 |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 20 | 60,000 | 60,000 |
| Share premium | 20 | 26,135 | 26,135 |
| Reserves | 21 | 464,389 | 444,420 |
| | | 550,524 | 530,555 |
| Non-controlling interests | | 68,411 | 72,243 |
| Total equity | | 618,935 | 602,798 |

Interim Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2024

| | Notes | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|--|-------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | 15 | 3,887 | 3,949 |
| Deferred income tax liabilities | 22 | 4,163 | 3,531 |
| Total non-current liabilities | | 8,050 | 7,480 |
| Current liabilities | | | |
| Trade and other payables | 23 | 128,681 | 113,907 |
| Lease liabilities | 15 | 3,490 | 4,589 |
| Bank borrowings | 24 | 82,500 | 49,500 |
| Income tax liabilities | | 935 | 2 |
| Total current liabilities | | 215,606 | 167,998 |
| Total liabilities | | 223,656 | 175,478 |
| Total equity and liabilities | | 842,591 | 778,276 |
| Net current assets | | 286,433 | 263,313 |
| Total assets less current liabilities | | 626,985 | 610,278 |

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2024

| | Attributable to owners of the Company | | | | | | | | Total equity HK\$'000 |
|---|---------------------------------------|---------------|-----------------|-------------------|------------------|------------------|----------|---------------------------|--------------------------|
| | Share capital | Share premium | Capital reserve | Statutory reserve | Exchange reserve | Retained profits | Total | Non-controlling interests | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Balance at 1 April 2024 (audited) | 60,000 | 26,135 | 1 | 44,042 | 3,226 | 397,151 | 530,555 | 72,243 | 602,798 |
| Profit for the period | — | — | — | — | — | 21,759 | 21,759 | 788 | 22,547 |
| Other comprehensive income for the period: | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | 3,010 | — | 3,010 | — | 3,010 |
| Total comprehensive income for the period | — | — | — | — | 3,010 | 21,759 | 24,769 | 788 | 25,557 |
| Transfer of retained profits to statutory reserve | — | — | — | 3,365 | — | (3,365) | — | — | — |
| Final dividend declared and paid | — | — | — | — | — | (4,800) | (4,800) | — | (4,800) |
| Dividend declared and paid by a non-wholly owned subsidiary | — | — | — | — | — | — | — | (4,620) | (4,620) |
| | — | — | — | 3,365 | — | (8,165) | (4,800) | (4,620) | (9,420) |
| Balance at 30 September 2024 (unaudited) | 60,000 | 26,135 | 1 | 47,407 | 6,236 | 410,745 | 550,524 | 68,411 | 618,935 |

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 September 2024

| | 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 2023 | | | | | | | | | |
| (audited) | 60,000 | 26,135 | 1 | 38,288 | 9,027 | 379,667 | 513,118 | — | 513,118 |
| Profit for the period | — | — | — | — | — | 29,430 | 29,430 | — | 29,430 |
| Other comprehensive expense | | | | | | | | | |
| for the period: | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | (2,168) | — | (2,168) | — | (2,168) |
| Total comprehensive (expense)/ income for the period | — | — | — | — | (2,168) | 29,430 | 27,262 | — | 27,262 |
| Transfer of retained profits to statutory reserve | — | — | — | 4,238 | — | (4,238) | — | — | — |
| Balance at 30 September 2023 | | | | | | | | | |
| (unaudited) | 60,000 | 26,135 | 1 | 42,526 | 6,859 | 404,859 | 540,380 | — | 540,380 |

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2024

| | Six months ended 30 September | |
|--|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Operating activities | | |
| Net cash generated from operations | 23,820 | 28,756 |
| Income tax paid, net | (2,093) | (1,499) |
| NET CASH FROM OPERATING ACTIVITIES | 21,727 | 27,257 |
| Investing activities | | |
| Interest received | 1,550 | 5,321 |
| Proceeds from disposal of property, plant and equipment | 148 | 2,248 |
| Placement of bank deposits with maturity over three months | (43,000) | (183,877) |
| Withdrawal of bank deposits with maturity over three months | 48,000 | 186,481 |
| Prepayments for acquisition of property, plant and equipment | (936) | (3,377) |
| Purchase of right-of-use asset | — | (396) |
| Purchase of property, plant and equipment | (1,898) | (16,719) |
| NET CASH FROM/(USED IN) INVESTING ACTIVITIES | 3,864 | (10,319) |
| Financing activities | | |
| Repayment of bank borrowings | (33,000) | (21,389) |
| New bank borrowings raised | 66,000 | 38,150 |
| Receipts of government subsidies | 196 | 198 |
| Payment of lease liabilities | (2,656) | (9,989) |
| Dividend paid to owners of the Company | (4,800) | — |
| Dividend paid to non-controlling interests | (4,620) | — |
| Interest paid | (866) | (3,442) |
| NET CASH FROM FINANCING ACTIVITIES | 20,254 | 3,528 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 45,845 | 20,466 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 111,475 | 96,803 |
| Net foreign exchange difference | 675 | (1,049) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTING BANK BALANCES AND CASH | 157,995 | 116,220 |

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2024

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 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 KIG Real Estate Holdings Limited (“**KREH**”), a company incorporated in the British Virgin Islands.

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.

This interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company and its subsidiaries in Hong Kong. The functional currency of those subsidiaries established in the People’s Republic of China (the “**PRC**”) and Malaysia is Renminbi (“**RMB**”) and Malaysian ringgit respectively.

This interim condensed consolidated financial information was approved by the directors of the Company for issue on 22 November 2024.

2. Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 September 2024 have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

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 2024.

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 2024:

| | |
|----------------------------------|---|
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| 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 |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

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 this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

4. Estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Group's annual financial statements for the year ended 31 March 2024 as described in those consolidated financial statements.

5. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2024.

There have been no changes in the risk management policies of the Group since 31 March 2024.

(b) 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. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

5. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

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

| | 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 30 September 2024 (Unaudited) | | | | | |
| Trade and other payables | 126,996 | — | — | 126,996 | 126,996 |
| Bank borrowings | 83,537 | — | — | 83,537 | 82,500 |
| | 210,533 | — | — | 210,533 | 209,496 |
| Lease liabilities | 3,822 | 2,608 | 1,495 | 7,925 | 7,377 |
| | | | | | |
| | 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 2024 (Audited) | | | | | |
| Trade and other payables | 102,853 | — | — | 102,853 | 102,853 |
| Bank borrowings | 50,292 | — | — | 50,292 | 49,500 |
| | 153,145 | — | — | 153,145 | 152,353 |
| Lease liabilities | 4,984 | 2,278 | 1,918 | 9,180 | 8,538 |

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

6. Revenue

Revenue represents sales of precision metal stamping products to external parties excluding sales-related taxes. The Group conducts its principal operation in Mainland China and Malaysia. Revenue from contracts with customers within the scope of HKFRS 15 are recognised at a point in time.

As at 30 September 2024 and 2023, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

| | Six months ended 30 September | |
|----------------------------|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| <i>Geographical region</i> | | |
| South East Asia | 240,167 | 156,085 |
| The PRC | 92,187 | 99,432 |
| Europe | 26,439 | 44,413 |
| North America | 13,005 | 8,951 |
| Others | 4,905 | 5,210 |
| | 376,703 | 314,091 |

7. Segment Information

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

The Group operates in one business unit based on its products, and has only one reportable segment which is manufacturing and sale of precision metal products involving metal stamping, computer numerical control, sheet metal processing and products assembling. As such, no segmental analysis has been presented. Management monitors the operating results of its business unit for the purpose of making decisions about resources allocation and performance assessment.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

7. Segment Information (Continued)

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Geographic information

The non-current assets, other than deposits, of the Group as at 30 September 2024 and 31 March 2024 are as follows:

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|-----------------|---|---|
| The PRC | 309,655 | 317,900 |
| South East Asia | 25,608 | 23,696 |
| Hong Kong | 4,994 | 5,073 |
| | 340,257 | 346,669 |

Information about major customers

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

| | Six months ended 30 September 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
|------------|--|---------------------------------|
| Customer A | 255,567 | 192,277 |
| Customer B | 48,539 | 40,866 |

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

8. Other Gains, Net

| | Six months ended 30 September | |
|--|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Loss on disposal of property, plant and equipment | (12) | (862) |
| Exchange gains, net | 1,974 | 4,328 |
| Government subsidies (note) | 196 | 198 |
| Others | 161 | 75 |
| | 2,319 | 3,739 |

Note: The amount represented the government subsidies with no unfulfilled conditions or contingencies and recognised as other gains upon receipts during the six months ended 30 September 2024 and 2023.

9. Finance Income and Finance Costs

| | Six months ended 30 September | |
|---|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Finance income | | |
| Interest income on bank balances and deposits | 1,281 | 4,402 |
| Interest income on other receivables | 269 | 919 |
| | 1,550 | 5,321 |
| Finance costs | | |
| Interest expense on bank borrowings | 572 | 315 |
| Interest expense on lease liabilities | 294 | 3,127 |
| | 866 | 3,442 |

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

10. Profit Before Tax

Profit before tax has been arrived at after charging:

| | Six months ended 30 September | |
|---|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Cost of inventories sold | 308,919 | 247,105 |
| Depreciation of property, plant and equipment | 10,367 | 3,272 |
| Depreciation of right-of-use assets | 3,605 | 10,266 |
| Research and development expenses | 9,449 | 9,360 |

11. Income Tax Expenses

| | Six months ended 30 September | |
|-------------------------------|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Current income tax: | | |
| — The PRC | 2,935 | 4,424 |
| — Withholding tax | 869 | — |
| Deferred income tax (note 22) | 632 | 1,828 |
| Total | 4,436 | 6,252 |

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.

11. Income Tax Expenses (Continued)

Below are the major tax jurisdictions that the Group operates in for the six months ended 30 September 2024 and 2023:

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax was made for the six months ended 30 September 2024 and 2023 as there were no assessable profits generated in Hong Kong during the six months ended 30 September 2024 and 2023.

(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 2024 is provided at the rate of 25% (2023: 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, with effective from 1 December 2021.

(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 declares dividend out of profits earned after 1 January 2008. During the six months ended 30 September 2024, a lower 5% (2023: 5%) PRC dividend withholding tax rate was adopted since the immediate holding company of the PRC subsidiary is incorporated in Hong Kong and fulfils certain requirements under the tax treaty arrangements between the PRC and Hong Kong.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

12. Earnings Per Share

Basic and diluted earnings per share

| | Six months ended 30 September | |
|--|-------------------------------|---------------------|
| | 2024 (Unaudited) | 2023 (Unaudited) |
| Profit attributable to owners of the Company (HK\$'000) | 21,759 | 29,430 |
| Weighted average number of shares in issue ('000) | 600,000 | 600,000 |
| Basic and diluted earnings per share (HK cents per share) | 3.63 | 4.91 |

Basic earnings per share for the six months ended 30 September 2024 and 2023 is calculated by dividing the profit attributable to owners of the Company by 600,000,000 ordinary shares in issue during the period.

Diluted earnings per share is same as basic earnings per share as the Company had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2024 and 2023.

13. Dividend

During the reporting period, the Board proposed a final dividend of HK\$0.8 cents per share in respect of the year ended 31 March 2024. The final dividend was declared in August 2024 and the final dividend of HK\$4,800,000 for the year ended 31 March 2024 was paid in September 2024.

No interim dividend was paid, declared or proposed during the six months ended 30 September 2024, nor has any interim dividend been proposed since the end of the reporting period (six months ended 30 September 2023: nil).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

14. Property, Plant and Equipment

Movement of property, plant and equipment for the periods:

| | Six months ended 30 September | |
|-----------------------------|-------------------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| At 1 April (audited) | 256,146 | 49,671 |
| Additions | 2,921 | 22,986 |
| Disposals | (160) | (3,110) |
| Depreciation | (10,367) | (3,272) |
| Exchange differences | 3,392 | (2,539) |
| At 30 September (unaudited) | 251,932 | 63,736 |

15. Right-of-use Assets and Lease Liabilities

(i) Right-of-use assets

Right-of-use assets of approximately HK\$79,346,000 (31 March 2024: HK\$80,373,000) represents land use rights located in the PRC.

As at 30 September 2024, the Group has lease arrangements for office premises, factories, car parks and motor vehicles of approximately HK\$942,000, HK\$3,705,000, HK\$51,000 and HK\$2,926,000 (31 March 2024: HK\$1,885,000, HK\$4,930,000, HK\$102,000 and HK\$1,792,000), respectively. The lease terms are generally ranged from one to six years (31 March 2024: one to six years). The lease term for land is 50 years (31 March 2024: 50 years).

During the six months ended 30 September 2024, the Group entered into a finance lease arrangement in respect of a motor vehicle with capital value of approximately HK\$1,452,000 (2023: HK\$2,146,000) at the commencement of the lease.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

15. Right-of-use Assets and Lease Liabilities (Continued)

(ii) Lease liabilities

As at 30 September 2024, the carrying amount of lease liabilities was approximately HK\$7,377,000 (31 March 2024: HK\$8,538,000).

During the six months ended 30 September 2024, the Group entered into a new lease for a motor vehicle and recognised lease liabilities of approximately HK\$1,452,000 (2023: HK\$1,750,000).

(iii) Amount recognised in profit or loss

| | Six months ended 30 September | |
|---------------------------------------|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Depreciation of right-of-use assets | 3,605 | 10,266 |
| Interest expense on lease liabilities | 294 | 3,127 |
| Expense relating to short-term leases | — | 238 |

(iv) Others

At 30 September 2024 and 2023, there are no committed leases but not yet commenced.

During the six months ended 30 September 2024, the total cash outflow for leases amounted to approximately HK\$2,950,000 (30 September 2023: HK\$13,354,000) which includes payments of principal and interest portion of lease liabilities and short-term leases.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

16. Inventories

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|------------------|---|---|
| Raw materials | 61,659 | 54,163 |
| Work in progress | 11,531 | 11,087 |
| Finished goods | 34,372 | 37,605 |
| | 107,562 | 102,855 |

17. Trade Receivables

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|--------------------------|---|---|
| Trade receivables (note) | 161,789 | 145,017 |

Note: The Group normally grants credit periods of 30 to 120 days (31 March 2024: 30 to 120 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.

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|--------------------|---|---|
| Up to 3 months | 154,234 | 139,265 |
| 3 to 6 months | 4,854 | 3,797 |
| 6 months to 1 year | 2,516 | 1,541 |
| 1 to 2 years | 185 | 414 |
| | 161,789 | 145,017 |

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

18. Prepayments, Deposits and Other Receivables

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|---|---|---|
| Non-current asset | | |
| Prepayments and deposits | 1,650 | 1,737 |
| Current assets | | |
| Prepayments, deposits and other receivables | 21,693 | 13,186 |
| Other receivable from an independent third party (note) | 10,000 | 10,000 |
| | 31,693 | 23,186 |
| | 33,343 | 24,923 |
| Less: allowance for impairment losses | — | — |
| | 33,343 | 24,923 |

Note:

The balance represented amount due from Kingdom (Reliance) Precision Parts Manufactory Holdings Limited ("KRP BVI"), a former subsidiary of the Group, and was unsecured, carrying interest at 5.25% per annum and repayable within three years from 20 December 2021.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

19. Cash and Cash Equivalents/Time Deposit with Maturity over Three Months

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|--|---|---|
| Cash and bank balances | 157,995 | 111,475 |
| Bank deposits | 43,000 | 48,000 |
| | 200,995 | 159,475 |
| Less: | | |
| Time deposit with maturity over three months (note) | (43,000) | (48,000) |
| Cash and cash equivalents | 157,995 | 111,475 |

Note:

As at 30 September 2024, time deposit carries interest rate 3.70% per annum (31 March 2024: 4.20% per annum) with an original maturity of 6 months (31 March 2024: 12 months).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

20. Share Capital and Share Premium

| | Number of shares | Share capital HK\$'000 | Share premium HK\$'000 | Total HK\$'000 |
|---|---------------------|------------------------------|------------------------------|-------------------|
| Ordinary shares of HK\$0.1 each | | | | |
| Authorised | | | | |
| At 30 September 2024 and 31 March 2024 | | | | |
| | 4,500,000,000 | 450,000 | | |
| Issued and fully paid | | | | |
| At 30 September 2024 and 31 March 2024 | | | | |
| | 600,000,000 | 60,000 | 26,135 | 86,135 |

21. 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\$3,545,000 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 debit to capital reserve.

21. Reserves (Continued)

(a) Capital reserve (Continued)

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 corresponding subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to the existing owners in proportion to the existing ownership structure.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

22. Deferred Income Tax

The analysis of deferred income tax liabilities, after set off certain deferred tax assets against deferred tax liabilities of the same authority, is as follows:

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|---------------------------------|---|---|
| Deferred income tax liabilities | (4,163) | (3,531) |

The movements in deferred income tax assets and (liabilities) during the six months ended 30 September 2024 and 2023 are as follows:

| | Lease liabilities HK\$'000 | Right-of-use assets HK\$'000 | Undistributable profits from subsidiaries HK\$'000 | Total HK\$'000 |
|---|----------------------------------|------------------------------------|---|-------------------|
| At 1 April 2024 (audited) | 672 | (647) | (3,556) | (3,531) |
| (Charged)/credited to profit or loss (note 11) | (114) | 114 | (632) | (632) |
| At 30 September 2024 (unaudited) | 558 | (533) | (4,188) | (4,163) |

| | Lease liabilities HK\$'000 | Right-of-use assets HK\$'000 | Undistributable profits from subsidiaries HK\$'000 | Total HK\$'000 |
|---|----------------------------------|------------------------------------|---|-------------------|
| At 1 April 2023 (audited) | 12,144 | (12,144) | (172) | (172) |
| (Charged)/credited to profit or loss (note 11) | (1,290) | 1,290 | (1,828) | (1,828) |
| Exchange differences | (509) | 509 | — | — |
| At 30 September 2023 (unaudited) | 10,345 | (10,345) | (2,000) | (2,000) |

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

23. Trade and Other Payables

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|-----------------------------|---|---|
| Trade payables (note) | 112,342 | 87,248 |
| Accruals and other payables | 16,339 | 26,659 |
| | 128,681 | 113,907 |

Note:

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

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|--------------------|---|---|
| Up to 3 months | 111,722 | 87,056 |
| 3 to 6 months | 511 | 9 |
| 6 months to 1 year | 4 | 9 |
| 1 to 2 years | 105 | 174 |
| | 112,342 | 87,248 |

The average credit period on purchase of goods is from 30 to 90 days (31 March 2024: 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

24. Bank Borrowings

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|---------------------------|---|---|
| Unsecured bank borrowings | 71,500 | 49,500 |
| Secured bank borrowings | 11,000 | — |
| | 82,500 | 49,500 |

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

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|-----------------|---|---|
| Within one year | 82,500 | 49,500 |

As at 30 September 2024, the Group has fixed-rate borrowings denominated in RMB at fixed rates ranged from 2.50% to 2.80%.

As at 31 March 2024, the Group has fixed-rate and variable-rate borrowings denominated in RMB at fixed rates 2.65% and floating rates calculated based on the Loan Prime Rate (“LPR”), respectively.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

24. Bank Borrowings (Continued)

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

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|--------------------------|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | 2.50% to 2.80% | 2.65% |
| Variable-rate borrowings | — | 2.65% to 3.20% |

As at 30 September 2024, a bank borrowing of approximately HK\$11,000,000 (31 March 2024: nil) is secured by trade receivables with carrying value of approximately US\$1,836,000, which equivalent to approximately HK\$14,263,000 (31 March 2024: nil).

As at 30 September 2024, the Group's banking borrowings with carrying amount of approximately HK\$16,500,000 (31 March 2024: HK\$27,500,000) are subject to the fulfilment of covenants relating to certain financial ratios of a PRC subsidiary including debt asset ratio not higher than 60% (31 March 2024: 60%) and current ratio not less than 1.0 (31 March 2024: 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 30 September 2024, none of the covenants relating to drawn down facilities had been breached (31 March 2024: nil).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

25. Capital Commitments

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|---|---|---|
| Authorised or contracted but not provided for: | | |
| — Plant and machinery | 150 | 296 |
| — Leasehold improvement | — | 51 |
| | 150 | 347 |

26. Significant Related Party Transactions

(a) Name and relationship with related parties

| Name | Relationship |
|---|--|
| Mr. Sun | An executive director and the chief executive of the Group |
| KREH | Note (i) |
| 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) | Note (ii) |

* The English name is for identification purpose only

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

26. Significant Related Party Transactions (Continued)

(a) Name and relationship with related parties (Continued)

Notes:

- (i) During the six months ended 30 September 2023 and prior to 5 February 2024, KREH is a related company in which Mr. Sun and Mr. Wong, the executive directors of the Company, have beneficial interests. On 5 February 2024, KREH acquired approximately 75% of the issued share capital of the Company from Massive Force Limited and became the immediate holding company and controlling shareholder of the Company.
- (ii) During the six months ended 30 September 2023 and prior to 5 February 2024, KPST Suzhou is a subsidiary of KREH. On 5 February 2024, the Group acquired 70% of the issued share capital of Kingdom Precision Science and Technology Holding Limited (“**KPST BVI**”). Accordingly, KPST Suzhou, a subsidiary of KPST BVI, became indirectly partially-owned subsidiary of the Company.

(b) Material related party transactions

During the six months ended 30 September 2024 and 2023, the Group had the following material transactions with related parties, which were entered into at terms mutually agreed by respective parties.

| | Six months ended 30 September | |
|--|--|--|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Finance costs — interest expense on lease liabilities | | |
| — KPST Suzhou | — | 3,019 |
| — GECl | 46 | 25 |
| Lease payments | | |
| — KPST Suzhou | — | 9,773 |
| — GECl | 1,025 | 1,025 |

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 September 2024

26. Significant Related Party Transactions (Continued)

(c) Balances with a related company

| | 30 September 2024 HK\$'000 (Unaudited) | 31 March 2024 HK\$'000 (Audited) |
|--------------------------|---|---|
| Lease liabilities | | |
| — GECI | (1,008) | (1,987) |

In 2023, the Group entered into three one-year leases in respect of one office premises and two carpark with GECI respectively. The amount of rent payable by the Group under the lease is approximately HK\$171,000 per month in total. In March 2024, the Group renewed the leases with same term. As at 30 September 2024, the carrying amount of such lease liabilities is approximately HK\$1,008,000 (31 March 2024: HK\$1,987,000).

(d) Key management compensation

Key management personnel includes directors and senior managements of the Company. The compensation paid or payable to key management personnel amounted to approximately HK\$4,173,000 for the six months ended 30 September 2024 (six months ended 30 September 2023: HK\$4,188,000).