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KIG Real Estate Holdings Limited

(Incorporated in the British Virgin Islands with limited liability)

KFM KINGDOM HOLDINGS LIMITED

KFM金德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3816)

**JOINT ANNOUNCEMENT ON
(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE
KPST ACQUISITION;
(2) ACQUISITION OF MF SALE SHARES
BY KIG REAL ESTATE; AND
(3) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY
HEAD & SHOULDERS SECURITIES LIMITED
ON BEHALF OF KIG REAL ESTATE
TO ACQUIRE ALL THE ISSUED SHARES IN
KFM KINGDOM HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY
KIG REAL ESTATE AND THE KIG CONCERT PARTIES)**

Offer Agent to the Offeror



Financial adviser to the Offeror



MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE KPST ACQUISITION

On 1 December 2023 (after trading hours), the Company (as purchaser) and KIG Real Estate (as vendor) entered into the KPST SPA, pursuant to which the Company conditionally agreed to purchase and KIG Real Estate conditionally agreed to sell the KPST Sale Shares, representing 70.0% of the entire issued share capital of the Target Company, at a consideration of HK\$168.0 million. Through the KPST Acquisition, the Company will indirectly control KPST Suzhou, which holds the Factories.

After the KPST Completion, the Company will hold 70.0% of the entire issued share capital of the Target Company. As a result, the Target Company, KPST Hong Kong and KPST Suzhou will become non-wholly-owned subsidiaries of the Company, and the financial results of the Target Group will be consolidated into the financial statements of the Company.

Implications of the KPST Acquisition under the Listing Rules

As one or more of the applicable percentage ratios in respect of the KPST Acquisition are more than 25% but less than 100%, the KPST Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Therefore, it is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Announcement Date, KIG Real Estate is ultimately beneficially owned as to approximately 45.4% and 12.6% by Mr. Peter Sun and Mr. Wong, both being executive Directors, respectively. Accordingly, KIG Real Estate is an associate of Mr. Peter Sun and a connected person of the Company. The KPST Acquisition therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LR Independent Board Committee and LR Independent Financial Adviser

The LR Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing, has been established to advise the Independent Shareholders in respect of the KPST Acquisition. The LR Independent Financial Adviser will be appointed by the LR Independent Board Committee to advise the LR Independent Board Committee and the Independent Shareholders on the terms of KPST SPA and the transaction contemplated thereunder. A further announcement will be made by the Company upon the appointment of the LR Independent Financial Adviser.

ACQUISITION OF MF SALE SHARES BY KIG REAL ESTATE

On 1 December 2023 (after trading hours), Massive Force (as vendor) and KIG Real Estate (as purchaser) entered into the MF SPA, pursuant to which Massive Force has conditionally agreed to sell, and KIG Real Estate has conditionally agreed to purchase, the MF Sale Shares, being 449,999,012 Shares, representing approximately 75.0% of the issued Shares as at the Announcement Date, at an aggregate consideration of HK\$134,999,703.60, representing HK\$0.30 per MF Sale Share. The MF Completion is conditional upon, among other things, the KPST Acquisition having become unconditional (other than the condition relating to the MF SPA having become unconditional).

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER

Immediately prior to the MF Completion, KIG Real Estate and the KIG Concert Parties did not hold, own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Upon the MF Completion, KIG Real Estate will hold 449,999,012 Shares, representing approximately 75.0% of the issued Shares. Pursuant to Rule 26.1 of the Takeovers Code, KIG Real Estate is required to make an unconditional mandatory general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by KIG Real Estate and the KIG Concert Parties).

As of the Announcement Date, the Company has 600,000,000 Shares in issue. The Company does not have any outstanding convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue which may confer any rights to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities which are convertible or exchangeable into Shares as of the Announcement Date.

Subject to the MF Completion, Head & Shoulders Securities will, on behalf of KIG Real Estate, make the Offer on the following basis:

For each Offer Share held HK\$0.30 in cash

The principal terms of the possible Offer are set out under the section headed “C. POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER” below.

Merdeka Corporate Finance, the financial adviser to KIG Real Estate in respect of the Offer, is satisfied that sufficient financial resources are available to KIG Real Estate to satisfy the consideration payable under full acceptance of the Offer.

GO Independent Board Committee and GO Independent Financial Adviser

Pursuant to Rule 2.8 of the Takeovers Code, members of an independent board committee should comprising all non-executive directors who have no direct or indirect interest in any offer. As the non-executive Director, namely Mr. Zhang Haifeng, is a Director appointed as a representative of Massive Force, he has indirect interest in the Offer and should not be a member of the GO Independent Board Committee to advise the Offer Shareholders on the terms of the Offer.

Accordingly, the GO Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing, has been established to advise the Offer Shareholders on the terms of the Offer.

The GO Independent Financial Adviser will be appointed by the GO Independent Board Committee to advise the GO Independent Board Committee and the Offer Shareholders on the terms of the Offer. A further announcement will be made by the Company upon the appointment of the GO Independent Financial Adviser.

DESPATCH OF CIRCULAR AND THE EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass ordinary resolutions(s) to approve, among other things, the KPST SPA and the transaction contemplated thereunder, including the KPST Acquisition.

As (i) the KPST Completion is conditional upon, among other things, the MF SPA in respect of the MF Share Sale having become unconditional (other than the condition relating to the KPST SPA having become unconditional); and (ii) the MF Completion is conditional upon, among other things, the KPST Acquisition having become unconditional (other than the condition relating to the MF SPA having become unconditional), Massive Force has a material interest in the KPST Acquisition. Accordingly, Massive Force and its associate are required to abstain from voting at the EGM on the resolution(s) approving the same. Save for the aforementioned, no other Shareholder has a material interest in each of the KPST Acquisition and the MF Share Sale, and is required to abstain from voting on the resolution(s) approving the KPST SPA and the transaction contemplated thereunder.

The Circular containing, among other things, (i) further details of the KPST SPA and the transaction contemplated thereunder, including the KPST Acquisition, (ii) the recommendation of the LR Independent Board Committee to the Independent Shareholders in relation to the KPST Acquisition; (iii) a letter from the LR Independent Financial Adviser to the LR Independent Board Committee and the Independent Shareholders in relation to the KPST Acquisition; (iv) financial information of the Group and the Target Group; (v) valuation report of the Target Company and the Factories; (vi) other information required under the Listing Rules; and (vii) a notice of the EGM, is subject to review and comments by the Stock Exchange and will be despatched to the Shareholders as soon as practicable. The Circular shall be despatched to the Shareholders within 15 Business Days from the Announcement Date pursuant to Rules 14.60(7) and 14A.68(11) of the Listing Rules. In view of the process required to prepare and finalise the Circular, the despatch date of the Circular is expected to be postponed to a date on or before 19 January 2024.

DESPATCH OF THE COMPOSITE DOCUMENT

If the Offer materialises, it is the intention of KIG Real Estate and the Company to combine the offer document and the offeree board circular in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things, (i) details of the Offer (including the expected timetable and terms of the Offer accompanied by the acceptance and transfer forms); (ii) a letter of recommendation from the GO Independent Board Committee to the Offer Shareholders in relation to the Offer; and (iii) a letter of advice from the GO Independent Financial Adviser to the GO Independent Board Committee in relation to the Offer, is required to be despatched to the Shareholders within 21 days of the Announcement Date or such later date as the Executive may approve. As the making of the Offer by KIG Real Estate is subject to the MF Completion which cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code, an application for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to within seven days after the date of the MF Completion or no later than 23 February 2024, whichever is earlier, will be made by KIG Real Estate. Further announcements shall be made as and when necessary in this regard.

WARNING

AS THE KPST COMPLETION IS SUBJECT TO THE SATISFACTION OR WAIVER (IF APPLICABLE) OF CERTAIN CONDITIONS PRECEDENT, THE KPST ACQUISITION MAY OR MAY NOT PROCEED.

AS THE OFFER WILL ONLY BE MADE AFTER THE MF COMPLETION, WHICH IS SUBJECT TO A NUMBER OF CONDITIONS, THE OFFER MAY OR MAY NOT PROCEED AND IS THEREFORE A POSSIBILITY ONLY.

INVESTORS AND SHAREHOLDERS OF THE COMPANY ARE URGED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES.

Reference is made to the Preliminary Announcement.

A. MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE KPST SALE SHARES

The KPST SPA

On 1 December 2023 (after trading hours), the Company (as purchaser) and KIG Real Estate (as vendor) entered into the KPST SPA, pursuant to which the Company conditionally agreed to purchase and KIG Real Estate conditionally agreed to sell the KPST Sale Shares, representing 70.0% of the entire issued share capital of the Target Company, at a consideration of HK\$168.0 million.

The principal terms of the KPST SPA are summarised below:

- Date** : 1 December 2023 (after trading hours)
- Parties** : (1) the Company, as the purchaser; and
(2) KIG Real Estate, as the vendor.
- Assets to be acquired** : Pursuant to the KPST SPA, the Company has conditionally agreed to acquire and KIG Real Estate has conditionally agreed to sell the KPST Sale Shares, representing 70.0% of the entire issued share capital of the Target Company. Through the KPST Acquisition, the Company will indirectly control KPST Suzhou, which holds the Factories.

Conditions precedent

: The KPST Completion is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:

- (1) the approval by the Shareholders (or, as the case may be, the independent shareholders of the Company who are allowed to vote and are not required to abstain from voting) at the EGM of the KPST SPA and the transaction contemplated therein, and all other consents and acts required under the Listing Rules or the Takeovers Code (where applicable) having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange or the SFC (where applicable);
- (2) the MF SPA in respect of the MF Share Sale having become unconditional (other than the condition relating to the KPST SPA having become unconditional);
- (3) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the KPST SPA having been obtained and remaining in full force and effect;
- (4) the Company being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operational, or other aspects that the Company considers relevant) on the Target Group, their related assets, liabilities, activities, operations, prospects and other status which the Company, its agents or professional advisers think necessary and appropriate to conduct; and
- (5) the Company being satisfied that, from the date of the KPST SPA to the KPST Completion, there has not been any material adverse change in respect of any member of the Target Group and as a whole.

The Company may waive any of the conditions precedent above (other than those set out in paragraphs (1), (2) and (3) above) at its sole and absolute discretion at or before 12:00 noon (Hong Kong time) on the Long Stop Date.

As of the Announcement Date, (i) KIG Real Estate and the Company were not aware of (a) any consents and acts required under the Listing Rules or the Takeovers Code; (b) any waivers required from the Stock Exchange or the SFC; and (c) any waivers, consents and approvals required from any relevant governments or regulatory authorities or other relevant third parties as set out under conditions precedent in paragraphs (1) and (3) above; and (ii) none of the conditions precedent set out above has been satisfied.

If any of the conditions precedent set out above has not been fulfilled (or, if applicable, waived by the Company) on or before the Long Stop Date, the KPST SPA will terminate with immediate effect and the parties thereto shall have no further obligations or liabilities thereunder save for antecedent breach.

**Consideration and
payment terms**

: The consideration for the KPST Acquisition is HK\$168.0 million, which shall be paid by the Company on the date of the KPST Completion in cash or cashier order or by transferring the amount payable to the bank account designated by KIG Real Estate or in other manners as agreed by the Company and KIG Real Estate.

The consideration of the KPST Acquisition was determined based on fair negotiation with reference to, among other things, the preliminary valuations of the Target Company and the Factories as appraised by an independent valuer engaged by the Company. The appraised value of each of the Target Company and the Factories, as well as the full text of such valuation reports will be contained in the Circular.

The consideration of the KPST Acquisition will be satisfied by way of the Group's internal resources.

Completion : The KPST Completion shall take place at or before 4:00 p.m. (Hong Kong time) on the fifth Business Day after the last condition precedent having been fulfilled (or, if applicable, waived) or such other later date as the Company and KIG Real Estate may agree in writing.

Immediately upon the KPST Completion, the Target Company will become a non-wholly-owned subsidiary of the Company.

Reasons for and benefits of entering into the KPST SPA

KPST Suzhou owns the Factories and the Group has been operating at the Factories as one of its production bases since completion of its construction in November 2015. The Group's metal stamping business were then operated at (i) the Factories which are owned by KPST Suzhou; and (ii) two other production bases being leased by the Group.

In about 2018, under the backdrop of concerns over (i) the surging operational costs in the PRC; (ii) the continuous relocation of the production base of the Group's customers from the PRC to the Southeast Asia; (iii) the rising trend of interest rates initiated in the United States of America (the "US"); and (iv) tariff retaliations arising from the escalating trade disputes between the US and the PRC, the Group targeted to streamline its operation and looked for a stronger financial position with light asset operation and lower geared structure, in order to achieve a better return on assets. In particular, the Board then engaged a professional advisor to conduct a comprehensive review in order to cope with the ongoing challenges faced by the Group at the material time from the micro and macro business and economic perspective.

In light of the Group's financial situation at the material time, in particular high gearing, poor liquidity, low interest cover and low asset return, the Group was advised that it should adopt a light asset model with sale-and-lease back arrangement on the properties of the Group, including the Factories. By way of adopting such light asset model, it was suggested that the Group would be able to improve its operational flexibility, reduce its debts, release capital gain from the properties (including the Factories), and minimise impact on the operation at the material time instantly. Thus, KPST Suzhou, together with the Factories owned by it, was disposed of by the Group to a company controlled by Mr. Peter Sun in 2018 at a consideration of HK\$108.5 million. For further details, please refer to the Company's announcements dated 7 September 2018 and 1 November 2018; and the Company's circular dated 18 October 2018.

After the disposal of KPST Suzhou, the Group continued operating at the Factories as one of its production bases by leasing the Factories. The first lease agreement was with a term of three years and it was expired in 2021. The current leasing agreement (the “**2021 Leasing Agreement**”) with KPST Suzhou with respect to the leasing of the Factories was entered into in 2021. For further details, please refer to the Company’s announcement dated 20 September 2021; and the Company’s circular dated 1 November 2021.

As at 30 September 2023, the carrying amount of the lease liabilities derived from the 2021 Leasing Agreement was approximately HK\$76.3 million, while the right-of-use assets, which mainly represented the Factories, amounted to approximately HK\$69.0 million.

During the year ended 31 March 2023 and the six months ended 30 September 2023, the Group made lease payment of approximately RMB17.6 million (equivalent to approximately HK\$19.4 million) and RMB8.8 million (equivalent to approximately HK\$9.7 million) to KPST Suzhou, respectively, pursuant to the 2021 Leasing Agreement. According to the 2021 Leasing Agreement, the rental expenses would increase by 10% for every two years. The increment in rental expenses took place in November 2023, and the current rental expenses under the 2021 Leasing Agreement are approximately RMB19.4 million (equivalent to approximately HK\$21.3 million) per annum.

The Directors are of the view that the acquisition of the Factories via the KPST Acquisition would be beneficial to the Company and the Shareholders as a whole based on the following reasons:

- (1) the KPST Acquisition could provide an excellent opportunity to complement the Group’s existing business; and it could facilitate more flexible and efficient future business planning:

The Group has been operating at the Factories since November 2015. Since recent China-US trade dispute focuses on high-technology industry, such as chips manufacturing, artificial intelligence, etc., the Directors are of the view that the Group’s business, i.e. metal stamping business would not be materially adversely affected by the US government sanctions policy. Accordingly, the Directors consider that light-asset strategy may no longer be the most suitable business model for the Group and the Group may have to re-adjust its business strategy. The revenue derived from the production at the Factories increased by approximately 72% from approximately HK\$352 million for the year ended 31 March 2018 to approximately HK\$605 million for the year ended 31 March 2023. This indicated that there is a strong demand for a permanent production base for the Group. In addition, having considered that (a) the Group’s gearing ratio has significantly improved from approximately 78.7% for the year ended 31 March 2018 to approximately 4.4% for the year ended 31 March 2023; and (b) the financial benefits that the KPST Acquisition, if materialised, could bring

to the Group as set out in sub-paragraphs (3) and (4) below, it is considered that although the Group is still aiming for a lower gearing structure and better return on assets, the light-asset operation approach may not, at present, be the most optimal business option for the Group in light of the Group's current improved financial position.

It is believed that when the Factories became under control by the Group upon the KPST Completion, the Group would have more flexibility with the usage, alteration and/or development of the Factories so that the Group would be able to operate at the Factories more efficiently, and/or expand its business operations (if any) without seeking consent from third party landlord.

- (2) Mr. Peter Sun and Mr. Wong, as the controlling shareholders of KIG Real Estate, are also of the view that should KIG Real Estate acquires Shares from Massive Force pursuant to the management buy-out (i.e. the MF Share Sale), the Group could better plan and steer its future long-term business development if the Group could have ownership over its core production base as opposed to leasehold interests which could be subject to risks of termination or increased finance costs over rental payments. Hence, it was also one of the terms for the MF Share Sale that the Group should acquire the Factories from KIG Real Estate via the KPST Acquisition; and the KPST Completion is conditional upon, among other things, the MF SPA in respect of the MF Share Sale having become unconditional (other than the condition relating to the KPST SPA having become unconditional), while the MF Completion is conditional upon, among other things, the KPST Acquisition having become unconditional (other than the condition relating to the MF SPA having become unconditional);
- (3) the Group would be able to save the lease payment and have better cash flow as a whole as the lease payment with respect to the Factories payable by the Group to KPST Suzhou would be eliminated after the KPST Completion upon the Target Group becoming non-wholly-owned subsidiaries of the Group. It is expected that the Group would be able to save an annual lease payment of approximately RMB19.4 million (equivalent to approximately HK\$21.3 million) for the year ending 31 March 2025 onward, based on the assumption that the KPST Completion taking place on 1 April 2024; and
- (4) although the Group will have to settle the amount of consideration payable for acquisition of the Factories from its internal resources, which would take approximately 11 years to payback (being the total consideration for the KPST Acquisition/70.0% of the annual rental payment of approximately RMB13.6 million (equivalent to approximately HK\$15.0 million) as mentioned above), the Group would be able to better allocate its resources in future since substantial portion of the cash to be used for lease payment of the Factories to KPST Suzhou, being an outgroup company prior to the KPST Completion, would no longer be applicable and could be used within the Group after the KPST

Completion. The Group explored relocation of the production at the Factories as an alternative for seeking a permanent production base. However, based on the Group's costs incurred by the relocation of production base from Shenzhen Xili to Huizhou in 2021, it is expected that the Group would incur a relocation costs of approximately HK\$96 million. In addition, based on the Group's past experience, relocation of production base would result in disruption in the production as well as significant loss in experienced staff and manpower. As such, the Directors are of the view that the Group's continuous operation at the Factories and the KPST Acquisition would enable the Group to change the Factories into the Group's permanent production base, which would be the better option for the Group to have more flexibility in the allocation of resources with minimal operational impact, resulting the Group being able to optimise its financial performance by expanding its business and enhance the Group's operational efficiency.

Implications of the KPST Acquisition under the Listing Rules

As one or more of the applicable percentage ratios in respect of the KPST Acquisition are more than 25% but less than 100%, the KPST Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Therefore, it is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Announcement Date, KIG Real Estate is ultimately beneficially owned as to approximately 45.4% and 12.6% by Mr. Peter Sun and Mr. Wong, both being executive Directors, respectively. Accordingly, KIG Real Estate is an associate of Mr. Peter Sun and a connected person of the Company. The KPST Acquisition therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (excluding the members of the LR Independent Board Committee whose opinion will be set forth in the Circular after having been advised by the LR Independent Financial Adviser) consider that the terms of the KPST SPA and the KPST Acquisition contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole after taking into account of the reasons set out in the paragraph headed "Reasons for and benefits of entering into the KPST SPA" above.

Mr. Peter Sun and Mr. Wong, owning the Target Company as to approximately 45.4% and 12.6% respectively, have abstained from voting on the relevant board resolutions approving the KPST SPA and the transaction contemplated thereunder in view of their respective material interests therein. Mr. Zhang Haifeng, being the representative of Massive Force, has also abstained from voting on such Board resolutions on the ground of corporate governance given (i) the KPST Completion is

conditional upon, among other things, the MF SPA in respect of the MF Share Sale having become unconditional (other than the condition relating to the KPST SPA having become unconditional); and (ii) the MF Completion is conditional upon, among other things, the KPST Acquisition having become unconditional (other than the condition relating to the MF SPA having become unconditional). The other Board members (being the independent non-executive Directors and, hence the members of the LR Independent Board Committee which will form and express its view on, among others, the KPST Acquisition after having been advised by the LR Independent Financial Adviser and make recommendations to the Independent Shareholders accordingly) voted for the Board resolutions approving the KPST SPA and the transaction contemplated thereunder.

LR Independent Board Committee and LR Independent Financial Adviser

The LR Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing, has been established to advise the Independent Shareholders in respect of the KPST Acquisition. The LR Independent Financial Adviser will be appointed by the LR Independent Board Committee to advise the LR Independent Board Committee and the Independent Shareholders on the terms of KPST SPA and the transaction contemplated thereunder. A further announcement will be made by the Company upon the appointment of the LR Independent Financial Adviser.

The members of the LR Independent Board Committee will make a recommendation to the Independent Shareholders in respect of the KPST Acquisition as to whether their terms are, or are not, fair and reasonable.

The advice of the LR Independent Financial Adviser and the recommendations of the LR Independent Board Committee in respect of the KPST Acquisition, in particular, as to whether the terms of the KPST SPA are, or are not, fair and reasonable and as to whether the Independent Shareholders should vote for or against the KPST SPA and the transaction contemplated thereunder, will be included in the Circular.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass ordinary resolutions(s) to approve, among other things, the KPST SPA and the transaction contemplated thereunder, including the KPST Acquisition.

As (i) the KPST Completion is conditional upon, among other things, the MF SPA in respect of the MF Share Sale having become unconditional (other than the condition relating to the KPST SPA having become unconditional); and (ii) the MF Completion is conditional upon, among other things, the KPST Acquisition having become unconditional (other than the condition relating to the MF SPA having

become unconditional), Massive Force has a material interest in the KPST Acquisition. Accordingly, Massive Force and its associate are required to abstain from voting at the EGM on the resolution(s) approving the same. Save for the aforementioned, after making all reasonable enquiries, no other Shareholder has a material interest in each of the KPST Acquisition and the MF Share Sale, and is required to abstain from voting on the resolution(s) approving the KPST SPA and the transaction contemplated thereunder.

Despatch of the Circular

The Circular containing, among other things, (i) further details of the KPST SPA and the transaction contemplated thereunder, including the KPST Acquisition, (ii) the recommendation of the LR Independent Board Committee to the Independent Shareholders in relation to the KPST Acquisition; (iii) a letter from the LR Independent Financial Adviser to the LR Independent Board Committee and the Independent Shareholders in relation to the KPST Acquisition; (iv) financial information of the Group and the Target Group; (v) valuation report of the Target Company and Factories; (vi) other information required under the Listing Rules; and (vii) a notice of the EGM, is subject to review and comments by the Stock Exchange and will be despatched to the Shareholders as soon as practicable. The Circular shall be despatched to the Shareholders within 15 Business Days from the Announcement Date pursuant to Rules 14.60(7) and 14A.68(11) of the Listing Rules. In view of the process required to prepare and finalise the Circular, the despatch date of the Circular is expected to be postponed to a date on or before 19 January 2024.

B. ACQUISITION OF MF SALE SHARES BY KIG REAL ESTATE

On 1 December 2023 (after trading hours), Massive Force (as vendor) and KIG Real Estate (as purchaser) entered into the MF SPA, pursuant to which Massive Force has conditionally agreed to sell, and KIG Real Estate has conditionally agreed to purchase, the MF Sale Shares, being 449,999,012 Shares, representing approximately 75.0% of the issued Shares as at the Announcement Date, at an aggregate consideration of HK\$134,999,703.60, representing HK\$0.30 per MF Sale Share. The MF Completion is conditional upon, among other things, the KPST Acquisition having become unconditional (other than the condition relating to the MF SPA having become unconditional).

The principal terms of the MF SPA are summarised below:

- Date** : 1 December 2023 (after trading hours)
- Parties** : (a) KIG Real Estate, as the purchaser; and
(b) Massive Force, as the vendor.
- MF Sale Shares** : The MF Sale Shares comprise a total of 449,999,012 Shares, representing approximately 75.0% of the entire issued share capital of the Company as at the Announcement Date. The MF Sale Shares will be acquired by KIG Real Estate free from all encumbrances and with all rights attached thereto with effect from date of the MF Completion (including but not limited to the right to receive all dividends and other distribution paid, made or declared in respect of them on and from the date of the MF Completion). KIG Real Estate shall not be obliged to complete the purchase of any of the MF Sale Shares unless the sale and purchase of all the MF Sale Shares are completed simultaneously.
- Consideration and payment terms** : The aggregate consideration payable for the MF Sale Shares shall be HK\$134,999,703.60 (equivalent to HK\$0.30 per MF Sale Share) and shall be paid by KIG Real Estate or its designated person to Massive Force upon the MF Completion, by telegraphic transfer of immediately available funds to the account maintained with a licensed bank in Hong Kong as designated by Massive Force.
- Conditions precedent** : The MF Completion is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:
- (1) the KPST Acquisition having become unconditional (other than the condition relating to the MF SPA having become unconditional);
 - (2) the listing of the Shares not having been cancelled or withdrawn prior to the MF Completion;

- (3) neither the Stock Exchange nor the Executive having indicated that the trading of the Shares on the Stock Exchange will be suspended, cancelled or withdrawn after the MF Completion, whether or not for reasons related to or arising from the transactions contemplated under the MF SPA;
- (4) there being no material breach of the representation and warranties given by Massive Force under the MF SPA;
- (5) there being no material breach by any part of this respective obligations under the MF SPA which will make it impossible or impracticable for the MF Completion to take place in accordance with the terms of the MF SPA;
- (6) no events having occurred which caused, causes or may cause a (i) material adverse effect on the financial position, business, assets or operations of the Group as a whole; or (ii) material adverse effect on the ability of Massive Force to perform or comply with their respective obligations, undertakings or covenants under the MF SPA;
- (7) there being no applicable laws which shall, or which shall reasonably be expected to, forbid, restrict or impose conditions or restrictions on or in any way challenge any of the transactions contemplated under the MF SPA; and
- (8) there being no proceedings from time to time instituted, made or brought or threatened by any party which will make it impossible or impracticable for the MF Completion to take place in accordance with the terms of the MF SPA.

Massive Force shall use its best endeavours to procure fulfillment of the conditions precedent set out above, and KIG Real Estate may waive any of the conditions precedent above (other than that set out in paragraph (1) above) at its sole and absolute discretion at or before 12:00 noon (Hong Kong time) on the Long Stop Date.

As of the Announcement Date, none of the conditions precedent set out above has been satisfied.

If any of the conditions precedent set out above has not been fulfilled (or, if applicable, waived by the KIG Real Estate in accordance with the terms of the MF SPA) on or before 12:00 noon (Hong Kong time) on the Long Stop Date, the MF SPA shall lapse and be no further effect and the parties thereto shall have no further obligations or liabilities thereunder save for antecedent breach.

Completion : The MF Completion shall take place at or before 4:00 p.m. (Hong Kong time) on the fifth Business Day after fulfillment of all the conditions precedent set out above or the effective waiver thereof in accordance with the terms of the MF SPA, or such other later date as KIG Real Estate and Massive Force may agree in writing.

KIG Real Estate would finance the consideration under the MF SPA by (i) the Shareholders SPA Loan; and (ii) the H&S SPA Facility. There is no charge over the Shares pursuant to the terms and conditions of the MF SPA Facilities.

C. POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER

Immediately prior to the MF Completion, KIG Real Estate and the KIG Concert Parties did not hold, own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Upon the MF Completion, KIG Real Estate will hold 449,999,012 Shares, representing approximately 75.0% of the issued Shares. Pursuant to Rule 26.1 of the Takeovers Code, KIG Real Estate is required to make an unconditional mandatory general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by KIG Real Estate and the KIG Concert Parties).

Subject to the MF Completion, Head & Shoulders Securities will, on behalf of KIG Real Estate, make the Offer on the following basis:

For each Offer Share held HK\$0.30 in cash

As of the Announcement Date, the Company has 600,000,000 Shares in issue. The Company does not have any outstanding convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue which may confer any rights to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities which are convertible or exchangeable into Shares as of the Announcement Date.

The Offer will be unconditional in all respects when it is made. The Offer will extend to all Shares in issue other than those Shares held by KIG Real Estate and KIG Concert Parties on the date on which the Offer is made, being the date of despatch of the Composite Document.

As at the Announcement Date, none of KIG Real Estate and the KIG Concert Parties has received any indication or irrevocable committee from any Shareholder that he/she/it will accept or reject the Offer.

Comparison of value

The Offer Price of HK\$0.30 per Offer Share represents:

- (i) a premium of approximately 3.45% over the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on the First Last Trading Day;
- (ii) a premium of approximately 10.70% over the average closing price of approximately HK\$0.271 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the First Last Trading Day;
- (iii) a premium of approximately 18.58% over the average closing price of approximately HK\$0.253 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the First Last Trading Day;
- (iv) a premium of approximately 27.66% over the average approximately closing price of approximately HK\$0.235 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the First Last Trading Day;
- (v) a discount of approximately 24.05% to the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Second Last Trading Day;
- (vi) a discount of approximately 21.05% to the average closing price of approximately HK\$0.380 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Second Last Trading Day;
- (vii) a discount of approximately 20.42% to the average closing price of approximately HK\$0.377 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Second Last Trading Day;

- (viii) a discount of approximately 14.77% to the average closing price of approximately HK\$0.352 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Second Last Trading Day;
- (ix) a discount of approximately 64.92% to the Company's consolidated net asset value per Share of approximately HK\$0.8552 calculated with reference to the Company's audited net asset value of approximately HK\$513,118,000 as at 31 March 2023 and 600,000,000 Shares in issue as at the Announcement Date; and
- (x) a discount of approximately 66.69% to the Company's consolidated net asset value per Share of approximately HK\$0.9006 calculated with reference to the Company's unaudited net asset value of approximately HK\$540,380,000 as at 30 September 2023 and 600,000,000 Shares in issue as at the date of the Announcement Date.

Highest and lowest Share prices

During the six-month period immediately prior to and including the First Last Trading Day (being the date immediately preceding the commencement of the Offer Period) and ending on and including the Second Last Trading Day, (i) the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.184 on 18 August 2023 and 21 August 2023, respectively; and (ii) the highest closing price per Share as quoted on the Stock Exchange was HK\$0.420 on 13 November 2023.

Value of the Offer and financial resources confirmation

Based on the Offer Price of HK\$0.30 per Offer Share and 600,000,000 Shares in issue as at the Announcement Date, the entire issued share capital of the Company is valued at HK\$180,000,000 while the cash consideration payable by KIG Real Estate under the Offer would be approximately HK\$45,000,296.40.

KIG Real Estate intends to finance the cash consideration payable under the MF SPA upon the MF Completion by (i) the H&S SPA Facility; and (ii) the internal resources of KIG Real Estate pursuant to the Shareholders SPA Loan.

KIG Real Estate intends to settle the cash consideration payable under the Offer by the H&S Offer Facility.

Merdeka Corporate Finance, the financial adviser to KIG Real Estate in respect of the Offer, is satisfied that sufficient financial resources are available to KIG Real Estate to satisfy the consideration payable under full acceptance of the Offer.

Payment

Payment in cash in respect of acceptance of the Offer will be made as soon as possible but in any event within seven (7) Business Days (as defined in the Takeovers Code) from the receipt by KIG Real Estate or its agent acting on its behalf of duly completed acceptances.

No fraction of a cent will be payable, and the amount of the consideration payable to an Offer Shareholder who accepts the Offer will be rounded up to the nearest cent.

Hong Kong stamp duty

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Shareholders at a rate of 0.10% of: (i) the market value of the Offer Shares; or (ii) the consideration payable by KIG Real Estate in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amount payable by KIG Real Estate on behalf of the relevant Shareholders accepting the Offer. KIG Real Estate will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Effect of accepting the Offer

By accepting the Offer, the Offer Shareholders will sell their tendered Shares to KIG Real Estate which shall be fully paid and free and clear of any lien and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of despatch of the Composite Document. As at the Announcement Date, no outstanding dividend declared by the Company remains unpaid, and it is advised by the Board that the Company has no intention to make, declare or pay any future dividend or make other distributions until after the close of the Offer.

Acceptances of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Overseas Shareholders

The making and the implementation of the Offer to Shareholders who are not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are residents. Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should keep themselves informed about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Overseas Shareholders in respect of such jurisdiction).

Taxation advice

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of KIG Real Estate, the KIG Concert Parties, the Company and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Dealing and interests in the securities of the Company

KIG Real Estate confirms that, save as disclosed below, as at the Announcement Date:

- (a) save for MF Sale Shares, KIG Real Estate, its ultimate beneficial owners and parties acting in concert with any one of them do not own or have control or direction over any voting rights or rights over the Shares, convertible securities, options, warrants, or derivatives of the Company;
- (b) KIG Real Estate, its ultimate beneficial owners and parties acting in concert with any one of them have not received any irrevocable commitment to accept the Offer;
- (c) there is no agreement or arrangement in relation to outstanding derivative in respect of securities in the Company which has been entered into by KIG Real Estate, its ultimate beneficial owners and any person acting in concert with any one of them;

- (d) save for the MF SPA, the KPST SPA, the H&S Facilities and the Shareholders SPA Loan and the arrangements involving the Deposit Shares under the H&S Offer Facility, there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of KIG Real Estate or the Shares which may be material to the Offer;
- (e) other than the MF SPA and the KPST SPA, there is no agreement or arrangement to which KIG Real Estate, its ultimate beneficial owners and parties acting in concert with any one of them is a party which relates to circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (f) there are no Shares or relevant securities (as defined in Note 4 to Rules 22 of the Takeovers Code) of the Company which KIG Real Estate, its ultimate beneficial owners and parties acting in concert with any one of them have borrowed or lent;
- (g) there is no consideration, compensation or benefit in whatever form paid or to be paid by KIG Real Estate, its ultimate beneficial owners or any parties acting in concert with any one of them to Massive Force, its ultimate beneficial owners and/or any parties acting in concert with it and any one of them in connection with the sale and purchase of the MF Sale Shares, save for the (i) consideration pursuant to the MF SPA to be paid by KIG Real Estate to Massive Force; and (ii) consideration pursuant to the KPST SPA to be paid by the Company to KIG Real Estate;
- (h) save for the KPST Acquisition and the MF Share Sale, there is no understanding, agreement, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between KIG Real Estate, its ultimate beneficial owners or any parties acting in concert with any one of them on one hand, and Massive Force, its ultimate beneficial owners and/or parties acting in concert with it and any one of them on the other hand);
- (i) save for the KPST Acquisition and the MF Share Sale, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) KIG Real Estate, its ultimate beneficial owners and/or any parties acting in concert with any one of them, or (b) the Company, its subsidiaries or associated companies; and
- (j) save for the acquisition of the MF Sale Shares under the MF SPA, KIG Real Estate, its ultimate beneficial owners and parties acting in concert with any one of them had not dealt in the Shares, outstanding share options, derivatives,

warrants or other securities convertible into Shares during the six-month period prior to the commencement of the Offer Period and up to the Announcement Date.

Effect of the MF Completion on shareholding structure of the Company

Set out below is the shareholding structure of the Company as at the Announcement Date and immediately upon the MF Completion (assuming no other changes in the issued share capital of the Company from the Announcement Date up to the MF Completion) but before the commencement of the Offer:

	As at the Announcement Date		Immediately upon the MF Completion but before the commencement of the Offer	
	<i>Number of Shares</i>	<i>Approximate shareholding %</i>	<i>Number of Shares</i>	<i>Approximate shareholding %</i>
Massive Force ⁽¹⁾	449,999,012	75.00	—	—
KIG Real Estate ⁽²⁾	—	—	449,999,012	75.00
Public Shareholders	<u>150,000,988</u>	<u>25.00</u>	<u>150,000,988</u>	<u>25.00</u>
Total	<u>600,000,000</u>	<u>100.00</u>	<u>600,000,000</u>	<u>100.00</u>

Notes:

1. As at the Announcement Date, Massive Force was beneficially owned by Pan Tihui, Yu Hsuan-jung and Cheung Yuen Tung as to approximately 30%, 30% and 40%, respectively.
2. As at the Announcement Date, KIG Real Estate was beneficially owned by Mr. Peter Sun, Mr. Wong, Mr. Yau, Mr. Yung, Mr. Lam Kin Shun, Mr. Chan Lin On, Mr. Yeung Man Chiu, Mr. Suen Fai Chuen Alan and Sunny Nova Limited (which was beneficially wholly-owned by Mr. He Lin) as to approximately 45.4%, 12.6%, 12.6%, 9.2%, 5.4%, 6.2%, 3.2%, 1.4% and 4.0%, respectively.

Information on KIG Real Estate and intention of KIG Real Estate

For details of KIG Real Estate, please refer to the paragraph headed “E. INFORMATION OF KIG REAL ESTATE AND THE TARGET GROUP”.

As at the Announcement Date, following the close of the Offer, KIG Real Estate intends to continue the existing business of the Group and maintain the employment of the operational and administrative employees of the Group (except for the proposed changes to the member of the Board as detailed in the sub-paragraph headed “Proposed change of the Board” below). As at the Announcement Date, KIG Real Estate has no intention to dispose of or downsize the existing business of the Group or the assets of the Group.

Upon completion of the Offer, KIG Real Estate will conduct a detailed review of the operations of the Group and formulate feasible business strategies with a view to maintain and/or expand the existing business in a sustainable way, which may include rebalancing the resources of the Group should appropriate opportunities arise.

As at the Announcement Date, there is no concrete timetable for executing the aforesaid business review. Any such acquisition or investment, once materialised, will be announced by the Company as and when necessary pursuant to the requirements of the Listing Rules.

Proposed change of the Board

The Board is currently made up of six members, comprising two executive Directors, Mr. Peter Sun and Mr. Wong; one non-executive Director, namely Mr. Zhang Haifeng; and three independent non-executive Directors, Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing. It is intended that the non-executive Director, namely Mr. Zhang Haifeng, will resign with effect from the earliest time permitted under the Takeovers Code. As at the Announcement Date, KIG Real Estate has not reached any final decision as to who will be nominated as new Director(s). Any changes to the Board composition will be announced by the Company and made in compliance with the Takeovers Code and the Listing Rules as and when appropriate.

Public float and maintaining the listing status of the Company

KIG Real Estate intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares.

KIG Real Estate does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the close of the Offer.

If, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all time, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

then, it will consider exercising its discretion to suspend the dealings in the Shares. Each of KIG Real Estate and the Company will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer.

Despatch of the Composite Document

If the Offer materialises, it is the intention of KIG Real Estate and the Company to combine the offer document and the offeree board circular in the Composite Document.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things, (i) details of the Offer (including the expected timetable and terms of the Offer accompanied by the acceptance and transfer forms); (ii) a letter of recommendation from the GO Independent Board Committee to the Offer Shareholders in relation to the Offer; and (iii) a letter of advice from the GO Independent Financial Adviser to the GO Independent Board Committee and the Offer Shareholders in relation to the Offer, is required to be despatched to the Shareholders within 21 days of the Announcement Date or such later date as the Executive may approve. As the making of the Offer by KIG Real Estate is subject to the MF Completion which cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code, an application for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to within seven days after the date of the MF Completion or no later than 23 February 2024, whichever is earlier, will be made by KIG Real Estate. Further announcements shall be made as and when necessary in this regard.

GO Independent Board Committee and the GO Independent Financial Adviser

Pursuant to Rule 2.8 of the Takeovers Code, members of an independent board committee should comprise all non-executive directors who have no direct or indirect interest in any offer. As the non-executive Director, namely Mr. Zhang Haifeng, is a Director appointed as a representative of Massive Force, he has indirect interest in the Offer and should not be a member of the GO Independent Board Committee to advise the Offer Shareholders on the terms of the Offer.

Accordingly, the GO Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing, has been established to advise the Offer Shareholders on the terms of the Offer.

The GO Independent Financial Adviser will be appointed by the GO Independent Board Committee to advise the GO Independent Board Committee and the Offer Shareholders on the terms of the Offer. A further announcement will be made by the Company upon the appointment of the GO Independent Financial Adviser.

The advice of the GO Independent Financial Adviser and the recommendations of the GO Independent Board Committee to the Offer Shareholders in respect of the Offer, in particular, as to whether the terms of the Offer are, or are not, fair and reasonable and as to whether it should or should not be accepted if it is made, will be included in the Composite Document.

D. INFORMATION OF THE GROUP

The Group is principally engaged in the manufacturing and sale of metal stamping products.

Set out below is a summary of (i) the audited consolidated financial results of the Company for each of the years ended 31 March 2022 and 2023; and (ii) the unaudited consolidated financial results of the Company for the six months ended 30 September 2022 and 2023:

	For the year ended 31 March		For the six months ended 30 September	
	2022	2023	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue ^(Note)	612,190	605,101	343,073	314,091
Gross profit ^(Note)	99,920	103,277	63,237	66,986
Profit for the year/ period attributable to owners of the Company ^(Note)	13,331	22,666	32,953	29,430
Total comprehensive (expense)/income for the year/period attributable to owners of the Company ^(Note)	(50,849)	8,455	14,223	27,262
		As at 31 March	As at	30 September
		2022	2023	2023
		HK\$'000	HK\$'000	HK\$'000
		(audited)	(audited)	(unaudited)
Total assets		776,494	728,732	763,529
Total liabilities		271,831	215,614	223,149
Net assets		504,663	513,118	540,380

Note: Derived from the continuing operations of the Group only.

E. INFORMATION OF KIG REAL ESTATE AND THE TARGET GROUP

KIG Real Estate

KIG Real Estate is a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Mr. Peter Sun, Mr. Wong, Mr. Yau, Mr. Yung, Mr. Lam Kin Shun, Mr. Chan Lin On, Mr. Yeung Man Chiu, Mr. Suen Fai Chuen Alan and Sunny Nova Limited (which was beneficially wholly-owned by Mr. He Lin) as to approximately 45.4%, 12.6%, 12.6%, 9.2%, 5.4%, 6.2%, 3.2%, 1.4% and 4.0%, respectively. Mr. Suen Fai Chuen Alan is the younger brother of Mr. Peter Sun, while Mr. He Lin is an employee of the Group, the nephew-in-law of Mr. Peter Sun and Mr. Sun Fai Chuen Alan. KIG Real Estate is principally engaged in investment holding.

The Target Group

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Announcement Date, KIG Real Estate wholly owned the entire issued share capital of the Target Company, which holds 100% equity interests in KPST Suzhou through its wholly-owned subsidiary, namely KPST Hong Kong. As at the Announcement Date, the Target Group was principally engaged in the investment in the Factories.

The Factories comprise (i) two four-storey factory buildings with a total gross area of approximately 48,500 square metres; and (ii) one five-storey factory building with a total gross area of approximately 10,200 square metres, all of which are located in Suzhou, the PRC.

Set out below is the unaudited consolidated financial information of the Target Group for the years ended 31 March 2022 and 2023 and the six months ended 30 September 2023:

	Year ended 31 March		Six months ended
	2022	2023	30 September 2023
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Net profit before tax	6,010	7,426	3,570
Net profit after tax	4,501	5,563	2,650

According to the unaudited consolidated financial information of the Target Group, as at 30 September 2023, the Target Group had consolidated net assets of approximately HK\$118.5 million.

Pursuant to Rule 10 of the Takeovers Code, the (i) unaudited net profit before tax and unaudited net profit after tax of the Target Group for the two years ended 31 March 2023 and the six months ended 30 September 2023 and unaudited net assets of the Target Group as at 30 September 2023 as set out above, which are required to be disclosed pursuant to Rule 14.58 of the Listing Rules (the “**Required Financial Information**”), constitute a profit forecast and must be reported on by the Company’s financial adviser and its auditors or accountants in accordance with the Takeovers Code and such reports must be lodged with the Executive in accordance with Rule 10.4 of the Takeovers Code.

As additional time is required for the Company’s financial adviser and the Company’s auditors or accountants to report on the Required Financial Information in compliance with the requirements of Rule 10 of the Takeovers Code, the Required Financial Information disclosed in this joint announcement does not meet the standard and has not been prepared as required under Rule 10 of the Takeovers Code. According to Practice Note 2 to the Takeovers Code, as the only reason for the disclosure of these unaudited figures is the requirements of the Listing Rules, the Executive is prepared to permit publication of the Required Financial Information in this joint announcement without full compliance with Rule 10 of the Takeovers Code. The Required Financial Information will be reported on in accordance with Rule 10 of the Takeovers Code, and the reports will be included in the Circular. However, since the Circular will contain the relevant audited information, the requirement to report on the Relevant Financial Information will no longer apply.

Shareholders and potential investors should, however, exercise caution in placing reliance on the Required Financial Information in assessing the merits and demerits of the KPST Acquisition, the MF Share Sale and the Offer.

Mr. Peter Sun

Mr. Peter Sun (孫國華), aged 63, is an executive Director. He is one of the founders of the Group. Mr. Peter Sun has more than 25 years of experience in the metal stamping industry. Since 1981, he has participated in his family business in metal kitchenware manufacturing in Hong Kong. He developed his expertise in metal stamping when he first started his metal stamping factory in the name of Kingdom Industrial Company in Kwai Chung in 1987. In 1989, he established Kingdom Fine Metal Limited and established Shenzhen Shunan Kingdom Contract Processing Factory in 1990. He is responsible for the overall strategic planning and partnership development as well as international key customer relations of the Group.

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

Mr. Peter Sun serves numerous positions in various governmental bodies. He has been a member of both Shenzhen Nanshan District Standing Committee of the Chinese People's Political Consultative Conference (the "CPPCC") from 2006 to 2016 and Anhui Provincial Committee of CPPCC from 2003 to 2022, respectively. He has also been the vice chairman of Shenzhen Association of Enterprises with Foreign Investment since 2005. He was the vice-president of Shenzhen Nanshan Foreign Enterprise's Chamber of Commerce between 2005 and 2012 and was appointed as the president in February 2012. He has been a member of Hong Kong CPPCC (Provincial) Members Association Limited since 2006.

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

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

F. WARNING

AS THE KPST COMPLETION IS SUBJECT TO THE SATISFACTION OR WAIVER (IF APPLICABLE) OF CERTAIN CONDITIONS PRECEDENT, THE KPST ACQUISITION MAY OR MAY NOT PROCEED.

AS THE OFFER WILL ONLY BE MADE AFTER THE MF COMPLETION, WHICH IS SUBJECT TO A NUMBER OF CONDITIONS, THE OFFER MAY OR MAY NOT PROCEED AND IS THEREFORE A POSSIBILITY ONLY.

INVESTORS AND SHAREHOLDERS OF THE COMPANY ARE URGED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES.

G. DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company and the Offeror (including persons holding 5% or more of a class of relevant securities of the Company and the Offeror) are reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

The full text of Note 11 of Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

H. DEFINITIONS

In this joint announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement Date”	1 December 2023, being the date of this joint announcement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Circular”	circular to be despatched by the Company, containing, among other things, further details of the KPST SPA and the transaction contemplated thereunder, including the KPST Acquisition
“Company”	KFM Kingdom Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3816)
“Composite Document”	the composite offer and response document in respect of the Offer to be jointly despatched by KIG Real Estate and the Company to the Offer Shareholders in accordance with the Takeovers Code containing, amongst other things, the detailed terms of the Offer, the acceptance and transfer forms, the recommendation of the GO Independent Board Committee and the advice from the GO Independent Financial Adviser
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deposit Shares”	all Offer Shares to be acquired by KIG Real Estate under the Offer which shall be deposited to a securities account opened by KIG Real Estate with Head & Shoulders Securities from time to time pursuant to the H&S Offer Loan Agreement
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the KPST SPA and the transaction contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Factories”	(i) two four-storey factory buildings with a total gross area of approximately 48,500 square metres; and (ii) one five-storey factory building with a total gross area of approximately 10,200 square metres, all of which are located in Suzhou, the PRC
“First Last Trading Day”	16 October 2023, being the last day on which Shares were traded on the Stock Exchange prior to the commencement of the Offer Period (i.e. being the date of the Preliminary Announcement)
“GO Independent Board Committee”	an independent committee of the Board established for the purpose of providing recommendations in respect of the Offer, in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code
“GO Independent Financial Adviser”	an independent financial adviser, to be appointed by the GO Independent Board Committee to advise the GO Independent Board Committee and the Offer Shareholders in respect of the Offer
“Group”	the Company and its subsidiaries
“H&S Facilities”	collectively, the H&S SPA Facility and H&S Offer Facility
“H&S Offer Facility”	the loan facility granted by Head & Shoulders Securities to KIG Real Estate in the total principal amount of HK\$45,050,000 for the purpose of financing of the Offer in accordance with the H&S Offer Loan Agreement
“H&S Offer Loan Agreement”	the facility agreement dated 1 December 2023 and entered into between Head & Shoulders Securities (as lender), KIG Real Estate (as borrower) and Mr. Peter Sun (as guarantor) in relation to the H&S Offer Facility

“H&S SPA Facility”	the loan facility granted by Head & Shoulders Securities to KIG Real Estate in the total principal amount of HK\$25,000,000 for the purpose of financing the MF Share Sale in accordance with the H&S SPA Loan Agreement
“H&S SPA Loan Agreement”	the facility agreement dated 1 December 2023 and entered into between Head & Shoulders Securities (as lender), KIG Real Estate (as borrower) and Mr. Peter Sun (as guarantor), in relation to the H&S SPA Facility
“Head & Shoulders Securities”	Head & Shoulders Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO and the offer agent to the Offeror
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders, other than Massive Force, KIG Real Estate and their respective associates
“KIG Concert Parties”	parties acting in concert with KIG Real Estate, including but not limited to, Mr. Peter Sun, Mr. Wong, Mr. Yau, Mr. Yung and Head & Shoulders Securities
“KIG Real Estate” or “Offeror”	KIG Real Estate Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which was beneficially owned by Mr. Peter Sun, Mr. Wong, Mr. Yau, Mr. Yung, Mr. Lam Kin Shun, Mr. Chan Lin On, Mr. Yeung Man Chiu, Mr. Suen Fai Chuen Alan (younger brother of Mr. Peter Sun) and Sunny Nova Limited (which was beneficially wholly-owned by Mr. He Lin, an employee of the Group, the nephew-in-law of Mr. Peter Sun and Mr. Sun Fai Chuen Alan) as to approximately 45.4%, 12.6%, 12.6%, 9.2%, 5.4%, 6.2%, 3.2%, 1.4% and 4.0%, respectively, as at the Announcement Date
“KPST Acquisition”	the acquisition of the KPST Sale Shares pursuant to the KPST SPA
“KPST Completion”	completion of the KPST Acquisition in accordance with the provisions of the KPST SPA

“KPST Hong Kong”	Kingdom Precision Science and Technology Limited, a company incorporated in Hong Kong with limited liability, being wholly-owned subsidiary of the Target Company
“KPST Sale Shares”	70 shares of the Target Company, representing 70.0% of the entire issued share capital thereof
“KPST SPA”	the sale and purchase agreement dated 1 December 2023 and entered into between the Company and KIG Real Estate in respect of the KPST Acquisition
“KPST Suzhou”	金德精密科技(蘇州)有限公司 (Kingdom Precision Science and Technology (Suzhou) Company Limited*), a company established in the PRC, a member of the Target Group and wholly-owned the Factories as at the Announcement Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2024 or such later date as may be agreed in writing by KIG Real Estate and Massive Force or the Company (as the case may be)
“LR Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing, formed to advise the Independent Shareholders in respect of the KPST Acquisition
“LR Independent Financial Adviser”	an independent financial adviser, to be appointed by the LR Independent Board Committee to advise the LR Independent Board Committee and the Independent Shareholders in respect of the KPST Acquisition
“Massive Force”	Massive Force Limited, a company incorporated in the British Virgin Islands with limited liability, (i) holding approximately 75.0% of the total issued share capital of the Company; and (ii) being beneficially owned by Pan Tihui, Yu Hsuan-jung and Cheung Yuen Tung as to approximately 30%, 30% and 40%, respectively, as at the Announcement Date

“Merdeka Corporate Finance”	Merdeka Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to KIG Real Estate
“MF Completion”	completion of the sale and purchase of the MF Sale Shares in accordance with the provisions of the MF SPA
“MF Sale Shares”	449,999,012 Shares to be acquired by KIG Real Estate from Massive Force pursuant to the MF SPA, which represents approximately 75.0% of the entire issued share capital of the Company as at the date of the MF SPA, and “MF Sale Share” means any of them
“MF Share Sale”	the acquisition of MF Sale Shares by KIG Real Estate from Massive Force in accordance with the terms and conditions of the MF SPA
“MF SPA”	the sale and purchase agreement dated 1 December 2023 and entered into between Massive Force and KIG Real Estate in respect of the sale and purchase of MF Sale Shares
“MF SPA Facilities”	collectively, the H&S SPA Facility and Shareholders SPA Loan
“Mr. Peter Sun”	Mr. Sun Kwok Wah Peter, an executive Director and one of the KIG Concert Parties
“Mr. Wong”	Mr. Wong Chi Kwok, an executive Director, a shareholder of KIG Real Estate who held approximately 12.6% of the total issued share capital thereof as at the Announcement Date and one of the KIG Concert Parties
“Mr. Yau”	Mr. Yau Lam Chuen, a shareholder of KIG Real Estate who held approximately 12.6% of the total issued share capital thereof as at the Announcement Date and one of the KIG Concert Parties
“Mr. Yung”	Mr. Yung Ching Tak, a shareholder of KIG Real Estate who held approximately 9.2% of the total issued share capital thereof as at the Announcement Date and one of the KIG Concert Parties

“Offer”	subject to the MF Completion, the possible unconditional mandatory cash offer for the Shares (other than those already owned or agreed to be acquired by KIG Real Estate and the KIG Concert Parties) to be made by Head & Shoulders Securities on behalf of KIG Real Estate to the Offer Shareholders pursuant to the Takeovers Code
“Offer Period”	has the meaning given to it in the Takeovers Code, being the period from 17 October 2023 (i.e. the date of Preliminary Announcement) until the latest of (i) the date when the Offer closes for acceptance; (ii) the date when the Offer lapses; (iii) the time when KIG Real Estate announces that the Offer will not proceed; and (iv) the date when an announcement is made of the withdrawal of the Offer
“Offer Price”	HK\$0.30 per Offer Share, the price at which the Offer will be made
“Offer Share(s)”	issued Share(s) other than those already owned or agreed to be acquired by KIG Real Estate and the KIG Concert Parties when the Offer is made
“Offer Shareholder(s)”	Shareholders, other than KIG Real Estate and the KIG Concert Parties
“Overseas Shareholder(s)”	Shareholder(s) (if any), whose address(es), as shown on the register of members of the Company, are outside of Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Preliminary Announcement”	the announcement issued by the Company dated 17 October 2023 pursuant to Rule 3.7 of the Takeovers Code and Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO
“RMB”	Renminbi, the lawful currency of the PRC
“Second Last Trading Day”	30 November 2023, being the last day on which Shares were traded on the Stock Exchange prior to the release of this joint announcement
“SFC”	the Securities and Futures Commission of Hong Kong

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders Lenders”	collectively, Mr. Peter Sun, Mr. Wong, Mr. Yau and Mr. Yung
“Shareholders SPA Loan”	the loan facility granted by the Shareholders Lenders to KIG Real Estate in the total principal amount of HK\$115.0 million for the purpose of financing the MF Share Sale in accordance with the Shareholders SPA Loan Agreement
“Shareholders SPA Loan Agreement”	the loan agreement dated 15 November 2023 and entered into between the Shareholders Lenders (as lenders) and KIG Real Estate (as borrower) in the total principal amount of HK\$115.0 million for the purpose of financing the MF Share Sale
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented, or otherwise modified from time to time
“Target Company”	Kingdom Precision Science and Technology Holding Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by KIG Real Estate as at the Announcement Date
“Target Group”	collectively, the Target Company, KPST Hong Kong and KPST Suzhou
“%”	per cent.

For the purpose of this announcement, conversion of RMB into HK dollars is based on the approximate exchange rate of RMB1 to HK\$1.1. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK dollars or RMB have been, could have been or may be converted at such or any other rate or at all.

By order of the sole director of
KIG Real Estate Holdings Limited
Mr. Sun Kwok Wah Peter
Sole Director

By order of the Board of
KFM KINGDOM HOLDINGS LIMITED
Mr. Zhang Haifeng
Chairman

Hong Kong, 1 December 2023

As at the date of this joint announcement, the executive Directors are Mr. Sun Kwok Wah Peter, 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than any information relating to KIG Real Estate and KIG Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the sole director of KIG Real Estate in his capacity as the sole director of KIG Real Estate) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the sole director of KIG Real Estate is Mr. Sun Kwok Wah Peter.

The sole director of KIG Real Estate accepts full responsibility for the accuracy of the information contained in this joint announcement (other than any information relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statement in this joint announcement misleading.