THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in KFM Kingdom Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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KFM KINGDOM HOLDINGS LIMITED

KFM 金德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3816)

PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATES (INCLUDING CONNECTED TRANSACTION – LUXSHARE SUBSCRIPTION AGREEMENT)

Financial adviser to the Company

MERDEKA 領智

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

華富建業企業融資 QUAM CAPITAL

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM to be held at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Thursday, 19 November 2026 at 10:30 a.m. is set out on pages EGM-1 to EGM-6 of this circular.

A letter from the Board is set out on pages 8 to 31 of this circular. A letter from the Independent Board Committee is set out on pages 32 to 33 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 68 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the EGM (no later than 10:30 a.m. on Tuesday, 17 November 2026 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such case, the form of proxy previously submitted shall be deemed to be revoked.

4 November 2026

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"Approved Professional Adviser"	an independent firm of merchant bank or audit firm of international repute in the opinion of the Company appointed in accordance with the provisions of the instrument constituting the Convertible Bonds
"associate(s)"	having the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	a person in whose name a Convertible Bond is registered in the register of Bondholders, and "holder" in relation to a Convertible Bond has a corresponding meaning
"CB Business Day"	a day (other than Saturdays, Sundays and such other days where a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong) on which licensed banks in Hong Kong are open for business throughout their normal business hours
"CB Completion"	completion of the Subscription which shall take place on the CB Completion Date
"CB Completion Date"	the fifth CB Business Day after the date on which the conditions precedent set out in the relevant Subscription Agreement are fulfilled (or waived, if applicable) (or such other date as the Company and the relevant Subscriber may agree in writing)
"CB Issue Date"	the date of first issue of the Convertible Bonds
"CB Long Stop Date"	31 December 2026 or such other date as the Company and each of the Subscribers shall agree in writing
"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)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules

"Conversion Price"	the conversion price per Conversion Share at which Conversion Shares will be issued upon exercise of the Conversion Rights, being initially HK$2.00 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the Convertible Bonds
"Conversion Right(s)"	the rights of the holder of the Convertible Bonds to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares subject to the terms and conditions of the Convertible Bonds
"Conversion Share(s)"	new Share(s) to be allotted and issued by the Company pursuant to the exercise of the Conversion Rights pursuant to the terms and conditions of the Convertible Bonds
"Convertible Bond(s)"	with respect to the convertible bonds to be issued under: (1) the Luxshare Subscription Agreement, the HK$252,000,000 (zero-coupon) convertible bonds due 2029 to be issued by the Company to Luxshare Hong Kong; (2) the Subscription Agreement A, the HK$18,000,000 (zero-coupon) convertible bonds due 2029 to be issued by the Company to Subscriber A; (3) the Subscription Agreement B, the HK$18,000,000 (zero-coupon) convertible bonds due 2029 to be issued by the Company to Subscriber B; (4) the Subscription Agreement C, the HK$18,000,000 (zero-coupon) convertible bonds due 2029 to be issued by the Company to Subscriber C; (5) the Subscription Agreement D, the HK$18,000,000 (zero-coupon) convertible bonds due 2029 to be issued by the Company to Subscriber D; and (6) the Subscription Agreement E, the HK$36,000,000 (zero-coupon) convertible bonds due 2029 to be issued by the Company to Subscriber E.
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened and held at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Thursday, 19 November 2026 at 10:30 a.m., the notice of which is set out on pages EGM-1 to EGM-6 of this circular, and any adjournment thereof, at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Subscription Agreements and the transactions contemplated thereunder (including the Specific Mandates)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wan Kam To, Mr. Chan Ming Sun Jonathan and Ms. Cheng Yuan Ting Cana, formed to advise the Independent Shareholders in respect of the Luxshare Subscription Agreement and the transactions contemplated thereunder
"Independent Financial Adviser"	Quam Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Luxshare Subscription Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders, other than KIG Real Estate, Luxshare Hong Kong and their respective associates
"Independent Third Party(ies)"	party(ies) who is (are) independent of and not connected with the Company and its connected persons
"Irrevocable Undertaking(s)"	the irrevocable undertaking(s) to be entered into by each of the Subscribers (i.e. Luxshare Hong Kong, Subscriber A, Subscriber B, Subscriber C, Subscriber D and Subscriber E) pursuant to the relevant Subscription Agreement

"KIG Real Estate"	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 Chi Kwok, Mr. Yung Ching Tak, Mr. Suen Fai Chuen Alan, Mrs. Chow Suen Christina and Sunny Nova Limited (which was beneficially wholly-owned by Mr. He Lin) as to approximately 56.43%, 13.16%, 9.65%, 5.16%, 0.53% and 15.07%, respectively, as at the Latest Practicable Date
"Last Trading Day"	11 September 2026, being the last day on which Shares were traded on the Stock Exchange prior to the suspension of trading of the Shares with effect from 9:00 a.m. on 14 September 2026
"Latest Practicable Date"	30 October 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Luxshare Hong Kong"	Luxshare Precision Limited (立訊精密有限公司), a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of Luxshare Precision as at the Latest Practicable Date
"Luxshare Precision"	Luxshare Precision Industry Co., Limited (立訊精密工業股份有限公司), a joint stock company with limited liability established in the PRC, the A shares of which have been listed on the Shenzhen Stock Exchange (stock code: 002475) and the H shares of which have been listed on the Stock Exchange (stock code: 2475)
"Luxshare Subscription Agreement"	the conditional subscription agreement dated 13 September 2026 (as amended by the Luxshare Supplemental Agreement) and entered into between the Company (as issuer) and Luxshare Hong Kong (as subscriber) in relation to the Subscription
"Luxshare Supplemental Agreement"	the supplemental agreement dated 30 September 2026 entered into between Luxshare Hong Kong and the Company in relation to the Luxshare Subscription Agreement
"Maturity Date"	the date falling three years after the CB Issue Date or, if that is not a CB Business Day, the first CB Business Day thereafter

"Mr. Peter Sun"	Mr. Sun Kwok Wah Peter, an executive Director and holder of approximately 56.43% of the issued share capital of KIG Real Estate
"Offer"	the possible unconditional mandatory cash offer for the Shares (other than those already owned or agreed to be acquired by Luxshare Hong Kong and parties acting in concert with it) to be made (subject to SPA Completion) by Luxshare Hong Kong to the Shareholders, other than Luxshare Hong Kong and parties acting in concert with it, pursuant to the Takeovers Code
"Offer Period"	being the period from 4 September 2026 until the latest of (i) the date when the Offer closes for acceptance; (ii) the date when the Offer lapses; (iii) the time when Luxshare Hong Kong announces that the Offer will not proceed; and (iv) the date when an announcement is made of the withdrawal of the Offer
"Other Subscription Agreements"	the Subscription Agreement A, Subscription Agreement B, Subscription Agreement C, Subscription Agreement D and Subscription Agreement E
"PRC"	the People's Republic of China which, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Public Float Requirement"	the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the Shares which are listed on the Stock Exchange shall be held by the public for the purpose of the Listing Rules
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 13 September 2026 and entered into between KIG Real Estate (as vendor), Mr. Peter Sun (as guarantor) and Luxshare Hong Kong (as purchaser) in respect of the sale and purchase of Sale Shares
"Sale Shares"	342,000,000 Shares to be acquired by Luxshare Hong Kong from KIG Real Estate pursuant to the Sale and Purchase Agreement, which represents 57.0% of the entire issued share capital of the Company as at the date of the Sale and Purchase Agreement
"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)
"SPA Completion"	completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Sale and Purchase Agreement
"Specific Mandate(s)"	the specific mandate(s) to be granted to the Directors by the Shareholders (or in the case of the Luxshare Subscription Agreement, the Independent Shareholders) at the EGM to allot and issue the Conversion Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber A"	Pelagis Capital Limited, an international company incorporated in Samoa
"Subscriber B"	Aqualis Holdings Limited, an international company incorporated in Samoa
"Subscriber C"	Truewin Group Co., Ltd., a company incorporated in Samoa
"Subscriber D"	Hong Kong An Tan Co., Limited, a company incorporated in Hong Kong with limited liability
"Subscriber E"	WaveBridge Capital Limited, an international company incorporated in Samoa
"Subscriber(s)", or each a "Subscriber"	Luxshare Hong Kong, Subscriber A, Subscriber B, Subscriber C, Subscriber D and/or Subscriber E
"Subscription(s)"	the subscription(s) of the Convertible Bonds pursuant to the terms of the relevant Subscription Agreements
"Subscription Agreement A"	the conditional subscription agreement dated 13 September 2026 (as amended by Supplemental Agreement A) and entered into between the Company (as issuer) and Subscriber A (as subscriber) in relation to the Subscription

"Subscription Agreement B"	the conditional subscription agreement dated 13 September 2026 (as amended by Supplemental Agreement B) and entered into between the Company (as issuer) and Subscriber B (as subscriber) in relation to the Subscription
"Subscription Agreement C"	the conditional subscription agreement dated 13 September 2026 (as amended by Supplemental Agreement C) and entered into between the Company (as issuer) and Subscriber C (as subscriber) in relation to the Subscription
"Subscription Agreement D"	the conditional subscription agreement dated 13 September 2026 (as amended by Supplemental Agreement D) and entered into between the Company (as issuer) and Subscriber D (as subscriber) in relation to the Subscription
"Subscription Agreement E"	the conditional subscription agreement dated 13 September 2026 (as amended by Supplemental Agreement E) and entered into between the Company (as issuer) and Subscriber E (as subscriber) in relation to the Subscription
"Subscription Agreements", or each a "Subscription Agreement"	the Luxshare Subscription Agreement and the Other Subscription Agreements
"Supplemental Agreement A"	the supplemental agreement dated 30 September 2026 entered into between Subscriber A and the Company
"Supplemental Agreement B"	the supplemental agreement dated 30 September 2026 entered into between Subscriber B and the Company
"Supplemental Agreement C"	the supplemental agreement dated 30 September 2026 entered into between Subscriber C and the Company
"Supplemental Agreement D"	the supplemental agreement dated 30 September 2026 entered into between Subscriber D and the Company
"Supplemental Agreement E"	the supplemental agreement dated 30 September 2026 entered into between Subscriber E and the Company
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented, or otherwise modified from time to time
"total Effective Consideration"	the aggregate consideration receivable by the issuer for the securities issued plus the additional minimum consideration (if any) to be received by the issuer and/ or the Company (if not the issuer) upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights
"%"	per cent.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3816)

Executive Directors:
Mr. Sun Kwok Wah Peter *(Chairman)*
Mr. Wong Chi Kwok

Independent non-executive Directors:
Mr. Wan Kam To
Mr. Chan Ming Sun Jonathan
Ms. Cheng Yuan Ting Cana

Registered office:
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Workshop C, 31/F, TML Tower
3 Hoi Shing Road, Tsuen Wan
New Territories, Hong Kong

4 November 2026

To the Shareholders

Dear Sir or Madam,

PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATES (INCLUDING CONNECTED TRANSACTION – LUXSHARE SUBSCRIPTION AGREEMENT)

I. INTRODUCTION

Reference is made to the announcement of the Company dated 30 September 2026 in relation to, among others, the proposed subscription of Convertible Bonds under Specific Mandates.

The purpose of this circular is to provide you with, among others, (i) further details of the Subscription Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Luxshare Subscription Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Luxshare Subscription Agreement and the transactions contemplated thereunder; (iv) other information as required under the Listing Rules; and (v) a notice of the EGM.

II. PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATES (INCLUDING CONNECTED TRANSACTION – LUXSHARE SUBSCRIPTION AGREEMENT)

On 13 September 2026, the Company entered into the Subscription Agreements with each of the Subscribers (i.e. Luxshare Hong Kong, Subscriber A, Subscriber B, Subscriber C, Subscriber D and Subscriber E) pursuant to which the Company has conditionally agreed to issue, and the Subscribers have, in aggregate, conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK$360,000,000.

A summary of the principal terms of the Subscription Agreements is set out below. For the avoidance of doubt, save for the principal amount under each of the Subscription Agreements, the principal terms of each of the Subscription Agreements are substantially identical in all material respects. The Subscription Agreements are not inter-conditional with each other.

Notwithstanding that each of Subscriber A, Subscriber B, Subscriber C, Subscriber D and Subscriber E was introduced to the Company by Luxshare Hong Kong and the terms of the Subscription Agreements were negotiated in conjunction with one another, to the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, save for the Sale Shares conditionally agreed to be acquired by Luxshare Hong Kong pursuant to the Sale and Purchase Agreement, each of the Subscribers and their respective ultimate beneficial owners are Independent Third Parties, and each of the Subscribers (and their respective ultimate beneficial owners) are independent of each other and there is no relationship between each of the Subscribers (and their respective ultimate beneficial owners) and the Company and its connected persons as at the date of the relevant Subscription Agreement and as at the Latest Practicable Date. As of the Latest Practicable Date, save for the Sale Shares conditionally agreed to be acquired by Luxshare Hong Kong pursuant to the Sale and Purchase Agreement, none of the Subscribers or their ultimate beneficial owners hold, own, control or has direction over, any Shares of the Company. Notwithstanding the above, subsequent to SPA Completion, Luxshare Hong Kong will become a controlling shareholder of the Company. Accordingly, Luxshare Hong Kong will be a connected person of the Company.

The Subscription

Pursuant to each of the Subscription Agreements, the Company has conditionally agreed to issue, and each of the Subscribers has conditionally agreed to subscribe for the Convertible Bonds in the following manner:

(a) with regards to Luxshare Hong Kong, the principal amount of HK$252,000,000 on the CB Completion Date;

(b) with regards to Subscriber A, the principal amount of HK$18,000,000 on the CB Completion Date;

(c) with regards to Subscriber B, the principal amount of HK$18,000,000 on the CB Completion Date;

(d) with regards to Subscriber C, the principal amount of HK$18,000,000 on the CB Completion Date;

(e) with regards to Subscriber D, the principal amount of HK$18,000,000 on the CB Completion Date; and

(f) with regards to Subscriber E, the principal amount of HK$36,000,000 on the CB Completion Date.

Conditions precedent

The subscription of the Convertible Bonds by each of the Subscribers is conditional upon the following conditions being fulfilled (or waived, if applicable) at or before 5:00 p.m. on the CB Long Stop Date:

(1) the obtaining of all necessary consents and approvals in respect of the relevant Subscription Agreement and the transactions contemplated thereunder (including but not limited to, if necessary, the approval by the Shareholders at a general meeting to approve the relevant Subscription Agreement and the transactions contemplated hereunder, including granting of the Specific Mandates to the Directors to allot, issue and deal with up to an aggregate of 180,000,000 Conversion Shares, representing approximately 30% of the issued Shares as at the date of the Subscription Agreements and as at the Latest Practicable Date);

(2) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Conversion Shares;

(3) the Company having performed all of its obligations under the relevant Subscription Agreement on or before CB Completion and none of the warranties set out in the relevant Subscription Agreement having been breached by the Company in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;

(4) all necessary consents and approvals required to be obtained on the part of the Company in respect of the relevant Subscription Agreement and the transactions contemplated hereunder, including the Board approving and authorising the execution and completion of the relevant Subscription Agreement and the related instruments, the creation and issue of the Convertible Bonds and the allotment and issue of the Conversion Shares; and

(5) all necessary consents and approvals required to be obtained on the part of each of the Subscribers in respect of the relevant Subscription Agreement and the transactions contemplated thereunder.

Each of the Subscribers may, at its discretion and upon such terms as it thinks fit, waive compliance with the condition precedent (3) set out above. If any of the conditions precedent are not fulfilled (or waived, if applicable) on or before the CB Long Stop Date, the relevant Subscription Agreement shall terminate and the respective obligations of the parties under the relevant Subscription Agreement shall cease and terminate and none of the Company or the relevant Subscriber shall have any claim against one another.

Each of the Subscription Agreements may be separately completed upon fulfilment of the relevant conditions precedent.

As at the Latest Practicable Date, save for the Shareholders' approval to be obtained by the Company at the EGM, the parties to the Subscription Agreements are not aware of any necessary consent or approval required to be obtained for the implementation of the Subscription Agreements and the transactions contemplated thereunder.

As at the Latest Practicable Date, condition precedent (5) above has been fulfilled. Save for condition precedent (5) above, none of the conditions precedent set out above has been fulfilled or waived.

Irrevocable Undertakings

Pursuant to each of the Subscription Agreements, upon CB Completion, each of the Subscribers shall enter into an Irrevocable Undertaking pursuant to which, each Subscriber shall irrevocably undertake with and confirm to the Company that from the date of the relevant Irrevocable Undertaking until (i) the lapse of the Sale and Purchase Agreement; and (ii) the close (or lapse) of the Offer (whichever is earlier), it will not, and will procure that its associates and parties acting in concert with it (within the meaning of the Takeovers Code) will not:

(a) accept or agree to accept the Offer for any Convertible Bonds directly or indirectly held, owned, controlled or directed by it;

(b) exercise any Conversion Right attaching to the Convertible Bonds during the Offer Period; or

(c) sell, transfer, charge, pledge, encumber or otherwise dispose of any Convertible Bonds.

CB Completion

CB Completion will take place on the CB Completion Date after the fulfillment or waiver (as the case may be) of the conditions precedent as set out in the relevant Subscription Agreement.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds were arrived at after arm's length negotiations between the Company and each of the Subscribers and are summarised as follows:

Issuer:	The Company	
Principal amount:	Luxshare Subscription Agreement	HK$252,000,000
	Subscription Agreement A	HK$18,000,000
	Subscription Agreement B	HK$18,000,000
	Subscription Agreement C	HK$18,000,000
	Subscription Agreement D	HK$18,000,000
	Subscription Agreement E	HK$36,000,000

Issue price: 100% of the principal amount of the Convertible Bonds

Interest rate: Nil

Maturity date: The date falling three years after the CB Issue Date or, if that is not a CB Business Day, the first CB Business Day thereafter

Status: The Convertible Bonds will rank pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company.

Conversion Rights: Subject as provided in the terms of the Convertible Bonds, the Convertible Bonds are convertible in whole or in part into new Shares any time from the CB Issue Date up to 4:00 p.m. on the Maturity Date, at the Conversion Price, subject to adjustment in accordance with the terms of the Convertible Bonds. Any conversion shall be made in amounts of not less than a whole multiple of HK$1,000,000 and no fraction of a Share shall be issued on conversion.

If the issue of Conversion Shares following the exercise by a Bondholder of the Conversion Rights relating to any of the Convertible Bonds held by such Bondholder would result in:

(a) a mandatory general offer being triggered under the Takeovers Code; or

(b) the Company not meeting the Public Float Requirement immediately after the conversion,

then the number of Conversion Shares to be issued pursuant to such conversion shall be limited to the maximum number of Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement or mandatory general offer being triggered under the Takeovers Code (as the case may be) and the balance of the Conversion Rights which the Bondholder sought to convert shall be suspended until such time when the Company is able to issue additional Shares in satisfaction of the exercise of the said balance of Conversion Rights and at the same time comply with the Public Float Requirement or without triggering a mandatory general offer under the Takeovers Code (as the case may be).

Conversion period: The Convertible Bonds are convertible in whole or in part into new Shares any time from the CB Issue Date up to 4:00 p.m. on the Maturity Date.

Conversion price: The Conversion Price per Share shall be HK$2.00 subject to adjustment provisions as summarised below.

Comparison of Conversion Price: The Conversion Price of HK$2.00 per Share represents:

(a) a discount of approximately 55.9% to the closing price of the Shares of HK$4.540 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 51.1% to the average closing price of the Shares of approximately HK$4.089 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 44.4% to the average closing price of the Shares of approximately HK$3.598 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 52.0% to the closing price of the Shares of HK$4.165 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(e) a premium of approximately 75.3% over the Company's consolidated net asset value per Share of approximately HK$1.141 as at 31 March 2026, calculated with reference to the Company's audited net asset value of approximately HK$684.8 million as at 31 March 2026 and 600,000,000 Shares in issue as at the Latest Practicable Date; and

(f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules), represented by a discount of approximately 12.9% of the theoretical diluted price of approximately HK$3.954 per Share to the benchmarked price of HK$4.54 per Share as defined under Rule 7.27B of the Listing Rules.

The Conversion Price was arrived at after arm's length negotiations between the Company and each of the Subscribers with reference to the prevailing market prices of the Shares as shown above.

The Directors consider that the Conversion Price is fair and reasonable based on the following:

(i) ***Zero coupon advantage:*** The Convertible Bonds bear a nil interest rate, which allows the Company to raise net proceeds of over HK$358 million completely free of interest burdens or interest rate fluctuations risks;

(ii) ***Recent drastic increase in share price:*** The benchmark price of the Company represented a relatively high share price of the Company given the recent drastic increase in share price due to market anticipation and speculation surrounding potential corporate transactions. The Conversion Price, when compared with the one-year average closing price of the Company (up to and including the Last Trading Day) of approximately HK$1.559, represented a premium of approximately 28.3%;

(iii) ***Asset backing:*** The Conversion Price offers an approximately 75.3% premium over the Company's consolidated net asset value per Share of approximately HK$1.141 as at 31 March 2026, ensuring that Shares are not being issued at a discount to the underlying book value of the Company's assets; and

(iv) ***Funding requirements:*** As explained in the section headed "Reasons for the issue of the Convertible Bonds and use of proceeds" below, the Group requires additional funding to support its planned production capacity expansion, meet its increasing working capital requirements and repay bank borrowings.

Adjustment to the Conversion Price: The Conversion Price shall be subject to adjustment upon the occurrence of the following events:

(a) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the revised nominal amount and dividing the result by the former nominal amount. Such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

(b) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation. Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

(c) If and whenever the Company shall make any capital distribution to Shareholders (whether on a reduction of capital or otherwise) or shall grant to Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries, subject to certain exclusions, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such distribution or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the closing price per Share on the Stock Exchange on the business day immediately preceding the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) immediately preceding the date of the capital distribution or, as the case may be, of the grant; and

B is the fair market value on the date of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by the Approved Professional Adviser, of the portion of the capital distribution or of such rights which is attributable to one Share.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the capital distribution or grant.

(d) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price per new Share which is less than 80 per cent. of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the number of Shares in issue immediately before the date of such announcement;

B is the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants being offered or granted and of the amount payable for the total number of new Shares being offered for subscription or comprised therein would purchase at such market price; and

C is the number of Shares in issue on the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant.

(e) (i) If and whenever the Company or any other company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares and the total Effective Consideration per Share initially receivable for such securities is less than 80 per cent. of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the number of Shares in issue immediately before the date of the issue of such securities;

B is the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price; and

C is the number of Shares in issue immediately before the date of the issue of such securities plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or Conversion Price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the business day immediately after the date on which the terms of such securities are announced.

(ii) If and whenever the rights of conversion or exchange or subscription attached to any such securities as mentioned in sub-paragraph (i) above are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80 per cent. of the price which is the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at the market price at the date of the announcement of such proposal and of which the denominator is the number of Shares in issue immediately before the date of such modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by, such securities at the modified conversion or exchange rate or Conversion Price. Such adjustment shall become effective as at the date upon which such modification shall take effect.

(f) If and whenever the Company shall issue wholly for cash any Shares (other than Shares issued to eligible participants, or their personal representatives, pursuant to a share option scheme) at a price per Share which is less than 80 per cent. of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

(g) If and whenever the Company shall purchase any Shares or securities convertible into Shares or any rights to acquire Shares (other than on the Stock Exchange or any other stock exchange recognised for such purpose) and the Directors cancel such Shares, securities convertible into Shares or rights to acquire Shares, the Directors may if they consider it appropriate make an adjustment to the Conversion Price provided that the Directors shall have appointed an Approved Professional Adviser to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Conversion Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if the Approved Professional Adviser shall consider in its opinion that it is appropriate to make an adjustment to the Conversion Price, the Directors shall make an adjustment to the Conversion Price in such manner as the Approved Professional Adviser shall certify to be, in its opinion, appropriate. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding the date on which such purchases by the Company are made.

If any doubt shall arise as to the appropriate adjustment to the Conversion Price a certificate of the Approved Professional Adviser shall be conclusive and binding on all concern save in the case of manifest or proven error.

Conversion Shares to be issued under the Convertible Bonds:

The number of Shares to be issued upon conversion of the Convertible Bonds shall be determined by dividing the principal amount of the relevant Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.

Upon exercise of the Conversion Rights in full at the Conversion Price of HK$2.00 per Conversion Share, a total of 180,000,000 Conversion Shares will be issued, representing:

(i) 30% of the issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 23.08% of the issued share capital of the Company as enlarged by the issue of Conversion Shares.

Redemption upon maturity:

Any Convertible Bond which remains outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be redeemed by the Company at a redemption amount equal to the principal amount of the outstanding Convertible Bonds.

Redemption upon events of default:

Upon the occurrence of an event of default as described below and at any time thereafter, each of the Bondholders may, unless such event of default has been waived in writing by it, by notice in writing ("**Default Redemption Notice**") requires the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds at the redemption amount provided in the instrument constituting the Convertible Bonds whereupon such sum shall become due and payable in the manner provided in the instrument constituting the Convertible Bonds on the CB Business Day falling after the expiry of ten (10) days from the date of such Default Redemption Notice.

Voting rights:

The Convertible Bonds shall not confer on the Bondholder(s) the right to vote at any general meetings of the Company.

Listing:

No application has been or will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Transferability:

Subject to compliance with the Listing Rules, the Convertible Bonds may be transferred in whole or in part, in integral multiples of HK$1,000,000 (or such lesser amount as may represent the entire outstanding principal amount thereof), by a Bondholder to any person, save and except that the Convertible Bonds shall not be transferred to a connected person of the Company without the prior written consent of the Company. The Bondholder shall promptly notify the Company of any such transfer.

A transfer shall be effected by delivery of a certificate issued in the name of the Bondholder issued in respect of that Convertible Bond, with an instrument of transfer duly completed and signed by both the transferor and the transferee. No transfer of title to any Convertible Bond shall be effective unless and until such transfer is entered in the register of Bondholders.

Events of default: If, among others, any of the following events occurs, the holders of the Convertible Bonds may give notice to the Company that the Convertible Bonds are due and payable at their principal amount:

(1) **Default:** a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the instrument constituting the Convertible Bond or in the Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal and premium (if any) in respect of any of the Convertible Bonds) and such default continues for the period of 14 days following the service by any Bondholder on the Company of notice specifying details of such default and requiring such default to be remedied; or

(2) **Breach of Subscription Agreement:** a material breach of any of the terms of the relevant Subscription Agreement, including a breach of any warranty therein which is not discovered until after the issue and delivery of the Convertible Bonds; or

(3) **Dissolution of the Company and disposals:** a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an ordinary resolution of Bondholder(s); or

(4) **Encumbrances:** an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company; or

(5) **Insolvency or insolvency proceedings:** the Company becoming insolvent, or the Company having initiated or consented to, or the Company having received service of any applicable winding-up, composition or insolvency law or scheme of arrangement while insolvent and such proceedings not being discharged or stayed within a period of 120 days; or

(6) **Distress etc.:** a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the assets or undertaking or property of the Company and is not discharged within seven days thereof; or

(7) **Moratorium and expropriation:** a moratorium is agreed or declared in respect of any indebtedness of the Company or any governmental authority or agency seizes, compulsorily purchases, expropriates or nationalizes all or a substantial part of the assets of the Company; or

(8) **Trading suspension and delisting:** trading of the Shares are suspended by the Stock Exchange for a period of 180 consecutive trading days or listing of the Shares on the Stock Exchange are being revoked or withdrawn; or

(9) **Insufficient share capital:** save and except where otherwise provided, if there is not a sufficient number of Shares available for the fulfilment of the obligations regarding the conversion of the Convertible Bonds.

Undertakings by the Company: The Company has covenanted to the Bondholders, among other things, that so long as any Convertible Bond remains outstanding:

(1) **Notice of events of default:** it will notify the Bondholder(s) in writing immediately upon becoming aware of the occurrence of any event of default;

(2) **Convertible Bonds held by Company etc.:** it will send to the Bondholder(s) as soon as reasonably practicable and in any event within five (5) days after being so requested in writing by any Bondholder(s) a certificate of the Company signed by any two of its directors on behalf of the Company setting out, based on the register of Bondholders maintained by or on behalf of the Company, the total number of Convertible Bonds which, at the date of such certificate, were held by or on behalf of the Company or its subsidiaries and which had not been cancelled;

(3) **Compliance:** it will comply with and perform and observe all the provisions of the instrument constituting the Convertible Bonds which are expressed to be binding on it;

(4) **Conversion Rights:** upon the exercise of any Conversion Rights pursuant to the conditions set out in the instrument constituting the Convertible Bond, it will allot the number of Shares in respect of which Conversion Rights are exercised subject to and in accordance with such conditions;

(5) **Ranking:** it will ensure that all Shares allotted pursuant to an exercise of the Conversion Rights shall rank pari passu in all respects with the fully paid Shares in issue on the relevant registration date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares after the relevant registration date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant registration date and notice of the amount and record date for which shall have been given to the Stock Exchange, and the Bondholder(s) prior to the relevant registration date and, for this purpose, the notice to the Bondholder(s) may take the form of sending a copy of the relevant announcement published on the website of the Stock Exchange to them; and

(6) **Public float:** it shall at all times use its reasonable endeavours to ensure that the minimum public shareholding requirement of the Listing Rules is complied with, including suspending Conversion Rights of the relevant Subscribers until such time when the Company is able to issue Shares in satisfaction of the Conversion Rights and at the same time comply with the Public Float Requirement and without triggering a mandatory general offer under the Takeovers Code (as the case may be).

Reasons for the issue of the Convertible Bonds and use of proceeds

As disclosed in the annual report of the Company for the year ended 31 March 2026, the Group is actively scaling up manufacturing investments in Suzhou, the PRC and Malaysia. As a result of its intended expansion, the Group expects to utilise approximately 25% of the net proceeds from the issue of the Convertible Bonds, or approximately HK$90.0 million, to fund these initiatives, including capital expenditure for increasing production capacity of the Group by developing three new manufacturing lines and upgrading manufacturing facilities through, among others, purchasing stamping machines and robot arms, in Suzhou, the PRC and Malaysia or other Southeast Asian region(s) for the purposes of manufacturing switch enclosures to be utilised for data centre customers. It is expected that, following the addition of the three new manufacturing lines and the upgrades to manufacturing facilities, the Group's overall production capacity would increase by approximately 55%, where the production capacity in Suzhou, the PRC and Malaysia would increase by approximately 60% and 45% respectively. The manufacturing investments in Malaysia or other Southeast Asian region(s) provide flexibility to existing customers with supply chain solutions located outside the PRC, including the two largest customers of the Group which accounted for over 80% of the Group's revenue for the year ended 31 March 2026 ("**FY2026**"), and allow the Group to capitalise on the opportunity to actively explore more new customers. The Group expects to utilise the net proceeds from the issue of the Convertible Bonds for such business expansion within 18 months from the issuance of the Convertible Bonds.

As the Group's business scales, sales are expected to increase, which in turn will require the Company to commit more capital to building up inventory and providing longer credit periods to customers in order to meet rising customer demand. To fund this growth, approximately 50% of the net proceeds from the issue of the Convertible Bonds, or approximately HK$180.0 million, is expected to be utilised for general working capital purposes. Specifically, the majority of the intended general working capital will be utilised to purchase raw materials and inventory for stockpiling, ensuring the Company can fulfil larger order volumes without disruption. Given the Company's cash conversion period (calculated by inventory turnover days plus trade receivables turnover days less trade payable turnover days) was 102 days, 92 days and 94 days for the three years ended 31 March 2026, respectively, a relatively larger portion of general working capital is required to bridge this gap. In addition, the Group's net working capital (calculated by trade receivables plus inventory minus trade payables) was approximately HK$160.6 million, HK$212.2 million and HK$316.6 million for the three years ended 31 March 2026, respectively. The increase in the Group's net working capital from the year ended 31 March 2024 ("**FY2024**") to FY2026 was over HK$150 million, whereas the increase in the Group's net working capital from the year ended 31 March 2025 to FY2026 was over HK$100 million. It indicates that the Group had required a significantly increasing amount of net working capital to support its growth since FY2024. This requirement is further reinforced by the continuing decline in the Group's cash-to-revenue ratio (calculated by the aggregate of cash and cash equivalents plus time deposit divided by revenue) being approximately 27.0%, 20.1% and 11.4% for the three years ended 31 March 2026, respectively, which underscores the need for an injection in general working capital to fund the intended business expansion. The remaining portion of the intended general working capital will be utilised for employing additional staff to support the expanded scale of operations and covering other indirect operating expenses, including rental and renovation which are necessary to accommodate the Group's business growth. Taking into account the substantial additional working capital requirements arising from the Group's planned business expansion, the Directors consider that the Group's cash and cash equivalents of HK$119.0 million as at 31 March 2026 would be insufficient to meet the capital needs of the Company in the near future. Hence, the Company considers the allocation of net proceeds from the issue of the Convertible Bonds for general working capital purposes, is fair and reasonable. The Group expects to utilise the net proceeds from the issue of the Convertible Bonds for general working capital of approximately HK$180.0 million within 24 months from the issuance of the Convertible Bonds, which is determined based on the utilisation rate of the Group's net working capital from FY2024 to FY2026 (i.e. an increase of over HK$150 million within 24 months), and having considered that more working capital is required to fund the aforementioned growth.

The Group also expects to utilise approximately 25% of the net proceeds from the issue of the Convertible Bonds, or approximately HK$90.0 million, for repayment of bank loans, including all bank borrowings as at 30 September 2026 in the amount of RMB80.0 million (equivalent to approximately HK$92.8 million) . Such repayment of bank loans are expected to be utilised within 12 months from the issuance of the Convertible Bonds.

Having considered other fund raising alternatives for the Group, such as bank loans and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Directors considered that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Group since it will not have an immediate dilution effect on the shareholding of the existing Shareholders and if the Conversion Right is exercised, the shareholder base of the Company will be broadened.

The gross proceeds from the issue of the Convertible Bonds will be HK$360,000,000. The net proceeds from the issue of the Convertible Bonds will be approximately HK$358.5 million, and the net price for each Conversion Share is approximately HK$1.99.

As the Sale and Purchase Agreement is conditional upon, among other things, completion of the Luxshare Subscription Agreement, KIG Real Estate has a material interest in the Luxshare Subscription Agreement. Accordingly, Mr. Peter Sun, being the holder of approximately 56.43% of the issued share capital of KIG Real Estate has abstained from voting on the relevant board resolutions approving the Luxshare Subscription Agreement and the transactions contemplated thereunder in view of his interests therein. In addition, as the terms of the Other Subscription Agreements are substantially similar to that of the Luxshare Subscription Agreement and were negotiated in conjunction with the Luxshare Subscription Agreement, as a matter of prudence, Mr. Peter Sun also abstained from voting on the relevant board resolutions approving the Other Subscription Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the Directors were required to abstain from voting on the board resolutions approving the Subscription Agreements and the transactions contemplated thereunder.

The Board (including the independent non-executive Directors after having been advised by the Independent Financial Adviser) considers that the terms and conditions of the Subscription Agreements, including the Conversion Price which were arrived at after arm's length negotiation between the Company and each of the Subscribers, are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole, as it allows the Company to enjoy more financial flexibility whilst attaining its business expansion goals, which would ultimately maximise its returns to the Shareholders.

Fund-raising activities in the past 12-month period

The Company had not conducted any fund-raising activities in the past 12 months immediately preceding the Latest Practicable Date.

Specific Mandates to issue the Conversion Shares

Each of the Subscription Agreements and the transactions contemplated thereunder, including the issue and allotment of the Conversion Shares under the Specific Mandates, are subject to Shareholders' approval (or in the case of the Luxshare Subscription Agreement, the Independent Shareholders' approval) at the EGM.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Effect of issue of the Conversion Shares in full on shareholding structure of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon CB Completion and issue of the Conversion Shares in full:

	As at the Latest Practicable Date		**Immediately upon CB Completion and issue of the Conversion Shares in full** [3]	
	Number of Shares	*Approximate shareholding %*	*Number of Shares*	*Approximate shareholding %*
KIG Real Estate[1]	449,999,012	75.00	449,999,012	57.69
Luxshare Hong Kong[2]	–	–	126,000,000	16.15
Public Shareholders				
Subscriber A[4]	–	–	9,000,000	1.15
Subscriber B[4]	–	–	9,000,000	1.15
Subscriber C[4]	–	–	9,000,000	1.15
Subscriber D[4]	–	–	9,000,000	1.15
Subscriber E[4]	–	–	18,000,000	2.31
Other public Shareholders	150,000,988	25.00	150,000,988	19.23
Total	600,000,000	100.00	780,000,000	100.00

Notes:

1. As at the Latest Practicable Date, KIG Real Estate was beneficially owned by Mr. Peter Sun, Mr. Wong Chi Kwok, Mr. Yung Ching Tak, Mr. Suen Fai Chuen Alan, Mrs. Chow Suen Christina and Sunny Nova Limited (which was beneficially wholly-owned by Mr. He Lin) as to approximately 56.43%, 13.16%, 9.65%, 5.16%, 0.53% and 15.07%, respectively.

2. As at the Latest Practicable Date, Luxshare Hong Kong is a wholly-owned subsidiary of Luxshare Precision, a company with its A shares listed on the Shenzhen Stock Exchange (stock code: 002475) and its H shares listed on the Main Board of the Stock Exchange (stock code: 2475).

3. The hypothetical issue of the Conversion Shares in full shall be subject to compliance with the Listing Rules.

4. Each of Subscriber A, Subscriber B, Subscriber C, Subscriber D and Subscriber E will be considered a member of the public in accordance with Rule 8.24 of the Listing Rules.

5. The percentages are subject to rounding adjustments and may not add up to 100%.

Implications under the Listing Rules

As the Sale and Purchase Agreement is conditional upon, among other things, completion of the Luxshare Subscription Agreement, KIG Real Estate, being the controlling shareholder of the Company as at the Latest Practicable Date, has a material interest in the Luxshare Subscription Agreement. Further, notwithstanding that Luxshare Hong Kong is an Independent Third Party as at the Latest Practicable Date, upon SPA Completion, Luxshare Hong Kong will become a controlling shareholder of the Company holding 342,000,000 Shares (representing 57.0% of the total issued share capital of the Company as at the Latest Practicable Date). Accordingly, Luxshare Hong Kong will be a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the issue of the Convertible Bonds to Luxshare Hong Kong constitutes a connected transaction for the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wan Kam To, Mr. Chan Ming Sun Jonathan and Ms. Cheng Yuan Ting Cana, has been established to advise the Independent Shareholders in respect of the Luxshare Subscription Agreement and the transactions contemplated thereunder. A letter from the Independent Board Committee is set out on pages 32 to 33 of this circular.

Quam Capital Limited has been appointed as the Independent Financial Adviser by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Luxshare Subscription Agreement and the transactions contemplated thereunder. A letter from the Independent Financial Adviser is set out on pages 34 to 68 of this circular.

III. INFORMATION ON THE PARTIES

Information of the Group

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

Information of Luxshare Hong Kong

Luxshare Hong Kong is a company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date, it is a wholly-owned subsidiary of Luxshare Precision, a joint stock company with limited liability established in the PRC with its A shares listed on the Shenzhen Stock Exchange (stock code: 002475) and its H shares listed on the Main Board of the Stock Exchange (stock code: 2475). Luxshare Hong Kong is an investment holding and trading company of Luxshare Precision and its subsidiaries and takes business orders for Luxshare Precision and its subsidiaries. Luxshare Precision is principally engaged in the research, development, manufacturing and sales of products in the fields of consumer electronics, auto electronics, communication and data center, and other end markets. Luxshare Precision is controlled as to approximately 35.28% by Luxshare Limited. Luxshare Hong Kong, Luxshare Precision and Luxshare Limited are ultimately controlled by Ms. Wang Laichun and Mr. Wang Laisheng.

Ms. Wang Laichun is currently the sole director of Luxshare Hong Kong. Ms. Wang Laichun is also chairlady, executive director and general manager of Luxshare Precision. Mr. Wang Laisheng is the vice chairman and executive director of Luxshare Precision. As at the Latest Practicable Date, Ms. Wang Laichun and Mr. Wang Laisheng are each interested in 50% of the share capital of Luxshare Limited which is in turn directly interested in approximately 35.28% of the registered capital of Luxshare Precision. Mr. Wang Laisheng is also directly interested in approximately 0.26% of the registered capital of Luxshare Precision.

Luxshare Hong Kong is an Independent Third Party as at the date of the Luxshare Subscription Agreement and prior to SPA Completion. Subsequent to SPA Completion, Luxshare Hong Kong would become the controlling shareholder of the Company.

Information of the Subscribers

Subscriber A is an investment holding company incorporated in Samoa with limited liability, which is wholly-owned by Mr. Chen Lu. As far as the Board is aware, Mr. Chen Lu has extensive experience in technology development particularly for the high-speed gear manufacturing. As at the Latest Practicable Date, Mr. Chen Lu is the sole director of Subscriber A.

Subscriber B is an investment holding company incorporated in Samoa with limited liability, which is wholly-owned by Mr. Yuan Lingzhi. As far as the Board is aware, Mr. Yuan Lingzhi has extensive experience in sales and marketing and substantial management experience in packaging industry. As at the Latest Practicable Date, Mr. Yuan Lingzhi is the sole director of Subscriber B.

Subscriber C is an investment holding company incorporated in Samoa with limited liability, which is wholly-owned by Ms. Wang Chu-Chen. As far as the Board is aware, Ms. Wang Chu-Chen has extensive experience in the manufacturing sector, particularly in automation-related businesses. As at the Latest Practicable Date, Ms. Wang Chu-Chen is the sole director of Subscriber C.

Subscriber D is an investment holding company incorporated in Hong Kong with limited liability, which is wholly-owned by Ms. Wang Hongyu. As far as the Board is aware, Ms. Wang Hongyu has extensive management experience in the network solutions. As at the Latest Practicable Date, Ms. Wang Hongyu is the sole director of Subscriber D.

Subscriber E is an investment holding company incorporated in Samoa with limited liability, which is wholly-owned by Ms. Yao Lianfang. As far as the Board is aware, Ms. Yao Lianfang is a merchant with investment experience in manufacturing businesses. As at the Latest Practicable Date, Ms. Yao Lianfang is the sole director of Subscriber E.

The subscribers of the Other Subscription Agreements and their ultimate beneficial owners are engaged in businesses that are not related to the principal business activities of the Group. In view of the substantial capital required to expand the Group's production bases in the PRC, Malaysia or other Southeast Asian region(s), Luxshare Hong Kong introduced Subscribers A to E to participate in the Subscription. This allows the Company to fulfill its expansion funding requirements while reducing reliance on a single investor. The Directors consider the participation of Subscribers A to E, in addition to Luxshare Hong Kong, in the Subscription to be in the interest of the Group, as it diversifies the Shareholder base, strengthens its capital structure, and provides a broader foundation to support its long-term financing needs and future development.

As of the date of the Subscription Agreements and the Latest Practicable Date, there are no relationships (whether business, financial or personal) among the Subscribers or the beneficial owners of the Subscribers.

IV. EGM

In order to ascertain the right to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 16 November 2026 to Thursday, 19 November 2026 (both days inclusive) during which period no transfer of Shares will be registered.

Shareholders are reminded that in order to be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 13 November 2026.

A notice convening the EGM to be held at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Thursday, 19 November 2026 at 10:30 a.m. is set out on pages EGM-1 to EGM-6 of this circular. At the EGM, ordinary resolutions will be proposed for the Shareholders (or in the case of the Luxshare Subscription Agreement, the Independent Shareholders) to consider and, if thought fit, to approve the Subscription Agreements and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares and the grant of the Specific Mandates, by way of poll.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (no later than 10:30 a.m. on Tuesday, 17 November 2026 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such case, the form of proxy previously submitted shall be deemed to be revoked.

Where a "black" rainstorm warning is in force or a tropical cyclone warning signal number 8 or above is hoisted or remains hoisted or "extreme conditions" caused by super typhoons is in force at 8:00 a.m. on 19 November 2026, the EGM to be held at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong, on 19 November 2026 at 10:30 a.m. will be postponed. The Company will post an announcement on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.kingdom.com.hk) to notify Shareholders of the date, time and place of the rescheduled meeting. The EGM will be held as scheduled when an amber or red rainstorm warning signal is in force. Having considered their own situations, Shareholders should decide on their own whether they would attend the EGM under any bad weather condition and if they do so, they are advised to exercise care and caution.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

In the case of an equality of votes on a poll, the chairman of the meeting shall, subject to the Company's articles of association, be entitled to casting vote in addition to any other vote he may have.

As the Sale and Purchase Agreement is conditional upon, among other things, completion of the Luxshare Subscription Agreement, KIG Real Estate has a material interest in the Luxshare Subscription Agreement. Accordingly, KIG Real Estate and its respective associates are required to abstain from voting at the EGM on the resolutions approving the same. In addition, as the terms of the Other Subscription Agreements are substantially similar to that of the Luxshare Subscription Agreement and were negotiated in conjunction with the Luxshare Subscription Agreement, as a matter of prudence, KIG Real Estate and its respective associates will also abstain from voting at the EGM on the resolutions approving the same.

Save for the aforementioned, after making all reasonable enquiries, no other Shareholder has a material interest in the Subscription Agreements, and is required to abstain from voting on the resolutions approving each of the Subscription Agreements and the transactions contemplated thereunder to be proposed at the EGM.

V. RECOMMENDATION

The Directors (including all the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee) consider that the terms of the Subscription Agreements and the transactions contemplated thereunder, which were arrived at after arm's length negotiations between the Company and each of the Subscribers, are fair and reasonable, are on normal commercial terms and although the entering into of the Subscription Agreements were not made in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole, as it allows the Company to enjoy more financial flexibility whilst attaining its business expansion goals, which would ultimately maximise its returns to the Shareholders.

Accordingly, the Directors (including all the independent non-executive Directors) recommend the Shareholders (or in the case of the Luxshare Subscription Agreement, the Independent Shareholders) to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreements and the transactions contemplated thereunder.

VI. FURTHER INFORMATION

Your attention is also drawn to the (i) letter from the Independent Board Committee; (ii) letter from the Independent Financial Adviser; and (iii) additional information set out in the appendix to this circular.

VII. WARNING

AS THE SUBSCRIPTIONS ARE SUBJECT TO THE FULFILMENT OR WAIVER (IF APPLICABLE) OF CERTAIN CONDITIONS PRECEDENT, THE SUBSCRIPTIONS MAY OR MAY NOT PROCEED.

SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. IF SHAREHOLDERS AND POTENTIAL INVESTORS ARE IN ANY DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

Yours faithfully,
By order of the Board
KFM KINGDOM HOLDINGS LIMITED
Sun Kwok Wah Peter
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Luxshare Subscription Agreement:

KFM KINGDOM HOLDINGS LIMITED

KFM 金德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3816)

4 November 2026

To the Independent Shareholders

Dear Sirs or Madams,

CONNECTED TRANSACTION – LUXSHARE SUBSCRIPTION AGREEMENT

We refer to the circular dated 4 November 2026 (the "**Circular**") to the Shareholders of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Luxshare Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons that the Independent Financial Adviser has taken into consideration in giving such advice are set out in the "Letter from the Independent Financial Adviser" in the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendix thereto.

Having taken into account the (i) terms of the Luxshare Subscription Agreement and the transactions contemplated thereunder; and (ii) the factors referred to in the "Letter from the Independent Financial Adviser" in the Circular, we are of the opinion that despite the entering into of the Luxshare Subscription Agreement was not in the ordinary and usual course of business of the Group, the terms of the Luxshare Subscription Agreement and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Luxshare Subscription Agreement and the transactions contemplated thereunder.

We also draw the attention of the Independent Shareholders to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information set out in the appendix to the Circular.

Yours faithfully,
For and on behalf of
The Independent Board Committee

Mr. Wan Kam To	**Mr. Chan Ming Sun Jonathan**	**Ms. Cheng Yuan Ting Cana**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from Quam Capital Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

華富建業企業融資
QUAM CAPITAL

4 November 2026

To: The Independent Board Committee and
the Independent Shareholders of
KFM Kingdom Holdings Limited

Dear Sirs and Madams,

PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATES (INCLUDING CONNECTED TRANSACTION – LUXSHARE SUBSCRIPTION AGREEMENT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Luxshare Subscription Agreement and the issue of the Convertible Bonds under the Specific Mandate, details of which are set out in the Letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 4 November 2026 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 13 September 2026 (the "**Agreement Date**"), the Company entered into the Subscription Agreements with each of the Subscribers (i.e. Luxshare Hong Kong, Subscriber A, Subscriber B, Subscriber C, Subscriber D and Subscriber E) pursuant to which the Company has conditionally agreed to issue, and the Subscribers have, in aggregate, conditionally agreed to subscribe for, the Convertible Bonds in an aggregate principal amount of HK$360,000,000, convertible into Shares at the initial Conversion Price of HK$2.00 per Conversion Share.

LISTING RULES IMPLICATIONS

As the Sale and Purchase Agreement is conditional upon, among other things, completion of the Luxshare Subscription Agreement, KIG Real Estate, being the controlling shareholder of the Company as at the Latest Practicable Date, has a material interest in the Luxshare Subscription Agreement. Further, notwithstanding that Luxshare Hong Kong is an Independent Third Party as at the Latest Practicable Date, upon SPA Completion, Luxshare Hong Kong will become a controlling shareholder of the Company holding 342,000,000 Shares (representing 57.0% of the total issued share capital of the Company as at the Latest Practicable Date). Accordingly, Luxshare Hong Kong will be a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the issue of the Convertible Bonds to Luxshare Hong Kong constitutes a connected transaction for the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wan Kam To, Mr. Chan Ming Sun Jonathan and Ms. Cheng Yuan Ting Cana, has been established to advise the Independent Shareholders as to whether the terms of the Luxshare Subscription Agreement and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms; (iii) in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the ordinary resolution to be proposed at the EGM to approve the Luxshare Subscription Agreement and the transactions contemplated thereunder, after taking into account the recommendation of the Independent Financial Adviser.

INDEPENDENCE

We, Quam Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Luxshare Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are (i) fair and reasonable; (ii) on normal commercial terms (iii) in the interest of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolutions relating thereto to be proposed at the EGM.

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Luxshare Subscription. As at the Latest Practicable Date, we were not aware of any relationships with, or interests in, any of the counterparties of the Company, nor had we undertaken any engagements with any such counterparties during the two years preceding the Latest Practicable Date. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Subscription, and accordingly, are eligible to give independent advice and recommendations on the terms of the Luxshare Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate). Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company. We have assumed that all information and representations that have been provided by the Company, for which it is solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Company's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscription and the grant of the Specific Mandate.

Our review and analyses were based upon, among others, (i) the information provided by the Group including the Circular, the Subscription Agreements and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 March 2026 (the "**Annual Report 2025/26**") and the annual report of the Company for the year ended 31 March 2025 (the "**Annual Report 2024/25**"); (ii) our discussions with the Directors and the management of the Group (the "**Management**") with respect to the terms of and the reasons for entering into of the Subscriptions (including the Luxshare Subscription), the businesses and future outlook of the Group; and (iii) other information as set out in the Circular. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses or affairs and future prospects of the Group and the Subscriber nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

(I) Background and financial performance of the Group

(i) Background of the Group

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

(ii) Financial performance of the Group

Set out below is the financial information of the Group for each of the financial years ended 31 March 2025 and 31 March 2026 ("**FY2024/25**" and "**FY2025/26**", respectively) as extracted from the Annual Report 2024/25 and the Annual Report 2025/26:

Table 1: Consolidated financial performance of the Group

	FY2025/26	**FY2024/25**
	HK$'000	*HK$'000*
Revenue	**1,040,983**	**757,546**
Cost of sales	(818,957)	(620,267)
Gross profit	**222,026**	**137,279**
Other (losses)/gains, net	(3,677)	11,308
Distribution and selling expenses	(8,235)	(7,106)
General and administrative expenses	(113,259)	(98,639)
Finance income	2,859	3,716
Finance costs	(3,475)	(2,122)
Profit before tax	**96,239**	**44,436**
Income tax expenses	(12,609)	(6,439)
Profit for the year	**83,630**	**37,997**

As set out in the above Table 1, revenue of the Group for FY2025/26 was approximately HK$1.04 billion, representing an increase of approximately 37.4% as compared with that of approximately HK$757.5 million for FY2024/25. According to the Annual Report 2025/26, the increase in revenue for FY2025/26 was mainly attributable to the increase in revenue derived from customers engaged in the network and data storage industry driven by the strong demand arising from the development of the artificial intelligence industry. Such increase was partially offset by the decrease in revenue derived from the office automation industry and the consumer electronics industry. The Group's gross profit increased by approximately 61.7% from approximately HK$137.3 million for FY2024/25 to approximately HK$222.0 million for FY2025/26, while its gross profit margin improved from approximately 18.1% to approximately 21.3%. Despite the increases in distribution and selling expenses and general and administrative expenses, the Group's profit before tax increased by approximately 116.6% from approximately HK$44.4 million for FY2024/25 to approximately HK$96.2 million for FY2025/26. Accordingly, profit for the year increased by approximately 120.1% from approximately HK$38.0 million to approximately HK$83.6 million. Such improvement in profitability was mainly attributable to the increases in revenue and gross profit, partially offset by higher operating expenses and the change from net other gains of approximately HK$11.3 million for FY2024/25 to net other losses of approximately HK$3.7 million for FY2025/26.

Table 2: Consolidated financial position of the Group

	As at 31 March 2026	As at 31 March 2025
	HK$'000	*HK$'000*
Non-current assets	**380,598**	**333,923**
– Property, plant and equipment	261,187	242,775
– Right-of-use assets	111,462	89,168
– Prepayments and deposits	7,949	1,980
Current assets	**650,521**	**508,428**
– Inventories	190,861	146,061
– Trade receivables	317,260	180,153
– Prepayments, deposits and other receivables	23,432	29,710
– Time deposits with maturity over three months	–	43,000
– Cash and cash equivalents	118,968	109,504
Total assets	**1,031,119**	**842,351**
Equity attributable to owners of the Company	**615,135**	**554,384**
Non-controlling interests	**69,679**	**69,265**
Total equity	**684,814**	**623,649**
Non-current liabilities	**21,993**	**7,385**
– Lease liabilities	18,084	5,292
– Deferred income tax liabilities	3,909	2,093
Current liabilities	**324,312**	**211,317**
– Trade and other payables	236,704	128,235
– Lease liabilities	17,837	5,705
– Bank borrowings	67,800	75,600
– Income tax liabilities	1,971	1,777
Total liabilities	**346,305**	**218,702**
Net current assets	**326,209**	**297,111**
Total assets less current liabilities	**706,807**	**631,034**

As set out in Table 2, current assets of the Group increased from approximately HK$508.4 million as at 31 March 2025 to approximately HK$650.5 million as at 31 March 2026, while current liabilities of the Group increased from approximately HK$211.3 million to approximately HK$324.3 million during the same period. The increase in current assets was mainly attributable to the increase in trade receivables from approximately HK$180.2 million to approximately HK$317.3 million and inventories from approximately HK$146.1 million to approximately HK$190.9 million, as a result of the revenue growth of the Group, partially offset by the decrease in time deposits with maturity over three months from approximately HK$43.0 million to nil. The increase in current liabilities was mainly attributable to the increase in trade and other payables from approximately HK$128.2 million to approximately HK$236.7 million and current lease liabilities from approximately HK$5.7 million to approximately HK$17.8 million, partially offset by the decrease in bank borrowings from approximately HK$75.6 million to approximately HK$67.8 million.

Non-current assets of the Group increased from approximately HK$333.9 million as at 31 March 2025 to approximately HK$380.6 million as at 31 March 2026, while non-current liabilities of the Group increased from approximately HK$7.4 million to approximately HK$22.0 million. The increase in non-current assets was mainly attributable to the increase in property, plant and equipment from approximately HK$242.8 million to approximately HK$261.2 million and right-of-use assets from approximately HK$89.2 million to approximately HK$111.5 million. According to the Annual Report 2025/26, the Group acquired plant and machinery of approximately HK$40.2 million during FY2025/26 and recorded additions to right-of-use assets of approximately HK$33.2 million arising from new leases of factory and warehouses. The increase in non-current liabilities was mainly attributable to the increase in non-current lease liabilities from approximately HK$5.3 million to approximately HK$18.1 million, which was consistent with the Group's additional leasing arrangements during FY2025/26.

According to the Annual Report 2025/26, the Group generally financed its operations primarily with internally generated cash flows and bank borrowings. Total debts of the Group, which comprised bank borrowings, decreased from approximately HK$75.6 million as at 31 March 2025 to approximately HK$67.8 million as at 31 March 2026. As at 31 March 2026, all of the Group's bank borrowings were denominated in Renminbi. As at 31 March 2025 and 31 March 2026, the gearing ratios of the Group, calculated based on total debts divided by shareholders' equity, were approximately 12.1% and 9.9%, respectively. The decrease in the gearing ratio was mainly attributable to the abovementioned decrease in total debts, together with the increase in shareholders' equity from approximately HK$623.6 million to approximately HK$684.8 million during the same period. During FY2025/26, the Group acquired plant and machinery of approximately HK$40.2 million, as compared with approximately HK$9.0 million in FY2024/25. Such capital expenditure was financed through cash flows generated from operating activities, finance leases and bank borrowings. Despite the higher capital expenditure, the Group's bank borrowings decreased during FY2025/26. The Group's finance costs increased from approximately HK$2.1 million in FY2024/25 to approximately HK$3.5 million in FY2025/26, mainly due to the increase in the average balances of lease liabilities.

(iii) Outlook and prospect of the Group

As disclosed in the Annual Report 2025/26, it is expected that the global economy may become unpredictable and a potential global high inflation may occur. However, for the purpose of capturing the recent strong development in artificial intelligence in the world, the Group plans to further expand and increase the investment in its production line in Suzhou, the PRC, and its overseas production base in Malaysia. In order to cope with these challenges, the Group will also put more efforts in maintaining good relationships with existing customers of the Group. The Group has also been striving to attract more new customers to broaden its customer base. 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 its customers, shareholders and investors.

(II) Reasons for and benefits of the Subscription and the issue of the Convertible Bonds and use of proceeds

Having considered other fund raising alternatives for the Group, such as bank loans and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Directors considered that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Group since it will not have an immediate dilution effect on the shareholding of the existing Shareholders and if the Conversion Right is exercised, the shareholder base of the Company will be broaden.

The gross proceeds from the issue of the Convertible Bonds will be HK$360,000,000. The net proceeds from the issue of the Convertible Bonds will be approximately HK$358.5 million, and the net price for each Conversion Share is approximately HK$1.99.

As disclosed in the Annual Report 2025/26, the Group is actively scaling up manufacturing investments in Suzhou, the PRC and Malaysia. As a result of its intended expansion, the Group expects to utilise approximately 25% of the net proceeds from the issue of the Convertible Bonds, or approximately HK$90.0 million, to fund these initiatives, including capital expenditure for increasing production capacity of the Group by developing three new manufacturing lines and upgrading manufacturing facilities through, among others, purchasing stamping machines and robot arms, in Suzhou, the PRC and Malaysia or other Southeast Asian region(s) for the purposes of manufacturing switch enclosures to be utilised for data centre customers. The manufacturing investments in Malaysia or other Southeast Asian region(s) provide flexibility to existing customers with supply chain solutions locating outside of the PRC, and allow the Group to capitalise on the opportunity to actively explore more new customers. The Group expects to utilise the net proceeds from the issue of the Convertible Bonds for such business expansion within 18 months from the issuance of the Convertible Bonds.

As the Group's business scales, sales are expected to increase, which in turn will require the Company to commit more capital to building up inventory and providing longer credit periods to customers in order to meet rising customer demand. To fund this growth, approximately 50% of the net proceeds from the issue of the Convertible Bonds, or approximately HK$180.0 million, is expected to be utilised for general working capital purposes. Specifically, the majority of the intended general working capital will be utilised to purchase raw materials and inventory for stockpiling, ensuring the Company can fulfil larger order volumes without disruption. Given the Company's cash conversion period (calculated by inventory turnover days plus trade receivables turnover days less trade payable turnover days) was 102 days, 92 days and 94 days for the three years ended 31 March 2026, respectively, a relatively larger portion of general working capital is required to bridge this gap. In addition, the Group's net working capital (calculated by trade receivables plus inventory minus trade payables) was approximately HK$160.6 million, HK$212.2 million and HK$316.6 million for the three years ended 31 March 2026, respectively. The increase in the Group's net working capital from the year ended 31 March 2024 ("**FY2024**") to the year ended 31 March 2026 ("**FY2026**") was over HK$150 million, whereas the increase in the Group's net working capital from the year ended 31 March 2025 to FY2026 was over HK$100 million. It indicates that the Group had required a significantly increasing amount of net working capital to support its growth since FY2024. This requirement is further reinforced by the continuing decline in the Group's cash-to-revenue ratio (calculated by the aggregate of cash and cash equivalents plus time deposit divided by revenue) being approximately 27.0%, 20.1% and 11.4% for the three years ended 31 March 2026, respectively, which underscores the need for an injection in general working capital to fund the intended business expansion.

The remaining portion of the intended general working capital will be utilised for employing additional staff to support the expanded scale of operations and covering other indirect operating expenses, including rental and renovation which are necessary to accommodate the Group's business growth. The Group expects to utilise the net proceeds from the issue of the Convertible Bonds for general working capital within 24 months from the issuance of the Convertible Bonds.

The Group also expects to utilise approximately 25% of the net proceeds from the issue of the Convertible Bonds, or approximately HK$90.0 million, for repayment of bank loans, including all bank borrowings as at 30 September 2026 in the amount of approximately RMB80.0 million (equivalent to approximately HK$92.8) million. Such repayment of bank loans are expected to be utilised within 12 months from the issuance of the Convertible Bonds.

In assessing the reasons for the Subscription and the intended use of proceeds from the issuance of the Convertible Bonds, we have reviewed the Group's business plan, capital expenditure schedule and implementation timetable in respect of the proposed development of its three new manufacturing lines and upgrading of its existing manufacturing facilities. We have also discussed with the management of the Company the proposed locations, implementation milestones, expected increase in production capacity and the basis of the estimated capital expenditure. According to the Group's plan, the Group plans to spend approximately HK$78.0 million and HK$15.6 million on capital expenditure in relation to the three new manufacturing lines as well as upgrading its existing facilities, to cope with the expected increasing demand for the Group's products. We consider that the proposed allocation of approximately HK$90.0 million towards the manufacturing expansion is reasonable.

We have also reviewed the financial information of the Group. We noted that the Group's business had been growing in the past two financial years. The Group's revenue increased from approximately HK$589.9 million for the year ended 31 March 2024 to approximately HK$1,041.0 million for the year ended 31 March 2026, representing a CAGR of approximately 32.8%. The Group's net working capital increased from approximately HK$160.6 million as at 31 March 2024 to approximately HK$212.2 million as at 31 March 2025 and further to approximately HK$316.6 million as at 31 March 2026, representing a CAGR of approximately 40.4%. However, its cash level (defined as the aggregate of cash and cash equivalent and time deposit), dropped from approximately HK$152.5 million as at 31 March 2025 to HK$119.0 million as at 31 March 2026. The cash-to-revenue ratio (which is the aggregate of cash and cash equivalents plus time deposit divided by revenue) had decreased from 20.1% for the year ended 31 March 2025 to 11.4% for the year ended 31 March 2026. We have also reviewed the financial forecast of the Group for the two years ending 31 March 2028. We understand that based on the current keen demand for the Group's products and the expected growth of the Group's business, and given the time gap between its collection of trade receivables and the payment for its trade payables, the additional working capital would help the Group to cope with the increasing business activity and also to provide a buffer ensuring stable and smooth operation. We have also reviewed the Group's expansion plan, which requires additional staff and other operating expenses to support the expected expansion of business. Based on the above review, we consider that the proposed allocation of approximately HK$180.0 million towards general working capital is reasonable.

As for the repayment of bank loans, we have reviewed the Group's loan documents. We understand that the Group's existing bank loans of approximately RMB80 million in aggregate bore an average interest rate of approximately 2.25% per annum. By repaying such bank loans, the Group theoretically would have saved approximately RMB1.8 million in interest expense on an annual basis. We therefore consider the proposed allocation of approximately HK$90 million towards repayment of bank loans is reasonable.

Other financing alternatives

The Board has considered other fund-raising alternatives to the proposed issue of the Convertible Bonds, including bank borrowings and equity financing. In assessing the suitability of such alternatives, we have considered, among other things, the Group's existing capital structure, financing arrangements, liquidity position and future capital requirements as disclosed in the Annual Report 2025/26.

Debt financing According to the Annual Report 2025/26, the Group generally financed its operations primarily by internally generated cash flows and bank borrowings. As at 31 March 2026, the Group had bank borrowings of approximately HK$67.8 million, all of which were unsecured, denominated in Renminbi and repayable within one year. Such borrowings were subject to floating interest rates calculated with reference to the Loan Prime Rate of the PRC, with effective interest rates ranging from approximately 2.20% to 2.50% for FY2025/26. The Group's gearing ratio, calculated based on total debts divided by shareholders' equity, decreased from approximately 12.1% as at 31 March 2025 to approximately 9.9% as at 31 March 2026. We understand from the Company that further bank financing would be available to the Group, however, further reliance on bank borrowings for a material fund raising would increase the Group's indebtedness and interest expenses, and also expose the Group to additional interest rate and refinancing risks, particularly given that Group's bank borrowings usually has maturity of no more than one year which usually carry floating interest rates. The Group's finance costs had already increased from approximately HK$2.1 million in FY2024/25 to approximately HK$3.5 million in FY2025/26, although such increase was mainly attributable to the higher average balance of lease liabilities rather than bank borrowings. We have also noted that the Group's capital expenditure increased substantially from approximately HK$9.0 million in FY2024/25 to approximately HK$40.2 million in FY2025/26, and the Group had capital commitments of approximately HK$17.6 million in respect of plant and machinery as at 31 March 2026. The Group further stated that it intended to expand and increase its investment in its production line in Suzhou, the PRC and its overseas production base in Malaysia. Against such background, maintaining flexibility in the Group's funding structure and avoiding excessive reliance on short-term bank financing would, in our view, be commercially reasonable. Accordingly, while bank financing remains a viable funding alternative for the Group, additional bank borrowings would increase the Group's contractual repayment obligations and exposure to floating interest rates. In comparison, the Convertible Bonds have a longer maturity, would provide the Company with additional funding without requiring further utilisation of bank facilities and, to the extent that the Convertible Bonds are subsequently converted into Shares, would allow the relevant indebtedness to be converted into equity rather than being settled entirely by cash repayment. The Convertible Bonds also do not bear any interest therefore the Group will save the interest expense and avoid the potential risks in interest rate fluctuation when compared with the conventional debt financing method.

Equity financing With respect to equity financing alternatives, including placing of new Shares, rights issue and open offer, such financing would have the advantage of raising funds without creating additional interest-bearing indebtedness or repayment obligations. However, a placing of new Shares would result in an immediate dilution of the shareholding interests of the existing Shareholders upon completion and the amount of funds that could be raised would be dependent on, among other things, prevailing market conditions, investor demand and the issue price achievable at the relevant time. A rights issue or open offer would enable existing Shareholders to participate in the fund raising in proportion to their respective shareholdings, but would generally involve additional documentation, regulatory and administrative procedures and would be dependent on the level of subscription by the Shareholders. Accordingly, the timing and certainty of the proceeds to be raised may differ from those under a subscription of Convertible Bonds by identified subscribers. In comparison, the issue of the Convertible Bonds enables the Company to obtain funding upon completion of the Subscription without causing an immediate dilution to the shareholding interests of the existing Shareholders. Dilution would arise only upon and to the extent of conversion of the Convertible Bonds into Shares. In the event of conversion, the Company's equity base would correspondingly increase, and the relevant principal amount of the Convertible Bonds would cease to constitute indebtedness of the Group. We nevertheless note that, prior to conversion, the Convertible Bonds would remain liabilities of the Company and would give rise to repayment obligations in accordance with their terms. Therefore, the Convertible Bonds are not without financing costs or dilution risk.

Having considered the above, in particular (i) the Group had been enjoying a healthy growth of business recently and that it is normal and reasonable for the Group to prepare additional working capital to cope with the expected increase in business in the future; (ii) the Group's continuing capital expenditure and investment requirements in the pursuit of its business expansion overseas; (iii) the fact that further bank borrowings, while available as a financing alternative, would increase the Group's interest expenses, indebtedness, short-term repayment obligations and exposure to any interest rates increase risks while the Convertible Bonds have a longer maturity and do not charge any interest on the Company and therefore eliminate any interest rate risk exposure; and (iv) the immediate dilution associated with direct equity financing, we consider that the issue of the Convertible Bonds represents a reasonable means for the Company to raise additional funding while maintaining a degree of flexibility between debt and equity financing.

Fund raising activities of the Company in the past 12 months

The Company had not conducted any fund-raising activities in the past 12 months immediately preceding the Latest Practicable Date.

(III) Principal terms of the Subscription Agreements and the Convertible Bonds

The Subscription Agreements

On 13 September 2026, the Company entered into the Subscription Agreements with each of the Subscribers (i.e. Luxshare Hong Kong, Subscriber A, Subscriber B, Subscriber C, Subscriber D and Subscriber E) pursuant to which the Company has conditionally agreed to issue, and each of the Subscribers has, in aggregate, conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK$360,000,000.

The principal terms of the Convertible Bonds to be issued under the Subscription Agreement are set out as follows:

Issuer	:	The Company	
Principal amount	:	Luxshare Subscription Agreement	HK$252,000,000
		Subscription Agreement A	HK$18,000,000
		Subscription Agreement B	HK$18,000,000
		Subscription Agreement C	HK$18,000,000
		Subscription Agreement D	HK$18,000,000
		Subscription Agreement E	HK$36,000,000
Issue price	:	100% of the principal amount of the Convertible Bonds	
Interest rate	:	Nil	
Maturity date	:	The date falling three years after the CB Issue Date or, if that is not a CB Business Day, the first CB Business Day thereafter	
Status	:	The Convertible Bonds will rank pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company.	
Conversion Rights	:	Subject as provided in the terms of the Convertible Bonds, the Convertible Bonds are convertible in whole or in part into new Shares any time from the CB Issue Date up to 4:00 p.m. on the Maturity Date, at the Conversion Price, subject to adjustment in accordance with the terms of the Convertible Bonds. Any conversion shall be made in amounts of not less than a whole multiple of HK$1,000,000 and no fraction of a Share shall be issued on conversion.	

If the issue of Conversion Shares following the exercise by a Bondholder of the Conversion Rights relating to any of the Convertible Bonds held by such Bondholder would result in:

(a) a mandatory general offer being triggered under the Takeovers Code; or

(b) the Company not meeting the Public Float Requirement immediately after the conversion,

then the number of Conversion Shares to be issued pursuant to such conversion shall be limited to the maximum number of Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement or mandatory general offer being triggered under the Takeovers Code (as the case may be) and the balance of the Conversion Rights which the Bondholder sought to convert shall be suspended until such time when the Company is able to issue additional Shares in satisfaction of the exercise of the said balance of Conversion Rights and at the same time comply with the Public Float Requirement or without triggering a mandatory general offer under the Takeovers Code (as the case may be).

Conversion period : The Convertible Bonds are convertible in whole or in part into new Shares any time from the CB Issue Date up to 4:00 p.m. on the Maturity Date.

Conversion price : The Conversion Price per Share shall be HK$2.00 subject to adjustment provisions as summarised below.

Adjustments to the Conversion Price : The Conversion Price shall be subject to adjustment upon the occurrence of the following events:

(a) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the revised nominal amount and dividing the result by the former nominal amount. Such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

(b) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation. Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

(c) If and whenever the Company shall make any capital distribution to Shareholders (whether on a reduction of capital or otherwise) or shall grant to Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries, subject to certain exclusions, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such distribution or grant by the following fraction:

$$\frac{(A - B)}{A}$$

where:

A is the closing price per Share on the Stock Exchange on the business day immediately preceding the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) immediately preceding the date of the capital distribution or, as the case may be, of the grant; and

B is the fair market value on the date of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by the Approved Professional Adviser, of the portion of the capital distribution or of such rights which is attributable to one Share.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the capital distribution or grant.

(d) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price per new Share which is less than 80 per cent. of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{(A + B)}{C}$$

where:

A is the number of Shares in issue immediately before the date of such announcement;

B is the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants being offered or granted and of the amount payable for the total number of new Shares being offered for subscription or comprised therein would purchase at such market price; and

C is the number of Shares in issue on the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant.

(e) (i) If and whenever the Company or any other company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares and the total Effective Consideration per Share initially receivable for such securities is less than 80 per cent. of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{(A + B)}{C}$$

where:

A is the number of Shares in issue immediately before the date of the issue of such securities;

B is the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price; and

C is the number of Shares in issue immediately before the date of the issue of such securities plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or Conversion Price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the business day immediately after the date of the announcement of the terms of such securities is announced.

(ii) If and whenever the rights of conversion or exchange or subscription attached to any such securities as mentioned in sub-paragraph (i) above are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80 per cent. of the price which is the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at the market price at the date of the announcement of such proposal and of which the denominator is the number of Shares in issue immediately before the date of such modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by, such securities at the modified conversion or exchange rate or Conversion Price. Such adjustment shall become effective as at the date upon which such modification shall take effect.

(f) If and whenever the Company shall issue wholly for cash any Shares (other than Shares issued to eligible participants, or their personal representatives, pursuant to a share option scheme) at a price per Share which is less than 80 per cent. of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

(g) If and whenever the Company shall purchase any Shares or securities convertible into Shares or any rights to acquire Shares (other than on the Stock Exchange or any other stock exchange recognised for such purpose) and the Directors cancel such Shares, securities convertible into Shares or rights to acquire Shares, the Directors may if they consider it appropriate make an adjustment to the Conversion Price provided that the Directors shall have appointed an Approved Professional Adviser to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Conversion Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if the Approved Professional Adviser shall consider in its opinion that it is appropriate to make an adjustment to the Conversion Price, the Directors shall make an adjustment to the Conversion Price in such manner as the Approved Professional Adviser shall certify to be, in its opinion, appropriate. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding the date on which such purchases by the Company are made.

If any doubt shall arise as to the appropriate adjustment to the Conversion Price a certificate of the Approved Professional Adviser shall be conclusive and binding on all concern save in the case of manifest or proven error.

Conversion Shares to be issued under the Convertible Bonds : The number of Shares to be issued upon conversion of the Convertible Bonds shall be determined by dividing the principal amount of the relevant Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.

Upon exercise of the Conversion Rights in full at the Conversion Price of HK$2.00 per Conversion Share, a total of 180,000,000 Conversion Shares will be issued, representing:

(i) 30% of the issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 23.08% of the issued share capital of the Company as enlarged by the issue of Conversion Shares.

Redemption upon maturity : Any Convertible Bond which remains outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be redeemed by the Company at a redemption amount equal to the principal amount of the outstanding Convertible Bonds.

Redemption upon events of default : Upon the occurrence of an event of default as described below and at any time thereafter, each of the Bondholders may, unless such event of default has been waived in writing by it, by notice in writing ("**Default Redemption Notice**") requires the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds at the redemption amount provided in the instrument constituting the Convertible Bonds whereupon such sum shall become due and payable in the manner provided in the instrument constituting the Convertible Bonds on the CB Business Day falling after the expiry of ten (10) days from the date of such Default Redemption Notice.

Voting rights : The Convertible Bonds shall not confer on the Bondholder(s) the right to vote at any general meetings of the Company.

Listing : No application has been or will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Transferability : Subject to compliance with the Listing Rules, the Convertible Bonds may be transferred in whole or in part, in integral multiples of HK$1,000,000 (or such lesser amount as may represent the entire outstanding principal amount thereof), by a Bondholder to any person, save and except that the Convertible Bonds shall not be transferred to a connected person of the Company without the prior written consent of the Company. The Bondholder shall promptly notify the Company of any such transfer.

A transfer shall be effected by delivery of a certificate issued in the name of the Bondholder issued in respect of that Convertible Bond, with an instrument of transfer duly completed and signed by both the transferor and the transferee. No transfer of title to any Convertible Bond shall be effective unless and until such transfer is entered in the register of Bondholders.

Events of default : If, among others, any of the following events occurs, the holders of the Convertible Bonds may give notice to the Company that the Convertible Bonds are due and payable at their principal amount:

(1) Default: a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the instrument constituting the Convertible Bond or in the Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal and premium (if any) in respect of any of the Convertible Bonds) and such default continues for the period of 14 days following the service by any Bondholder on the Company of notice specifying details of such default and requiring such default to be remedied; or

(2) Breach of Subscription Agreement: a material breach of any of the terms of the relevant Subscription Agreement, including a breach of any warranty therein which is not discovered until after the issue and delivery of the Convertible Bonds; or

(3) Dissolution of the Company and disposals: a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an ordinary resolution of Bondholder(s); or

(4) Encumbrances: an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company; or

(5) Insolvency or insolvency proceedings: the Company becoming insolvent, or the Company having initiated or consented to, or the Company having received service of any applicable winding-up, composition or insolvency law or scheme of arrangement while insolvent and such proceedings not being discharged or stayed within a period of 120 days; or

(6) Distress etc.: a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the assets or undertaking or property of the Company and is not discharged within seven days thereof; or

(7) Moratorium and expropriation: a moratorium is agreed or declared in respect of any indebtedness of the Company or any governmental authority or agency seizes, compulsorily purchases, expropriates or nationalizes all or a substantial part of the assets of the Company; or

(8) Trading suspension and delisting: if trading of the Shares are suspended by the Stock Exchange for a period of 180 consecutive trading days or listing of the Shares on the Stock Exchange are being revoked or withdrawn; or

(9) Insufficient share capital: save and except where otherwise provided, if there is not a sufficient number of Shares available for the fulfilment of the obligations regarding the conversion of the Convertible Bonds.

Undertakings by the Company : The Company has covenanted to the Bondholders, among other things, that so long as any Convertible Bond remains outstanding:

(1) Notice of events of default: it will notify the Bondholder(s) in writing immediately upon becoming aware of the occurrence of any event of default;

(2) Convertible Bonds held by Company etc.: it will send to the Bondholder(s) as soon as reasonably practicable and in any event within five (5) days after being so requested in writing by any Bondholder(s) a certificate of the Company signed by any two of its directors on behalf of the Company setting out, based on the register of Bondholders maintained by or on behalf of the Company, the total number of Convertible Bonds which, at the date of such certificate, were held by or on behalf of the Company or its subsidiaries and which had not been cancelled;

(3) Compliance: it will comply with and perform and observe all the provisions of the instrument constituting the Convertible Bonds which are expressed to be binding on it;

(4) Conversion Rights: upon the exercise of any Conversion Rights pursuant to the conditions set out in the instrument constituting the Convertible Bond, it will allot the number of Shares in respect of which Conversion Rights are exercised subject to and in accordance with such conditions;

(5) Ranking: it will ensure that all Shares allotted pursuant to an exercise of the Conversion Rights shall rank pari passu in all respects with the fully paid Shares in issue on the relevant registration date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares after the relevant registration date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant registration date and notice of the amount and record date for which shall have been given to the Stock Exchange, and the Bondholder(s) prior to the relevant registration date and, for this purpose, the notice to the Bondholder(s) may take the form of sending a copy of the relevant announcement published on the website of the Stock Exchange to them; and

(6) Public float: it shall at all times use its reasonable endeavours to ensure that the minimum public shareholding requirement of the Listing Rules is complied with, including suspending Conversion Rights of the relevant Subscribers until such time when the Company is able to issue Shares in satisfaction of the Conversion Rights and at the same time comply with the Public Float Requirement and without triggering a mandatory general offer under the Takeovers Code (as the case may be).

(IV) Our assessment on the Conversion Price

In assessing the fairness and reasonableness of the Conversion Price, we have primarily taken into account (i) the financial position of the Group, which has been discussed in the section headed "(I) Background and financial performance of the Group" above in this letter; (ii) the historical Share price performance; (iii) market comparable analysis; and (iv) the market comparables in respect of recent issuance of convertible bonds/notes.

The Conversion Price of HK$2.00 per Conversion Share represents:

(i) a discount of approximately 52.0% to the closing price of HK$4.165 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 55.9% to the closing price of HK$4.540 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 51.1% to the average of the closing prices of HK$4.089 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding up to and including the Last Trading Day;

(iv) a discount of approximately 44.4% to the average closing price of approximately HK$3.598 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

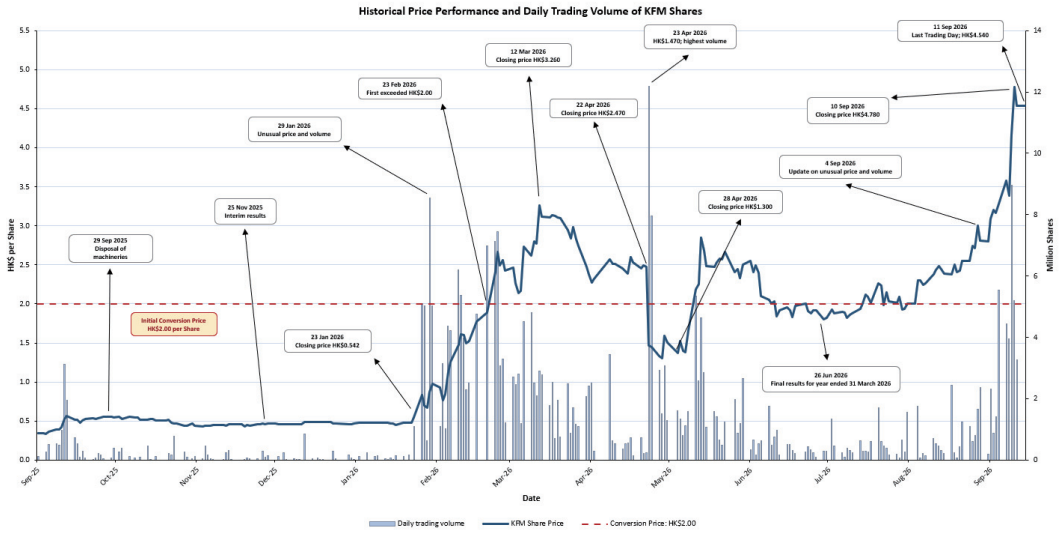
(v) a discount of approximately 0.3% to the average closing price of approximately HK$2.006 per Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day;

(vi) a premium of approximately 75.3% over the Company's consolidated net asset value per Share of approximately HK$1.141 as at 31 March 2026, calculated with reference to the Company's audited net asset value of approximately HK$684.8 million as at 31 March 2026 and 600,000,000 Shares in issue as at the date of the joint announcement; and

(vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 12.9%, represented by the theoretical diluted price (as defined under Rule 7.27B of the Listing Rules) of approximately HK$3.954 per Share, to the benchmarked price of HK$4.540 per Share as defined under Rule 7.27B of the Listing Rules.

(i) Review on the historical closing price of the Shares

We have reviewed the chart illustrates the historical daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 11 September 2025 (being approximately one year prior to the Last Trading Day) up to and including the Last Trading Day (the "**Review Period**"). We consider that the Review Period is adequate as it represents a reasonable period to reflect a general overview of the recent price movement of the Shares. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



From the beginning of the Review Period to late January 2026, the closing price of the Shares remained relatively stable between approximately HK$0.34 and HK$0.57 and substantially below the Conversion Price of HK$2.00. The announcement of disposal of machineries dated 29 September 2025 and the interim results announcement dated 25 November 2025 did not appear to have a material or sustained impact on the Share price.

The closing price increased significantly from HK$0.542 on 23 January 2026 to HK$0.976 on 29 January 2026. On 29 January 2026, following unusual movements in the Share price and trading volume, the Company announced that KIG Real Estate had been approached by several parties to explore the possibility of different ways of cooperation, including, among others, potential transaction involving the securities of the Company. The closing price continued to increase thereafter, first exceeding the Conversion Price on 23 February 2026 and reaching then-highest price of HK$3.260 on 12 March 2026. The timing of the increase in Share price and trading volume seems to suggest that the market may have responded to the possibility of such potential transaction, although no terms had then been determined.

The closing price subsequently declined by approximately 60.1% from HK$3.260 on 12 March 2026 to HK$1.300 on 28 April 2026. In particular, it fell from HK$2.470 on 22 April 2026 to HK$1.470 on 23 April 2026, accompanied by the highest daily trading volume during the Review Period. From May to July 2026, the closing price generally fluctuated between HK$1.80 and HK$2.85.

The Share price had a sudden surge from August 2026. Following the Company's further unusual price and volume announcement on 4 September 2026, which stated that KIG Real Estate continued to explore possible cooperation with several parties, the closing price increased from HK$3.280 on that date to HK$4.780 on 10 September 2026, before closing at HK$4.540 on the Last Trading Day. Trading was halted on 14 September 2026 pending the publication of an announcement in relation to inside information of the Company.

Although the Conversion Price represents a discount of approximately 55.9% to the closing price on the Last Trading Day, the latter followed substantial short-term appreciation during a period when the market was aware of a potential transaction involving the Company's securities. The recent prices may therefore have reflected market anticipation or speculation and may not be representative of the longer-term trading level of the Shares. Based on the historical prices from 1 September 2025 up to and including the Last Trading Day, the average closing price was approximately HK$1.559 per Share, to which the initial Conversion Price represents a premium of approximately 28.3%. The Conversion Price also represents a discount of approximately 0.3% to the 180-day average closing price of the Shares up to and including the Last Trading Day of approximately HK$2.006 per Share.

Having considered the historical trading range and volatility of the Shares, the periods during which the Shares traded below the initial Conversion Price, the increase in Share price and trading volume after the announcement dated 29 January 2026 and the sharp increase immediately preceding the trading halt and the premium over the average closing price during the Review Period, we consider the Conversion Price is fair and reasonable compared with the recent trading trend of the Share.

(ii) Market comparable analysis

To further assess the fairness and reasonableness of the Conversion Price, we have also considered the valuation of the Company implied by the Conversion Price compared with the prevailing valuations of other companies in the similar industries and engaged in similar business which are of similar scale. In terms of valuation parameters, we conducted analysis on the (i) price-to-earnings ratio (the "**P/E Ratio(s)**"); and (ii) price-to-book ratio (the "**P/B Ratio(s)**").

Specifically, we have compared the Company's P/E Ratio and P/B Ratio with those of listed companies on the Stock Exchange engaged in broadly comparable manufacturing activities and whose market capitalisations did not exceed HK$5.0 billion. (the "**Comparable(s)**"). We have set out below the criteria for the purpose of identifying the Comparables:

(i) a company whose shares are similarly listed on the Main Board of the Stock Exchange;

(ii) a company which is principally engaged in manufacturing businesses, including but not limited to the manufacture and sale of metal components, plastic components, precision parts, moulds, plastic injection products, electronic manufacturing services, machinery and other related industrial products; and

(iii) a company whose market capitalisation as at the Latest Practicable Date was up to HK$5.0 billion.

Based on the above criteria, we have identified an exhaustive list of ten Comparables as set out below.

Stock code	**Company name**	**Principal business**	**Market capitalization** *(HK$ million)*	**Net asset value ("NAV")** *(HK$ million)*	**P/E Ratio** *(times)*	**P/B Ratio** *(times)*
0838	EVA Precision Industrial Holdings Limited	Metal/plastic products and electronic manufacturing services	1,142.7	3,334.8	4.67	0.34
0929	IPE Group Limited	High-precision metal components	499.8	1,896.7	4.88	0.26
2283	TK Group (Holdings) Limited	Moulds and plastic injection	1,170.4	1,805.0	5.37	0.65

Stock code	Company name	Principal business	Market capitalization *(HK$ million)*	Net asset value ("NAV") *(HK$ million)*	P/E Ratio *(times)*	P/B Ratio *(times)*
0822	Ka Shui International Holdings Limited	Metal alloy and plastic products and components	259.2	1,169.4	N/A	0.22
1050	Karrie International Holdings Limited	Metal/plastic enclosures, components and EMS	3,496.4	1,461.9	12.94	2.39
0096	Yusei Holdings Limited	Precision plastic injection moulds and components	318.3	1,044.4	3.13	0.30
0675	K&P International Holdings Limited	Precision parts and components	97.5	240.3	N/A	0.41
1002	V.S. International Group Limited	Plastic moulded products, electronic assembly and mould fabrication	128.0	71.1	324.05	1.80
0118	Cosmos Machinery Enterprises Limited	Manufacturing of machinery	134.6	1,248.8	10.05	0.11

Stock code	Company name	Principal business	Market capitalization *(HK$ million)*	Net asset value ("NAV") *(HK$ million)*	P/E Ratio *(times)*	P/B Ratio *(times)*
0099	Wong's International Holdings Limited	Electronic manufacturing services, including manufacture and distribution of electronic products	598.1	3,391.2	N/A	0.18
	Maximum				**324.05**	**2.39**
	Minimum				**3.13**	**0.11**
	Median				**5.37**	**0.32**
	Average				**52.16**	**0.67**
	Adjusted maximum				**12.94**	**2.39**
	Adjusted minimum				**3.13**	**0.11**
	Adjusted median				**5.13**	**0.32**
	Adjusted average				**6.84**	**0.67**
3816	**The Company**	**Metal stamping products**	**1,200.0**	**615.1**	**14.70**	**1.95**

Source: Publicly available information and the latest published financial information of the Comparables.

Notes:

1. Market capitalisation is calculated based on the closing share price multiplied by the total number of shares in issue as at the Latest Practicable Date.

2. Where applicable, the net asset value attributable to owners or shareholders of the Comparables is extracted from their respective latest published annual or interim results announcement or report prior to the Latest Practicable Date.

3. The P/E Ratio of the Comparables is calculated based on their respective market capitalisation as described in note 1 above, divided by their respective profit attributable to owners or shareholders for the latest completed financial year published prior to the Latest Practicable Date. "N/A" denotes that the relevant Comparable was loss-making and therefore did not have a meaningful P/E Ratio.

4. The P/B Ratio of the Comparables is calculated based on their respective market capitalisation as described in note 1 above, divided by their respective net asset value as described in note 2 above.

5. The implied market capitalisation of the Company is calculated based on the Conversion Price of HK$2.00 per Conversion Share and 600,000,000 issued Shares as at the Latest Practicable Date. The implied P/E Ratio and implied P/B Ratio of the Company are calculated based on such implied market capitalisation, divided by the Group's profit attributable to owners for FY2025/26 and net asset value attributable to owners as at 31 March 2026, respectively.

6. The P/E Ratio of V.S. International Group Limited is retained for completeness but excluded from the adjusted P/E Ratio statistics as it is substantially higher than those of the other profitable Comparables.

As shown above, after excluding the P/E Ratio of V.S. International Group Limited of approximately 324.05 times as an outlier, the P/E Ratios of the profitable Comparables ranged from approximately 3.13 times to approximately 12.94 times, with an average of approximately 6.84 times and a median of approximately 5.13 times. The Company's implied market capitalization of HK$1.2 billion, calculated based on the Conversion Price of HK$2.00 per Share and 600,000,000 Shares in issue as at the Latest Practicable Date, represents a P/E Ratio of approximately 14.70 times that is above the adjusted range and is 114.9% and 186.5% above the adjusted average and median respectively. The P/B Ratios of the Comparables ranged from approximately 0.11 times to approximately 2.39 times, with an average of approximately 0.67 times and a median of approximately 0.32 times. The Company's implied market capitalization represents a P/B Ratio of approximately 1.95 times that falls at the high end of the range and is 191.0% and 509.4% above the average and median respectively.

Based on the above analysis, we consider that the initial Conversion Price is fair and reasonable from the perspective of the market comparable analysis and is on normal commercial terms.

(iii) Comparison with recent issues of convertible bonds/notes

To further assess the fairness and reasonableness of the principal terms of the Convertible Bonds, including the initial Conversion Price, we have reviewed issues or placings of convertible bonds or notes announced by companies listed on the Stock Exchange during the one-year period from 14 September 2025 to 13 September 2026.

In identifying comparable issues, we selected transactions which: (i) involved the issue or placing of convertible bonds or notes by companies listed on the Stock Exchange under a specific mandate; (ii) were announced during the one-year period from 14 September 2025 to 13 September 2026; (iii) had an initial maturity period of at least one year and were not perpetual instruments; and (iv) did not involve convertible bonds or notes issued primarily for the capitalization or restructuring of existing indebtedness of the relevant issuer.

Based on the above criteria, we identified an exhaustive list of twelve Comparable Issues as set out below. Although the principal businesses, market capitalisations, financial positions and prospects of the issuers of the Comparable Issues may differ from those of the Group, the Comparable Issues were announced during the same one-year review period that involved convertible bonds or notes issued under specific mandates. We therefore consider that the Comparable Issues provide a general reference to recent market practice in respect of conversion-price setting, coupon rates and potential dilution effects, rather than a direct valuation of the Company.

Company name (stock code)	Announcement / agreement date	Interest rate per annum	Conversion price premium/ (discount) to closing price	Conversion price premium/ (discount) to five-day average	Conversion price premium/ (discount) to NAV per Share	Conversion shares / existing shares	Dilution to existing shareholders
Value Convergence Holdings Limited (821)	10 July 2026	Nil	(19.30%)	(22.82%)	(76.17%)	48.51%	32.66%
AOM International Group Limited (381)	26 June 2026	Nil	56.86%	56.25%	(17.67%)	52.83%	34.57%
Man Sang International Limited (938)	25 March 2026	2.00%	14.30%	(2.40%)	N/A	229.55%	69.66%
China Water Industry Group Limited (1129)	16 February 2026	Nil	(31.56%)	Nil	(82.50%)	142.90%	58.83%
SEM Holdings Limited (9929)	3 December 2025	Nil	16.67%	20.00%	2.80%	20.00%	16.67%
Hope Life International Holdings Limited (1683)	1 December 2025	Nil	100.00%	87.42%	0.72%	7.85%	7.28%
International Entertainment Corporation (1009)	17 November 2025	3.00%	(16.67%)	(17.36%)	78.57%	116.86%	53.89%
Sunshine Oilsands Ltd. (2012)	16 November 2025	8.00%	12.54%	Nil	23.96%	110.49%	52.49%

Company name (stock code)	Announcement / agreement date	Interest rate per annum	Conversion price premium/ (discount) to closing price	Conversion price premium/ (discount) to five-day average	Conversion price premium/ (discount) to NAV per Share	Conversion shares / existing shares	Dilution to existing shareholders
Zoomlion Heavy Industry Science and Technology Co., Ltd. (1157)	30 October 2025	0.70%	18.58%	20.00%	34.98%	7.78%	7.22%
DTXS Silk Road Investment Holdings Company Limited (620)	17 October 2025	3.85%	5.56%	6.03%	(25.48%)	42.45%	29.80%
Karrie International Holdings Limited (1050)	13 October 2025	2.00%	(7.26%)	(15.57%)	330.71%	3.23%	3.13%
Eminence Enterprise Limited (616)	10 October 2025	5.00%	4.32%	(16.34%)	(93.90%)	156.60%	61.00%
Maximum		**8.00%**	**100.00%**	**87.42%**	**330.71%**	**229.55%**	**69.66%**
Minimum		**Nil**	**(31.56%)**	**(22.82%)**	**(93.90%)**	**3.23%**	**3.13%**
Average		**2.05%**	**12.01%**	**8.42%**	**16.00%**	**78.25%**	**35.60%**
Median		**1.35%**	**6.18%**	**Nil**	**0.72%**	**50.67%**	**33.62%**
The Company	**13 September 2026**	**Nil**	**(55.9%)**	**(51.1%)**	**75.30%**	**30.00%**	**23.08%**

Notes:

1. A figure in brackets denotes a discount.

2. The Comparable Issues were announced during the one-year period immediately preceding the date of the Subscription Agreements, being the period from 14 September 2025 to 13 September 2026.

3. "Nil" in the relevant column denotes an interest rate of 0.00% and is treated as zero for the calculation of the maximum, minimum, average and median.

4. The maximum, minimum, average and median are calculated using the available numerical values shown in the relevant column. "N/A" is excluded from such calculations.

5. The initial Conversion Price of HK$2.00 per Conversion Share represents a discount of approximately 55.9% to the closing price of HK$4.540 per Share on the Last Trading Day and a discount of approximately 51.1% to the average closing price of approximately HK$4.089 per Share for the five consecutive trading days up to and including the Last Trading Day.

6. "N/A" denotes that the comparison is not meaningful because the relevant issuer recorded consolidated net liabilities.

As shown in the table above, the conversion prices of the Comparable Issues ranged from a discount of approximately 31.6% to a premium of approximately 100.0% relative to their respective closing prices on the relevant last trading day, and from a discount of approximately 22.8% to a premium of approximately 87.4% relative to their respective five-day average closing prices. The respective discounts of approximately 55.9% and 51.1% to the closing Share price on the Last Trading Day and the five-day average closing Share price up to and including the Last Trading Day represented by the Conversion Price are therefore deeper than the respective ranges of the Comparable Issues. We consider that the above comparison should not be viewed in isolation. As discussed in the section headed "Review of the historical closing price and trading volume of the Shares", the Share price increased substantially immediately before the trading halt during a period when the market was aware that a potential transaction involving the Company's securities was being explored. The closing price on the Last Trading Day and the five-day average closing price may therefore not, on their own, represent the longer-term trading level of the Shares.

Instead, as mentioned above, we also note that the Conversion Price represents a premium of approximately 28.3% over the average closing price of approximately HK$1.559 per Share during the Review Period and a premium of approximately 75.3% over the audited consolidated net asset value per Share of approximately HK$1.141 as at 31 March 2026. The Conversion Price is also equal to the consideration of HK$2.00 per Sale Share and the Offer Price of HK$2.00 per Offer Share. Accordingly, the recent closing prices immediately before the trading halt may not, on their own, provide a representative basis for assessing the initial Conversion Price.

The conversion prices of the Comparable Issues ranged from a discount of approximately 93.9% to a premium of approximately 330.7% to their respective net asset values per share, with an average premium of approximately 16.0% and a median premium of approximately 0.7%. The premium of approximately 75.3% represented by the Conversion Price over the consolidated net asset value per Share therefore falls within the high end of the range of the Comparable Issues and is above both the average and median. We note that the NAV comparison for Man Sang International Limited is not meaningful as it recorded consolidated net liabilities at the relevant reporting date.

In summary, although the discounts to the closing price on the Last Trading Day and the five-day average closing price of the Shares up to and including the Last Trading Day as represented by the Conversion Price are deeper than the range of the Comparable Issues, having considered (a) the Share price experienced a sharp increase before the Last Trading Day when the market was aware of a potential transaction; (b) the Conversion Price represents a premium of approximately 28.3% over the average closing price of approximately HK$1.559 per Share during the Review Period; (c) the Conversion Price represents a premium of approximately 75.3% over the audited consolidated net asset value per Share of approximately HK$1.141 as at 31 March 2026; and (d) the implied P/E Ratio and P/B Ratio represented by the Conversion Price is above the adjusted range of P/E Ratio and falls at the high end of the range of the P/B Ratio of the Comparables respectively (as detailed in the sub-section headed "(ii) Market comparable analysis" above), we therefore consider that the Conversion Price is fair and reasonable as far as the Company and the Shareholders as a whole are concerned.

The coupon rates of the Comparable Issues ranged from nil to 8.0% per annum, with an average of approximately 2.05% per annum and a median of approximately 1.35% per annum. The Convertible Bonds bear no interest and therefore fall at the lowest end of the observed range, allowing the Group to obtain approximately HK$358.5 million in estimated net proceeds without periodic interest payments during the three-year term. Accordingly, we consider that the nil coupon rate of the Convertible Bonds is in the interest of the Company and the Shareholders as a whole.

Based on the above, we consider that the principal terms of the Convertible Bonds are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Shareholding structure and possible dilution effect of the subscription of the Convertible Bonds

As at the Latest Practicable Date, the total number of the issued Shares is 600,000,000. The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon CB Completion and issue of Conversion Shares in full:

	As at the Latest Practicable Date		**Immediately upon CB Completion and issue of the Conversion Shares in full**	
	Number of Shares	**Approximate shareholding**	**Number of Shares**	**Approximate shareholding**
KIG Real Estate	449,999,012	75.00%	449,999,012	57.69%
Luxshare Hong Kong	–	–	126,000,000	16.15%
Public Shareholders				
Subscriber A	–	–	9,000,000	1.15%
Subscriber B	–	–	9,000,000	1.15%
Subscriber C	–	–	9,000,000	1.15%
Subscriber D	–	–	9,000,000	1.15%
Subscriber E	–	–	18,000,000	2.31%
Other public Shareholders	150,000,988	25.00%	150,000,988	19.23%
Total	**600,000,000**	**100.00%**	**780,000,000**	**100.00%**

Upon full conversion of the Convertible Bonds at the initial Conversion Price, 180,000,000 Conversion Shares will be issued, representing approximately 30.00% of the 600,000,000 Shares in issue as at the Latest Practicable Date and approximately 23.08% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Assuming no other change in the issued share capital of the Company, the aggregate proportionate shareholding interests of the existing Shareholders will therefore be diluted from 100.0% to approximately 76.9% upon full conversion of the Convertible Bonds.

We acknowledge that such potential dilution is, in itself, a disadvantage to the existing Shareholders. However, the dilution will arise only upon and to the extent that the Conversion Rights are exercised. The terms of the Convertible Bonds also restrict conversion where the issue of Conversion Shares would trigger a mandatory general offer under the Takeovers Code or cause the Company to fail to comply with the Public Float Requirement. Accordingly, the actual dilution at any particular time may be lower than the maximum dilution illustrated above.

RECOMMENDATIONS

We have considered the above principal factors and reasons and, in particular having taken into account the following in arriving at our opinion:

(i) The subscription of the Convertible Bonds is appropriate fund raising method currently available to the Group due to the reasons set forth under the section headed "Reasons for and benefits of the Subscription";

(ii) The terms and conditions of the Luxshare Subscription Agreement are fair and reasonable and in the interest of the Company and Shareholders as a whole;

(iii) The potential dilution effect on the shareholding of the Independent Shareholders arising from the subscription of the Convertible Bonds is acceptable;

we are of the view that in respect of the subscription of the Convertible Bonds, though they are not conducted in the ordinary and usual course of business of the Group, the terms of Luxshare Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Luxshare Subscription Agreement, and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Steven Chiu
Managing Director

Mr. Steven Chiu is the Managing Director of Quam Capital Limited and is licensed under the SFO as a Responsible Officer to carry out Type 6 (advising on corporate finance) regulated activity. Mr. Steven Chiu has over 25 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, Directors or chief executive of the Company who had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules were as follows:

Long positions in Shares and underlying Shares

Name of Director	Capacity	Number of Shares held[(1)]	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Mr. Peter Sun[(2)]	Interest in controlled corporation	449,999,012(L)	75.00%

Notes:

1. The letter "L" denotes a person's or a corporation's long position in the Shares.

2. These shares were held by KIG Real Estate. As at the Latest Practicable Date, Mr. Peter Sun beneficially owned approximately 56.43% of the entire issued share capital of KIG Real Estate. Therefore, Mr. Peter Sun is deemed or taken to be interested in all the Shares held or interested by KIG Real Estate for the purposes of the SFO.

Long positions in shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares interested or held	Approximate percentage of interest in the issued shares as at the Latest Practicable Date
Mr. Peter Sun	KIG Real Estate	Beneficial owner	6,256	56.43%

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, substantial Shareholders and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in Shares and underlying Shares

Name of person	Capacity	Number of Shares held[(1)]	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Luxshare Hong Kong[(2)]	Beneficial owner	342,000,000(L)	57.00%
Luxshare Precision[(2)]	Interest in controlled corporation	342,000,000(L)	57.00%
Luxshare Limited[(2)]	Interest in controlled corporation	342,000,000(L)	57.00%
Ms. Wang Laichun[(2)]	Interest in controlled corporation	342,000,000(L)	57.00%
Mr. Wang Laisheng[(2)]	Interest in controlled corporation	342,000,000(L)	57.00%
KIG Real Estate[(3)]	Beneficial owner	449,999,012(L)	75.00%
Kwok Wing Yi[(3)]	Interest of spouse	449,999,012(L)	75.00%

Notes:

1. The letter "L" denotes a person's or a corporation's long position in the Shares.

2. Pursuant to the Sale and Purchase Agreement, KIG Real Estate conditionally agreed to sell, and Luxshare Hong Kong conditionally agreed to purchase, 342,000,000 Shares. Accordingly, Luxshare Hong Kong became interested in such Shares which it had the right to take the same. As at the Latest Practicable Date, Luxshare Hong Kong is a wholly-owned subsidiary of Luxshare Precision. Luxshare Precision is controlled as to approximately 35.28% by Luxshare Limited. Ms. Wang Laichun and Mr. Wang Laisheng are each interested in 50% of the share capital of Luxshare Limited. Therefore, Luxshare Precision, Luxshare Limited, Ms. Wang Laichun and Mr. Wang Laisheng are deemed to be interested in the Shares held by Luxshare Hong Kong under the SFO.

3. These Shares were held by KIG Real Estate, which is owned as to 56.43% by Mr. Peter Sun. Ms. Kwok Wing Yi is the spouse of Mr. Peter Sun. Therefore, Ms. Kwok Wing Yi is deemed to be interested in all the Shares held by Mr. Peter Sun under the SFO.

As at the Latest Practicable Date, none of the Directors was a director or an employee of a company who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company was not notified by any persons (other than Directors or chief executive of the Company as disclosed above) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Peter Sun wholly owned Kingdom BSL Technology Sdn. Bhd, a company incorporated under the laws of Malaysia and is principally engaged in CNC production in Malaysia.

Mr. Peter Sun who is deemed to be interested in any proposed transaction(s) will have his interest fully disclosed and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the articles of association of the Company. Accordingly, the Group is capable of carrying on its business independently of, and at arm's length from, the business of the abovementioned company.

Save as disclosed above, so far as the Directors are aware, none of the Directors or their respective close associates had an interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2026 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with any member of the Group which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACTS, ARRANGEMENTS OR ASSETS

As at the Latest Practicable Date, save for the Sale and Purchase Agreement,

(i) there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group; and

(ii) the Directors had no direct or indirect interest in any assets which had been since 31 March 2026 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

(a) The following sets out the qualification of the expert who has given its opinion or advice or statements as contained in this circular:

Name	Qualification
Quam Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

(b) As at the Latest Practicable Date, Quam Capital Limited had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

(c) As at the Latest Practicable Date, Quam Capital Limited had no direct or indirect interest in any assets which had been since 31 March 2026 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(d) Quam Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name and logo in the form and context in which it appears.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.kingdom.com.hk) and the Stock Exchange (www.hkexnews.hk) from the Latest Practicable Date until 14 days thereafter:

(a) the Subscription Agreements;

(b) the letter from the Board, the text of which is set out on pages 8 to 31 of this circular;

(c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out on pages 34 to 68 of this circular;

(e) the written consent from Quam Capital Limited referred to in paragraph 7 of this appendix; and

(f) this circular.

9. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Kwok For Chi, who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The head office and principal place of business of the Company in Hong Kong is at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

(d) The principal share registrar of the Company is 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.

(e) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong.

(f) The English text of this circular shall prevail over its Chinese text in case of inconsistency.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3816)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of KFM Kingdom Holdings Limited (the "**Company**") will be held at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong, on Thursday, 19 November 2026 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolutions. Capitalised terms contained in the circular dated 4 November 2026 issued by the Company shall have the same meanings when used herein unless otherwise specified.

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the Luxshare Subscription Agreement, a copy of which has been produced to the EGM and marked "A" and initialed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee of the Stock Exchange approving the listing of, and granting permission to deal in, the Conversion Shares, the Directors be and are hereby granted a specific mandate authorising the Directors to exercise all the powers of the Company to allot and issue the Conversion Shares to Luxshare Hong Kong subject to the terms of the Luxshare Subscription Agreement (the "**Luxshare Specific Mandate**"), with the Luxshare Specific Mandate being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

(c) any Director be and is hereby authorised to sign, execute and deliver all such documents, and do all such actions which are in his/her opinion necessary, appropriate, desirable or expedient for and on behalf of the Company for the implementation and giving effect to the Luxshare Subscription Agreement, the issue and allotment of the Conversion Shares and the transactions contemplated thereunder, and to agree to the variation, amendment and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Luxshare Subscription Agreement and are in the best interests of the Company."

2. "**THAT**:

(a) the Subscription Agreement A, a copy of which has been produced to the EGM and marked "B" and initialed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee of the Stock Exchange approving the listing of, and granting permission to deal in, the Conversion Shares, the Directors be and are hereby granted a specific mandate authorising the Directors to exercise all the powers of the Company to allot and issue the Conversion Shares to Subscriber A subject to the terms of the Subscription Agreement A (the "**Subscription Agreement A Specific Mandate**"), with the Subscription Agreement A Specific Mandate being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

(c) any Director be and is hereby authorised to sign, execute and deliver all such documents, and do all such actions which are in his/her opinion necessary, appropriate, desirable or expedient for and on behalf of the Company for the implementation and giving effect to the Subscription Agreement A, the issue and allotment of the Conversion Shares and the transactions contemplated thereunder, and to agree to the variation, amendment and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Subscription Agreement A and are in the best interests of the Company."

3. "**THAT**:

(a) the Subscription Agreement B, a copy of which has been produced to the EGM and marked "C" and initialed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee of the Stock Exchange approving the listing of, and granting permission to deal in, the Conversion Shares, the Directors be and are hereby granted a specific mandate authorising the Directors to exercise all the powers of the Company to allot and issue the Conversion Shares to Subscriber B subject to the terms of the Subscription Agreement B (the "**Subscription Agreement B Specific Mandate**"), with the Subscription Agreement B Specific Mandate being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

(c) any Director be and is hereby authorised to sign, execute and deliver all such documents, and do all such actions which are in his/her opinion necessary, appropriate, desirable or expedient for and on behalf of the Company for the implementation and giving effect to the Subscription Agreement B, the issue and allotment of the Conversion Shares and the transactions contemplated thereunder, and to agree to the variation, amendment and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Subscription Agreement B and are in the best interests of the Company."

4. "**THAT**:

(a) the Subscription Agreement C, a copy of which has been produced to the EGM and marked "D" and initialed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee of the Stock Exchange approving the listing of, and granting permission to deal in, the Conversion Shares, the Directors be and are hereby granted a specific mandate authorising the Directors to exercise all the powers of the Company to allot and issue the Conversion Shares to Subscriber C subject to the terms of the Subscription Agreement C (the "**Subscription Agreement C Specific Mandate**"), with the Subscription Agreement C Specific Mandate being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

(c) any Director be and is hereby authorised to sign, execute and deliver all such documents, and do all such actions which are in his/her opinion necessary, appropriate, desirable or expedient for and on behalf of the Company for the implementation and giving effect to the Subscription Agreement C, the issue and allotment of the Conversion Shares and the transactions contemplated thereunder, and to agree to the variation, amendment and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Subscription Agreement C and are in the best interests of the Company."

5. "**THAT**:

(a) the Subscription Agreement D, a copy of which has been produced to the EGM and marked "E" and initialed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee of the Stock Exchange approving the listing of, and granting permission to deal in, the Conversion Shares, the Directors be and are hereby granted a specific mandate authorising the Directors to exercise all the powers of the Company to allot and issue the Conversion Shares to Subscriber D subject to the terms of the Subscription Agreement D (the "**Subscription Agreement D Specific Mandate**"), with the Subscription Agreement D Specific Mandate being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

(c) any Director be and is hereby authorised to sign, execute and deliver all such documents, and do all such actions which are in his/her opinion necessary, appropriate, desirable or expedient for and on behalf of the Company for the implementation and giving effect to the Subscription Agreement D, the issue and allotment of the Conversion Shares and the transactions contemplated thereunder, and to agree to the variation, amendment and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Subscription Agreement D and are in the best interests of the Company."

6. "**THAT**:

(a) the Subscription Agreement E, a copy of which has been produced to the EGM and marked "F" and initialed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee of the Stock Exchange approving the listing of, and granting permission to deal in, the Conversion Shares, the Directors be and are hereby granted a specific mandate authorising the Directors to exercise all the powers of the Company to allot and issue the Conversion Shares to Subscriber E subject to the terms of the Subscription Agreement E (the "**Subscription Agreement E Specific Mandate**"), with the Subscription Agreement E Specific Mandate being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

(c) any Director be and is hereby authorised to sign, execute and deliver all such documents, and do all such actions which are in his/her opinion necessary, appropriate, desirable or expedient for and on behalf of the Company for the implementation and giving effect to the Subscription Agreement E, the issue and allotment of the Conversion Shares and the transactions contemplated thereunder, and to agree to the variation, amendment and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Subscription Agreement E and are in the best interests of the Company."

Yours faithfully,
By order of the Board
KFM KINGDOM HOLDINGS LIMITED
Sun Kwok Wah Peter
Chairman

Hong Kong, 4 November 2026

Principal place of business in Hong Kong:
Workshop C, 31/F, TML Tower 3
Hoi Shing Road, Tsuen Wan
New Territories, Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the meeting. A proxy need not be a member of the Company but must be present in person to represent him/her/it.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her/its attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

3. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited (the "**Branch Registrar**") at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong no later than 48 hours before the time of meeting (i.e. no later than 10:30 a.m. on Tuesday, 17 November 2026 (Hong Kong time)) or any adjournment.

4. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. In the case of joint registered holders of a share in the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto or if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. For the purpose of ascertaining Shareholders' right to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 16 November 2026 to Thursday, 19 November 2026, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 November 2026.

7. Where a "black" rainstorm warning is in force or a tropical cyclone warning signal number 8 or above is hoisted or remains hoisted or "extreme conditions" caused by super typhoons is in force at 8: 00 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company (www.kingdom.com.hk) and the Stock Exchange (www.hkexnews.hk) to notify the Shareholders of the date, time and place of the rescheduled meeting. The EGM will be held as scheduled when an amber or red rainstorm warning signal is in force. Having considered their own situations, Shareholders should decide on their own whether they would attend the EGM under any bad weather condition and if they do so, they are advised to exercise care and caution.

As at the date of this notice, the board of Directors comprises the executive Directors: Mr. Sun Kwok Wah Peter (Chairman) and Mr. Wong Chi Kwok; and the independent non-executive Directors: Mr. Wan Kam To, Mr. Chan Ming Sun Jonathan and Ms. Cheng Yuan Ting Cana.