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## THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in KFM Kingdom Holdings Limited, you should at once hand this Composite Document together with the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the provisions of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

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**KFM KINGDOM HOLDINGS LIMITED**

**KFM金德控股有限公司**

**KIG Real Estate Holdings Limited**

*(Incorporated in the British Virgin Islands with limited liability)*      *(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3816)**

### COMPOSITE DOCUMENT RELATING TO THE MANDATORY UNCONDITIONAL CASH OFFER BY



### FOR AND ON BEHALF OF KIG REAL ESTATE HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN KFM KINGDOM HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY KIG REAL ESTATE HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

**Financial adviser to the Offeror**



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

**ALTUS CAPITAL LIMITED**

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

A letter from the Board is set out on pages 16 to 21 of this Composite Document. A letter from Head & Shoulders Securities containing, among other things, the details of the terms of the Offer is set out on pages 7 to 15 of this Composite Document. A letter from the Independent Board Committee containing its advice on the Offer to the Offer Shareholders is set out on pages 22 to 23 of this Composite Document. A letter from the Independent Financial Adviser containing its opinion on the Offer and its recommendation to the Independent Board Committee and the Offer Shareholders is set out on pages 24 to 44 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Friday, 1 March 2024 or such later time(s) and/or date(s) as the Offeror may determine and the Offeror and the Company may jointly announce with the permission of the Executive in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" of "Letter from Head & Shoulders Securities" of this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the Offer.

This Composite Document is issued jointly by the Offeror and the Company.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.kingdom.com.hk> as long as the Offer remains open.

9 February 2024

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## EXPECTED TIMETABLE

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The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all times and dates refer to Hong Kong local times and dates.

**2024**

Despatch date of this Composite Document and the Form of Acceptance and the commencement date of the Offer <sup>(Note 1)</sup> .....	Friday, 9 February
Latest time and date for acceptance of the Offer <sup>(Notes 2, 3 and 5)</sup> .....	4:00 p.m. on Friday, 1 March
Closing Date of the Offer <sup>(Notes 2, 3 and 5)</sup> .....	Friday, 1 March
Announcement of the results of the Offer as at the Closing Date to be posted on the website of the Stock Exchange <sup>(Notes 3 and 5)</sup> .....	No later than 7:00 p.m. on Friday, 1 March
Latest date for posting of remittances in respect of valid acceptances received under the Offer <sup>(Notes 4 and 5)</sup> .....	Tuesday, 12 March

*Notes:*

- (1) The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the section headed “6. Right of withdrawal” in Appendix I to this Composite Document.
- (2) Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
- (3) In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will initially remain open for acceptances until 4:00 p.m. on Friday, 1 March 2024, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror and the Company will jointly issue an announcement no later than 7:00 p.m. on Friday, 1 March 2024 in relation to any extension of the Offer, in which the announcement will state either the next Closing Date or, a statement the Offer will remain open until further notice. In the latter case, at least 14 days’ notice by way of an announcement will be given before the Offer is closed to those Offer Shareholders who have not accepted the Offer.

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## EXPECTED TIMETABLE

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- (4) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be despatched to the accepting Shareholder(s) by ordinary post at their own risk as soon as possible but in any event no later than seven (7) Business Days after the date of receipt of a duly completed acceptance in accordance with Note 1 to Rule 30.2 of the Takeovers Code.
- (5) The latest time and date for acceptance of the Offer and the latest date for posting remittances for the amounts due under the Offer in respect of valid acceptances will be varied if there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning, or "extreme conditions" caused by super typhoons, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. Instead the latest time and date for acceptance of the Offer and the latest date for posting of remittances will be rescheduled to 4:00 p.m. on the next following Business Day on which neither of those warnings is in force at any time between 9:00 a.m. and 4:00 p.m..

Save as mentioned above, if the latest time for the acceptance of the Offer do not take effect on the date and time as stated above, the other dates mentioned above may be affected, the Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## IMPORTANT NOTICES

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### NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes or other required payments due from such Overseas Shareholders in respect of such jurisdiction. The Offeror, the Company, Head & Shoulders Securities, Merdeka Corporate Finance, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the paragraph headed “Overseas Shareholders” in the “Letter from Head & Shoulders Securities” and sub-paragraph (h) under the paragraph headed “7. General” in Appendix I to this Composite Document.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 15 January 2024 in relation to, among other things, the KPST Acquisition
“Closing Date”	Friday, 1 March 2024, being the closing date of the Offer, or if the Offer is extended, any subsequent closing date(s) of the Offer as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
“Company”	KFM Kingdom Holdings Limited (KFM金德控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 3816)
“Completion Announcement”	the joint announcement of the Company and the Offeror dated 5 February 2024 in relation to, among other things, the completion of the KPST Acquisition and the MF Share Sale
“Composite Document”	this composite offer and response document dated 9 February 2024 jointly issued by the Offeror and the Company to the Offer Shareholders in connection with the Offer
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deposit Shares”	all Offer Shares to be acquired by KIG Real Estate under the Offer which shall be deposited to a securities account opened by KIG Real Estate with Head & Shoulders Securities from time to time pursuant to the H&S Offer Loan Agreement
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EGM”	extraordinary general meeting of the Company held and convened on Wednesday, 31 January 2024 at which the KPST Acquisition and the transactions contemplated thereunder were approved
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Factories”	(i) two four-storey factory buildings with a total gross area of approximately 48,500 square metres; and (ii) one five-storey factory building with a total gross area of approximately 10,200 square metres, all of which are located in Suzhou, the PRC
“First Last Trading Day”	16 October 2023, being the last day on which Shares were traded on the Stock Exchange prior to the commencement of the Offer Period (i.e. 17 October 2023, being the date of the Preliminary Announcement)
“Form of Acceptance”	the form of acceptance and transfer of Share(s) in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“H&S Facilities”	collectively, the H&S SPA Facility and H&S Offer Facility
“H&S Offer Facility”	the loan facility granted by Head & Shoulders Securities to KIG Real Estate in the total principal amount of HK\$45,050,000 for the purpose of financing the Offer in accordance with the H&S Offer Loan Agreement
“H&S Offer Loan Agreement”	the facility agreement dated 1 December 2023 and entered into between Head & Shoulders Securities (as lender), KIG Real Estate (as borrower) and Mr. Peter Sun (as guarantor) in relation to the H&S Offer Facility
“H&S SPA Facility”	the loan facility granted by Head & Shoulders Securities to KIG Real Estate in the total principal amount of HK\$25,000,000 for the purpose of financing the MF Share Sale in accordance with the H&S SPA Loan Agreement
“H&S SPA Loan Agreement”	the facility agreement dated 1 December 2023 and entered into between Head & Shoulders Securities (as lender), KIG Real Estate (as borrower) and Mr. Peter Sun (as guarantor), in relation to the H&S SPA Facility

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## DEFINITIONS

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“Head & Shoulders Securities”	Head & Shoulders Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO, being the offer agent of the Offeror
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“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, Ms. Zhao Yue and Mr. Shen Zheqing, formed to advise the Offer Shareholders in respect of the Offer
“Independent Financial Adviser” or “Altus”	Altus Capital Limited, being a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Offer Shareholders in connection with the Offer and, in particular, as to whether the Offer is fair and reasonable and as to acceptance
“Independent Shareholders”	Shareholders, other than Massive Force, KIG Real Estate and their respective associates
“Joint Announcement”	the joint announcement of the Company and the Offeror dated 1 December 2023 in relation to, among other things, the MF Share Sale and the Offer
“KIG Concert Parties”	parties acting in concert with KIG Real Estate, including but not limited to, Mr. Peter Sun, Mr. Wong, Mr. Yau, Mr. Yung and Head & Shoulders Securities
“KIG Real Estate” or “Offeror”	KIG Real Estate Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which owned 444,600,000 Shares as at the Latest Practicable Date, and was beneficially owned by Mr. Peter Sun, Mr. Wong, Mr. Yau, Mr. Yung, Mr. Lam Kin Shun, Mr. Chan Lin On, Mr. Yeung Man Chiu, Mr. Suen Fai Chuen Alan (younger brother of Mr. Peter Sun) and Sunny Nova Limited (which was beneficially wholly-owned by Mr. He Lin, an employee of the Group, the nephew-in-law of Mr. Peter Sun and Mr. Suen Fai Chuen Alan) as to approximately 45.4%, 12.6%, 12.6%, 9.2%, 5.4%, 6.2%, 3.2%, 1.4% and 4.0%, respectively, as at the Latest Practicable Date

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## DEFINITIONS

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“KPST Acquisition”	the acquisition of the KPST Sale Shares pursuant to the KPST SPA
“KPST Sale Shares”	70 shares of Kingdom Precision Science and Technology Holding Limited, representing 70.0% of the entire issued share capital thereof
“KPST SPA”	the sale and purchase agreement dated 1 December 2023 and entered into between the Company and KIG Real Estate in respect of the acquisition of 70 shares in Kingdom Precision Science and Technology Holding Limited
“Latest Practicable Date”	6 February 2024, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Massive Force” or “Vendor”	Massive Force Limited, a company incorporated in the British Virgin Islands with limited liability, being beneficially owned by Ms. Pan Tihui, Ms. Yu Hsuan-jung and Mr. Cheung Yuen Tung as to approximately 30%, 30% and 40%, respectively, as at the Latest Practicable Date
“Merdeka Corporate Finance”	Merdeka Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to KIG Real Estate in respect of the Offer
“MF Sale Shares”	449,999,012 Shares acquired by KIG Real Estate from Massive Force pursuant to the MF SPA, which represented approximately 75.0% of the entire issued share capital of the Company as at the date of the MF SPA, and “MF Sale Share” means any of them
“MF Share Sale”	the acquisition of MF Sale Shares by KIG Real Estate from Massive Force in accordance with the terms and conditions of the MF SPA
“MF SPA”	the sale and purchase agreement dated 1 December 2023 and entered into between Massive Force and KIG Real Estate in respect of the sale and purchase of MF Sale Shares
“Mr. Peter Sun”	Mr. Sun Kwok Wah Peter, an executive Director and one of the KIG Concert Parties

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## DEFINITIONS

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“Mr. Wong”	Mr. Wong Chi Kwok, an executive Director, a shareholder of KIG Real Estate who held approximately 12.6% of the total issued share capital thereof as at the Latest Practicable Date and one of the KIG Concert Parties
“Mr. Yau”	Mr. Yau Lam Chuen, a shareholder of KIG Real Estate who held approximately 12.6% of the total issued share capital thereof as at the Latest Practicable Date and one of the KIG Concert Parties
“Mr. Yung”	Mr. Yung Ching Tak, a shareholder of KIG Real Estate who held approximately 9.2% of the total issued share capital thereof as at the Latest Practicable Date and one of the KIG Concert Parties
“Offer”	the unconditional mandatory cash offer for the Shares (other than those already owned or agreed to be acquired by the Offeror and KIG Concert Parties) made by Head & Shoulders Securities, for and on behalf of the Offeror, to the Offer Shareholders pursuant to the Takeovers Code
“Offer Period”	has the meaning given to it in the Takeovers Code, being the period commencing from 17 October 2023 (i.e. the date of the Preliminary Announcement) until the latest of (i) Closing Date; (ii) the date when the Offer lapses; (iii) the time when the Offeror announces that the Offer will not proceed; (iv) the date when an announcement is made of the withdrawal of the Offer; or (v) such other date determined by the Executive, having considered all relevant circumstances, as the date on which the Offer Period shall end
“Offer Price”	HK\$0.30 per Offer Share, the price at which the Offer is made
“Offer Share(s)”	issued Share(s) other than those already owned or agreed to be acquired by the Offeror and KIG Concert Parties
“Offer Shareholder(s)”	Shareholder(s), other than KIG Real Estate and KIG Concert Parties
“Overseas Shareholder(s)”	Shareholder(s) (if any), whose addresses, as shown on the register of members of the Company, are outside of Hong Kong
“Poll Results Announcement”	the announcement of the Company dated 31 January 2024 in relation to, among other things, the poll results of the EGM
“PRC”	the People’s Republic of China, which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“Preliminary Announcement”	the announcement issued by the Company dated 17 October 2023 pursuant to Rule 3.7 of the Takeovers Code and Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“Relevant Period”	the period commencing on 17 April 2023 (i.e. the date falling six months preceding 17 October 2023, being the date of the Preliminary Announcement), up to and including the Latest Practicable Date
“Second Last Trading Day”	30 November 2023, being the last day on which Shares were traded on the Stock Exchange prior to the release of the Joint Announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders Lenders”	collectively, Mr. Peter Sun, Mr. Wong, Mr. Yau and Mr. Yung
“Shareholders SPA Loan”	the loan facility granted by the Shareholders Lenders to KIG Real Estate in the total principal amount of HK\$115.0 million for the purpose of financing the MF Share Sale in accordance with the Shareholders SPA Loan Agreement
“Shareholders SPA Loan Agreement”	the loan agreement dated 15 November 2023 and entered into between the Shareholders Lenders (as lenders) and KIG Real Estate (as borrower) in the total principal amount of HK\$115.0 million for the purpose of financing the MF Share Sale
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC
“%”	per cent.



9 February 2024

*To the Offer Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
HEAD & SHOULDERS SECURITIES LIMITED  
FOR AND ON BEHALF OF KIG REAL ESTATE HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
KFM KINGDOM HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED  
BY KIG REAL ESTATE HOLDINGS LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

References are made to the Joint Announcement, the Circular, the Poll Results Announcement and the Completion Announcement.

On 1 December 2023 (after trading hours), the Company (as purchaser) and KIG Real Estate (as vendor) entered into the KPST SPA, pursuant to which the Company conditionally agreed to purchase and KIG Real Estate conditionally agreed to sell the KPST Sale Shares, representing 70.0% of the entire issued share capital of Kingdom Precision Science and Technology Holding Limited, at a consideration of HK\$168.0 million. The completion of KPST Acquisition is subject to, amongst others, the passing of the resolution to be proposed at the EGM and on 31 January 2024, and the resolution was duly passed as an ordinary resolution of the Company by the Independent Shareholders by way of poll. Completion of KPST Acquisition took place on 5 February 2024.

On 1 December 2023 (after trading hours), Massive Force (as vendor) and KIG Real Estate (as purchaser) entered into the MF SPA, pursuant to which Massive Force has conditionally agreed to sell, and KIG Real Estate has conditionally agreed to acquire the MF Sale Shares, being 449,999,012 Shares, at a total consideration of HK\$134,999,703.60 (representing HK\$0.30 per MF Sale Share). The MF Sale Shares represent approximately 75.0% of the issued share capital of the Company immediately prior to completion of the MF Share Sale.

Completion of the MF Share Sale took place on 5 February 2024.

Immediately following completion of the MF Share Sale and as at the Latest Practicable Date, KIG Real Estate was interested in 449,999,012 Shares, representing approximately 75.0% of the issued share capital of the Company as at the Latest

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## LETTER FROM HEAD & SHOULDERS SECURITIES

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Practicable Date, and accordingly, KIG Real Estate is required to make mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by KIG Real Estate and KIG Concert Parties) under Rule 26.1 of the Takeovers Code.

This letter forms part of this Composite Document and sets out, among other things, principal terms of the Offer, together with the information relating to KIG Real Estate and its intention regarding the Group. Further terms and procedures of acceptances of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” to the Offer Shareholders and the “Letter from Independent Financial Adviser” to the Independent Board Committee and the Offer Shareholders in relation to the Offer.

### THE OFFER

#### Principal terms of the Offer

Head & Shoulders Securities, on behalf of KIG Real Estate and in compliance with the Takeovers Code, hereby makes the Offer, which is unconditional in all respects in accordance with the Takeovers Code on the following basis:

**For each Offer Share. . . . . HK\$0.30 in cash**

The Offer Price of HK\$0.30 per Offer Share equals to the purchase price per MF Sale Share paid by the Offeror under the MF SPA.

As at the Latest Practicable Date, the Company has 600,000,000 Shares in issue, of which (a) an aggregate of 449,999,012 Shares, representing approximately 75.0% of the entire issued share capital of the Company were owned by KIG Real Estate and KIG Concert Parties; and (b) the remaining 150,000,988 Shares in issue, representing approximately 25.0% of the entire issued share capital of the Company, were Offer Shares subject to the Offer. The Company does not have any outstanding convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue which may confer any rights to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities which are convertible or exchangeable into Shares as of the Latest Practicable Date.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made. As at the Latest Practicable Date, the Company had no outstanding dividend or distribution which remains unpaid. The Company had no intention in declaring any dividend or distribution during the offer period (as defined under the Takeovers Code) in respect of the Offer.

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## LETTER FROM HEAD & SHOULDERS SECURITIES

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The Offer will extend to all Shares in issue, other than those Shares held by KIG Real Estate and KIG Concert Parties.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Further terms and procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

### **Offer Price**

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

- (i) a premium of approximately 3.45% over the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on the First Last Trading Day;
- (ii) a premium of approximately 10.70% over the average closing price of approximately HK\$0.271 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the First Last Trading Day;
- (iii) a premium of approximately 18.58% over the average closing price of approximately HK\$0.253 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the First Last Trading Day;
- (iv) a premium of approximately 27.66% over the average closing price of approximately HK\$0.235 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the First Last Trading Day;
- (v) a discount of approximately 24.05% to the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Second Last Trading Day;
- (vi) a discount of approximately 21.05% to the average closing price of approximately HK\$0.380 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Second Last Trading Day;
- (vii) a discount of approximately 20.42% to the average closing price of approximately HK\$0.377 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Second Last Trading Day;
- (viii) a discount of approximately 14.77% to the average closing price of approximately HK\$0.352 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Second Last Trading Day;
- (ix) a discount of approximately 64.92% to the Company's consolidated net asset value per Share of approximately HK\$0.8552 calculated with reference to the Company's audited net asset value of approximately HK\$513,118,000 as at 31 March 2023 and 600,000,000 Shares in issue as at the Latest Practicable Date;

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## LETTER FROM HEAD & SHOULDERS SECURITIES

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- (x) a discount of approximately 66.69% to the Company's consolidated net asset value per Share of approximately HK\$0.9006 calculated with reference to the Company's unaudited net asset value of approximately HK\$540,380,000 as at 30 September 2023 and 600,000,000 Shares in issue as at the Latest Practicable Date; and
- (xi) a discount of approximately 17.81% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### **Highest and lowest Share price**

During the Relevant Period, (i) the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.184 on 18 August 2023 and 21 August 2023, respectively; and (ii) the highest closing price per Share as quoted on the Stock Exchange was HK\$0.420 on 13 November 2023.

### **Value of the Offer and financial resources confirmation**

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

Completion of the MF Share Sale took place on 5 February 2024 and the cash consideration payable under the MF SPA was satisfied by (i) the H&S SPA Facility; and (ii) the internal resources of KIG Real Estate pursuant to the Shareholders SPA Loan.

KIG Real Estate intends to settle the cash consideration payable under the Offer by the H&S Offer Facility. KIG Real Estate does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the H&S Offer Facility will depend to any significant extent on the business of the Company.

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

### **Effect of accepting the Offer**

By accepting the Offer, the Offer Shareholders will sell their tendered Shares to KIG Real Estate which shall be fully paid and free and clear of any lien and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

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

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## LETTER FROM HEAD & SHOULDERS SECURITIES

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**Offer Shareholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offer which are included in the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as contained in this Composite Document.**

### **Payment**

Payment in cash in respect of acceptance of the Offer will be made as soon as possible but in any event no later than seven (7) Business Days (as defined in the Takeovers Code) from date of receipt by KIG Real Estate or its agent acting on its behalf of duly completed and valid acceptances in respect of the Offer.

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

### **Hong Kong stamp duty**

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

### **Taxation advice**

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

### **Overseas Shareholders**

The making and the implementation of the Offer to Shareholders who are not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are residents. Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should keep themselves informed about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection

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## LETTER FROM HEAD & SHOULDERS SECURITIES

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therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Overseas Shareholders in respect of such jurisdiction).

### INFORMATION ON THE GROUP

Your attention is also drawn to the information on the Group set out in the section headed “INFORMATION OF THE GROUP” in the “Letter from the Board” and appendices II, III and V as contained in this Composite Document.

### INFORMATION ON KIG REAL ESTATE

#### *KIG Real Estate*

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

#### *Mr. Peter Sun*

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

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

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## LETTER FROM HEAD & SHOULDERS SECURITIES

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

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

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

### **INTENTIONS OF KIG REAL ESTATE IN RELATION TO THE GROUP**

Following the close of the Offer, KIG Real Estate intends to continue the existing business of the Group and maintain the employment of the operational and administrative employees of the Group (except for the proposed changes to the member of the Board as detailed in the sub-paragraph headed "Proposed change of the Board" below). As at the Latest Practicable Date, KIG Real Estate has no intention to introduce any major changes to the existing business of the Group, including any redeployment of the fixed assets of the Group.

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

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

### **Proposed change of the Board**

As at the Latest Practicable Date the Board is currently made up of six members, comprising two executive Directors, Mr. Peter Sun and Mr. Wong; one non-executive Director, namely Mr. Zhang Haifeng; and three independent non-executive Directors, Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing.

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## LETTER FROM HEAD & SHOULDERS SECURITIES

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It is intended that the non-executive Director, namely Mr. Zhang Haifeng, will resign with effect from the earliest time permitted under the Takeovers Code. As at the Latest Practicable Date, KIG Real Estate has not reached any final decision as to who will be nominated as new Director. Any changes to the Board composition will be announced by the Company and made in compliance with the Takeovers Code and the Listing Rules as and when appropriate.

### **Public float and maintaining the listing status of the Company**

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

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

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

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

then, it will consider exercising its discretion to suspend dealings in the Shares. The sole director of KIG Real Estate and the Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps, which may include placing down part of the interest of the Offeror or parties acting in concert with it in the Company following the close of the Offer, to ensure that sufficient public float exists in the Shares after the close of the Offer.

### **ACCEPTANCE AND SETTLEMENT OF THE OFFER**

Your attention is drawn to the details regarding the procedures for acceptance and settlement of the Offer as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

### **COMPULSORY ACQUISITION**

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

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## LETTER FROM HEAD & SHOULDERS SECURITIES

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### GENERAL

To ensure equality of treatment of all Offer Shareholders, those Offer Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Offer Shareholders by ordinary post at their own risk. Such documents and remittances will be sent to the Offer Shareholders at their respective addresses as they appear in the register of members of the Company, or, in the case of joint holders to the Offer Shareholder whose name appears first in the said register of members of the Company. None of KIG Real Estate, KIG Concert Parties, the Company, Head & Shoulders Securities, Merdeka Corporate Finance, the Independent Finance Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, advisers, agents, associates or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document, the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document and to consult your professional advisers, before deciding whether or not to accept the Offer.

Yours faithfully  
for and on behalf of  
**Head & Shoulders Securities Limited**  
**Wilson Chan**  
*Director*



**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

*Non-executive Director:*

Mr. Zhang Haifeng

*Independent non-executive Directors:*

Mr. Wan Kam To  
Ms. Zhao Yue  
Mr. Shen Zheqing

*Registered office:*

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

9 February 2024

*To the Offer Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
HEAD & SHOULDERS SECURITIES LIMITED  
FOR AND ON BEHALF OF KIG REAL ESTATE HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
KFM KINGDOM HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED  
BY KIG REAL ESTATE HOLDINGS LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

References are made to the Joint Announcement, the Circular, the Poll Results Announcement and the Completion Announcement.

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## LETTER FROM THE BOARD

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On 1 December 2023 (after trading hours), the Company (as purchaser) and KIG Real Estate (as vendor) entered into the KPST SPA, pursuant to which the Company conditionally agreed to purchase and KIG Real Estate conditionally agreed to sell the KPST Sale Shares, representing 70.0% of the entire issued share capital of Kingdom Precision Science and Technology Holding Limited, at a consideration of HK\$168.0 million. The completion of KPST Acquisition is subject to, amongst others, the passing of the resolution to be proposed at the EGM and on 31 January 2024, and the resolution was duly passed as an ordinary resolution of the Company by the Independent Shareholders by way of poll. Completion of KPST Acquisition took place on 5 February 2024.

On 1 December 2023 (after trading hours), Massive Force (as vendor) and KIG Real Estate (as purchaser) entered into the MF SPA, pursuant to which Massive Force has conditionally agreed to sell, and KIG Real Estate has conditionally agreed to acquire the MF Sale Shares, being 449,999,012 Shares, at a total consideration of HK\$134,999,703.60 (representing HK\$0.30 per MF Sale Share). The MF Sale Shares represent approximately 75.0% of the issued share capital of the Company immediately prior to completion of the MF Share Sale.

Completion of the MF Share Sale took place on 5 February 2024.

Immediately following completion of the MF Share Sale and as at the Latest Practicable Date, KIG Real Estate was interested in 449,999,012 Shares, representing approximately 75.0% of the issued share capital of the Company as at the Latest Practicable Date, and accordingly, KIG Real Estate is required to make mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by KIG Real Estate and KIG Concert Parties) under Rule 26.1 of the Takeovers Code. Head & Shoulders Securities is making the Offer on behalf of KIG Real Estate.

Further terms and the procedures of acceptances of the Offer are set out in the “Letter from Head & Shoulders Securities” and Appendix I to this Composite Document of which this letter forms part. The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, KIG Real Estate and the Offer, the recommendation of the Independent Board Committee to the Offer Shareholders and the “Letter from the Independent Financial Adviser” to the Independent Board Committee and the Offer Shareholders in relation to the Offer.

### **THE OFFER**

The unconditional cash offer is made by Head & Shoulders Securities on behalf of KIG Real Estate to acquire all the issued Shares not already owned or agreed to be acquired by KIG Real Estate and KIG Concert Parties pursuant to Rule 26.1 of the Takeovers Code.

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## LETTER FROM THE BOARD

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### Principal terms of the Offer

Head & Shoulders Securities, on behalf of KIG Real Estate and in compliance with the Takeovers Code, hereby makes the Offer, which is unconditional in all respects in accordance with the Takeovers Code on the following basis:

#### *The Offer*

**For each Offer Share . . . . . HK\$0.30 in cash**

The Offer Price of HK\$0.30 per Offer Share equals to the purchase price per MF Sale Share paid by the Offeror under the MF SPA.

As at the Latest Practicable Date, the Company has 600,000,000 Shares in issue, of which (a) an aggregate of 449,999,012 Shares, representing approximately 75.0% of the entire issued share capital of the Company were owned by KIG Real Estate and KIG Concert Parties; and (b) the remaining 150,000,988 Shares in issue, representing approximately 25.0% of the entire issued share capital of the Company, were Offer Shares subject to the Offer. The Company does not have any outstanding convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue which may confer any rights to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities which are convertible or exchangeable into Shares as of the Latest Practicable Date.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made. As at the Latest Practicable Date, the Company had no outstanding dividend or distribution which remains unpaid. The Company had no intention in declaring any dividend or distribution during the offer period (as defined under the Takeovers Code) in respect of the Offer.

The Offer will extend to all Shares in issue, other than those Shares held by KIG Real Estate and KIG Concert Parties.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of metal stamping products.

Further financial information in relation to the Group is set out in the Appendix II to this Composite Document.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (a) immediately prior to completion of the MF Share Sale; and (b) immediately after completion of the MF Share Sale and as at the Latest Practicable Date (assuming no other changes in the issued share capital and shareholding in the Company from the Latest Practicable Date up to the date immediately prior to the commencement of the Offer) but before the commencement of the Offer:

	Immediately prior to completion of the MF Share Sale		Immediately after completion of the MF Share Sale and as at the Latest Practicable Date (assuming no changes in the issued share capital and shareholding in the Company from the Latest Practicable Date up to the date immediately prior to the commencement of the Offer) but before the commencement of the Offer	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Massive Force <sup>(1)</sup>	449,999,012	75.00	—	—
KIG Real Estate <sup>(2)</sup>	—	—	449,999,012	75.00
Public Shareholders	<u>150,000,988</u>	<u>25.00</u>	<u>150,000,988</u>	<u>25.00</u>
<b>Total</b>	<b><u><u>600,000,000</u></u></b>	<b><u><u>100.00</u></u></b>	<b><u><u>600,000,000</u></u></b>	<b><u><u>100.00</u></u></b>

*Notes:*

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

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## LETTER FROM THE BOARD

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### INFORMATION ON KIG REAL ESTATE AND THE INTENTIONS OF KIG REAL ESTATE IN RELATION TO THE GROUP

Your attention is drawn to the sections headed “Information on KIG Real Estate” and “Intentions of KIG Real Estate in relation to the Group” in the “Letter from Head & Shoulders Securities” as set out in this Composite Document. The Board is aware of the intentions of KIG Real Estate in respect of the Group and is willing to render reasonable co-operation with KIG Real Estate which is in the interests of the Company and the Shareholders as a whole.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

KIG Real Estate intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

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

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

then, it will consider exercising its discretion to suspend dealings in the Shares. The sole director of KIG Real Estate and the Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps, which may include placing down part of the interest of the Offeror or parties acting in concert with it in the Company following the close of Offer, to ensure that sufficient public float exists in the Shares after the close of the Offer.

**The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (a) a false market exists or may exist in the trading of the Shares or (b) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.**

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by the Company. Under the Listing Rules, the Stock Exchange has the power pursuant to the Listing Rules to aggregate a series of transactions entered into by the Company within 36 months after a change in control and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirement for new listing applicants as set out in the Listing Rules.

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## LETTER FROM THE BOARD

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### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

The Independent Board Committee (comprising all independent non-executive Directors) has been established to advise and make recommendations to the Offer Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Your attention is drawn to the “Letter from the Independent Board Committee” in this Composite Document which sets out its advice and recommendation to the Offer Shareholders in relation to the Offer.

Altus has been appointed (with the approval of the Independent Board Committee) as the Independent Financial Adviser to advise the Independent Board Committee and the Offer Shareholders in respect of whether the terms of the Offer are fair and reasonable and so as to acceptance of the Offer. Your attention is also drawn to the “Letter from the Independent Financial Adviser” as set out in this Composite Document containing its advice and recommendation to the Independent Board Committee and the Offer Shareholders in respect of the Offer.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

Yours faithfully,  
On behalf of the board of  
**KFM Kingdom Holdings Limited**  
**Sun Kwok Wah Peter**  
*Executive Director*



**KFM KINGDOM HOLDINGS LIMITED**

**KFM 金德控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3816)**

9 February 2024

*To the Offer Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
HEAD & SHOULDERS SECURITIES LIMITED  
FOR AND ON BEHALF OF KIG REAL ESTATE HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
KFM KINGDOM HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED  
BY KIG REAL ESTATE HOLDINGS LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

We refer to this Composite Document dated 9 February 2024 jointly issued by the Company and the Offeror, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. Offer Shareholders) as to whether or not the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Altus has been appointed (with our approval) as the Independent Financial Adviser to make recommendation to us and the Offer Shareholders in respect of whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from the Independent Financial Adviser” on pages 24 to 44 of this Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We also wish to draw your attention to the “Letter from the Board”, the “Letter from Head & Shoulders Securities” and the additional information set out in the appendices to this Composite Document.

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, we consider that the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Offer Shareholders to accept the Offer. Offer Shareholders are recommended to read the full text of the “Letter from the Independent Financial Adviser” set out in this Composite Document.

Yours faithfully,  
For and on behalf of the Independent Board Committee  
**KFM Kingdom Holdings Limited**

**Wan Kam To            Zhao Yue            Shen Zheqing**  
*Independent non-executive Directors*

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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*The following is the text of a letter of advice from Altus Capital, the Independent Financial Adviser to the Independent Board Committee and the Offer Shareholders in respect of the Offer, which has been prepared for the purpose of incorporation into this Composite Document.*

**ALTUS.**

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

9 February 2024

*To the Independent Board Committee and the Offer Shareholders*

**KFM Kingdom Holdings Limited**  
Workshop C, 31/F, TML Tower  
3 Hoi Shing Road, Tsuen Wan  
New Territories, Hong Kong

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
HEAD & SHOULDERS SECURITIES LIMITED  
FOR AND ON BEHALF OF  
KIG REAL ESTATE HOLDINGS LIMITED  
TO ACQUIRE  
ALL THE ISSUED SHARES IN  
THE COMPANY  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED  
BY KIG REAL ESTATE HOLDINGS LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Offer Shareholders in respect of the Offer, details of which are set out in the “Letter from the Board” contained in the composite document of the Company dated 9 February 2024 (the “**Composite Document**”). Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 1 December 2023 (after trading hours), Massive Force (as vendor) and KIG Real Estate (as purchaser) entered into the MF SPA, pursuant to which Massive Force has conditionally agreed to sell, and KIG Real Estate has conditionally agreed to purchase, the MF Sale Shares, being 449,999,012 Shares at an aggregate consideration of HK\$134,999,703.60 (representing HK\$0.30 per Sale Share). The MF Sale Shares represent approximately 75.0% of the issued share capital of the Company immediately prior to the completion of the MF Share Sale. Completion of the MF Share Sale took place on 5 February 2024.

Immediately following completion of the MF Share Sale and as at the Latest Practicable Date, KIG Real Estate was interested in 449,999,012 Shares, representing 75.0% of the issued share capital of the Company as at the Latest Practicable Date, and accordingly, KIG Real Estate is required to make mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by KIG Real Estate and KIG Concert Parties) under Rule 26.1 of the Takeovers Code.

### **The Offer**

Head & Shoulders Securities is making the Offer with the Offer Price of HK\$0.30 in cash for and on behalf of KIG Real Estate.

For the principal terms of the Offer, together with the information of the Offeror and the Offeror's intention regarding the Group, please refer to the "Letter from Head & Shoulders Securities" contained in the Composite Document.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing, has been established to consider and advise the Offer Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer, after taking into account the recommendation of the Independent Financial Adviser.

### **THE INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee has approved our appointment as the Independent Financial Adviser to the Independent Board Committee and the Offer Shareholders. Our role is to give an independent opinion to the Independent Board Committee and the Offer Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We acted as the independent financial adviser to the Company with regards to the major and connected transaction in relation to the KPST SPA in respect of KPST Acquisition, details of which are set out in the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We (i) are not associated or connected, financial or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) save for the aforesaid engagement, we have not acted as an independent financial adviser or financial adviser in relation to any transactions of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Composite Document.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Offer is at market level and not conditional upon the outcome of the Offer; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee and the Offer Shareholders in respect of the Offer.

### **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others, (i) the annual reports of the Company for the years ended 31 March 2022 (the “**2022 Annual Report**”) and 2023 (the “**2023 Annual Report**”) respectively; (ii) the interim report for the six months ended 30 September 2023 (the “**2023 Interim Report**”); (iii) the valuation report on the Factories (the “**Valuation Report**”) set out in Appendix III to the Composite Document; (iv) the Circular of the Company dated 15 January 2024 in relation to the Company’s acquisition of 70% of the entire issued share capital of Kingdom Precision Science and Technology Holding Limited; and (v) other information contained or referred to in the Composite Document.

We have also relied on the statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us by the Company, the Directors and the management of the Group (collectively the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Composite Document and/or provided to us were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Latest Practicable Date. The Company will notify the Shareholders of any material changes to the information contained or referred to in the Composite Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Composite Document and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

We have not considered the taxation implications on Shareholders arising from the acceptance or non-acceptance of the Offer, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Shareholders as a result of the Offer. In particular, Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional advisers to tax matters.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our advice for the Offer, we have considered the following principal factors and reasons:

#### **1. Background information of the Group**

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sale of metal stamping products.

##### ***1.1 Financial information of the Group***

Set out below is a summary of (i) the audited consolidated financial information of the Group for the financial years ended 31 March 2021 (“**FY2021**”), 2022 (“**FY2022**”) and 2023 (“**FY2023**”) respectively, which has been extracted from the 2022 Annual Report and the 2023 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 September 2022 (“**6M SEP 2022**”) and 2023 (“**6M SEP 2023**”) respectively, which has been extracted from the 2023 Interim Report.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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*Extract of consolidated statement of profit or loss*

	For the year ended			For the six months ended	
	31 March			30 September	
	2021	2022	2023	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Continuing operations					
<b>Revenue</b>	406,340	612,190	605,101	343,073	314,091
<b>Gross profit</b>	82,629	99,920	103,277	63,237	66,986
Other gains/(losses), net	(9,550)	(4,016)	8,621	16,872	3,739
General and administrative expenses	(56,269)	(65,862)	(75,524)	(33,743)	(33,833)
Finance income	4,435	1,033	6,158	1,194	5,321
<b>Profit for the year from continuing operations</b>	9,117	13,331	22,666	—	—
Discontinued operations	9,286	(61,350)	—	—	—
<b>(Loss)/profit for the year/period</b>	18,403	(48,019)	22,666	32,953	29,430

*Extract of consolidated statement of financial position*

	As at 31 March			As at
	30 September			2023
	2021	2022	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
<b>Non-current assets</b>	236,682	209,322	181,867	180,701
— Plant and equipment	135,637	50,437	49,671	63,736
— Right-of-use assets	90,125	109,029	84,501	72,915
<b>Current assets</b>	683,567	567,162	546,865	582,828
— Time deposits with maturity over three months	160,000	221,009	196,741	194,137
— Cash and cash equivalents	243,452	82,841	96,803	116,220
<b>Non-current liabilities</b>	65,064	96,810	85,686	76,300
<b>Current liabilities</b>	295,554	175,021	129,928	146,849
<b>Net assets</b>	559,631	504,663	513,118	540,380

*FY2022 compared to FY2021*

The Group recorded a revenue of approximately HK\$612.2 million in FY2022, representing an increase of approximately 50.7% as compared to FY2021, which was mainly attributable to the strong demand from customers who engaged in network and data storage industry during FY2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Gross profit margin decreased from 20.3% in FY2021 to 16.3% in FY2022 due to higher costs in raw materials and direct labour, in addition to the change of product mix, where revenue derived from customers engaged in network and data storage industry (with relatively lower margins) had increased during FY2022.

Net profits of the Group from continuing operations increased to approximately HK\$13.3 million in FY2022 from approximately HK\$9.1 million in FY2021. Such improvement was mainly attributable to the increase in revenue from continuing operations.

### *FY2023 compared to FY2022*

The Group recorded a revenue of approximately HK\$605.1 million in FY2023, representing a slight decrease of approximately 1.2% as compared to FY2022, which was mainly due to a decrease in number of orders from customers who were engaged in medical and test equipment and financial equipment industries during FY2023.

Gross profit margin increased from 16.3% in FY2022 to 17.1% in FY2023 mainly due to (i) better control of production cost by the implementation of certain automation in production process which enhanced productive efficiency; and (ii) the decrease in number of employees from 1,053 as at 31 March 2022 to 974 as at 31 March 2023, partially offset by the increase in revenue derived from customers engaged in network and data storage industry, which has relatively lower margins.

Net profits of the Group from continuing operations increased to approximately HK\$22.7 million in FY2023 from approximately HK\$13.3 million in FY2022. Such improvement was mainly attributable to (i) the increase in gross profit margin from 16.3% to 17.1%; (ii) the increase in other gains due to depreciation of Renminbi against United States dollars in FY2023; and (iii) the increase in interest income on bank balances and deposits.

### *6M SEP 2022 compared with 6M SEP 2023*

The Group recorded a revenue of approximately HK\$314.1 million in 6M SEP 2023, representing a decrease of approximately 8.5% as compared to 6M SEP 2022, which was mainly due to the decrease in the revenue derived from customers engaged in the medical and test equipment industry as a result of decreased demands after the COVID-19 pandemic. The decrease in revenue was partially offset by the increase in revenue derived from the network and data storage industry, as well as the office automation industry.

Gross profit margin increased from 18.4% in 6M SEP 2022 to 21.3% to 6M SEP 2023 mainly due to (i) better cost control by the implementation of certain automation in production process which enhanced productive efficiency; and (ii) the decrease in the number of employees from 1,024 as at 30 September 2022 to 877 as at 30 September 2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Net profits of the Group from continuing operations decreased from approximately HK\$33.0 million in 6M SEP 2022 to approximately HK\$29.4 million in 6M SEP 2023 mainly due to the decrease of foreign exchange gains in 6M SEP 2023.

### *31 March 2021 compared with 31 March 2022*

The Group's current assets mainly include cash, deposits, inventories and receivables as at 31 March 2021 and 31 March 2022.

Current assets of the Group decreased from approximately HK\$683.6 million as at 31 March 2021 to approximately HK\$567.2 million as at 31 March 2022 mainly due to the disposal of the metal lathing business.

Current liabilities of the Group decreased from approximately HK\$295.6 million as at 31 March 2021 to approximately HK\$175.0 million as at 31 March 2022 mainly due to the disposal of the metal lathing business.

### *31 March 2022 compared with 31 March 2023*

The Group's current assets mainly include cash, deposits, inventories and receivables as at 31 March 2022 and 31 March 2023.

Current assets of the Group remained stable at approximately HK\$546.9 million as at 31 March 2023 as compared to approximately HK\$567.2 million as at 31 March 2022.

Current liabilities of the Group decreased from approximately HK\$175.0 million as at 31 March 2022 to approximately HK\$129.9 million as at 31 March 2023 mainly due to the decrease in payables and bank borrowings.

### *31 March 2023 compared with 30 September 2023*

The Group's current assets mainly include cash, deposits, inventories and receivables as at 31 March 2023 and 30 September 2023.

Current assets of the Group increased from approximately HK\$546.9 million as at 31 March 2023 to approximately HK\$582.8 million as at 30 September 2023 mainly due to the increase in trade receivables and cash and cash equivalents.

Current liabilities of the Group increased from approximately HK\$129.9 million as at 31 March 2023 to approximately HK\$146.8 million as at 30 September 2023 mainly due to the increase in bank borrowings.

Net assets of the Group as at 30 September 2023 represented an increase by approximately HK\$27.3 million as compared to 31 March 2023, which was in line with the operating results of the Group during 6M SEP 2023.

***1.2 Events subsequent to 30 September 2023 which affected the net assets of the Group***

On 1 December 2023, the Company (as purchaser) and KIG Real Estate (as vendor) entered into the KPST SPA, pursuant to which the Company conditionally agreed to purchase and KIG Real Estate conditionally agreed to sell 70% of the entire issued share capital of Kingdom Precision Science and Technology Holding Limited. The transaction was approved by the Independent Shareholders of the Company on the extraordinary general meeting held on 31 January 2024. Completion of the KPST Acquisition took place on 5 February 2024. Based on the unaudited pro forma financial information of the enlarged Group set out under Appendix IV to the Circular, the illustrative unaudited net assets of the Group would be approximately HK\$619.7 million upon completion of the transaction. For details, please refer to the Circular dated 15 January 2024.

***1.3 Dividends***

During the three years ended 31 March 2023 and the six months ended 30 September 2023, no dividend had been declared.

***1.4 Outlook of the Group***

Following the disposal of the then loss-making metal stamping business in the year ended 31 March 2020 and metal lathing business in FY2022, the Group's profit from continuing operations had been improving. Following the Completion of the KPST Acquisition, the fact that the Factories come under control of the Group would allow the Group to explore making the Factories as its permanent production base without facing the risk of being required to relocate the production facilities due to expiry of tenancies, which would potentially result in disruption in the production as well as loss of experienced staff. As a reference, the Group incurred relocation costs of approximately HK\$96 million in connection with the relocation of its production base from Shenzhen Xili to Huizhou in 2021. This enhanced control helped to improve efficiency and enable the implementation of long-term business and expansion development plans. In addition, subsequent to the acquisition, the Group's annual cash flow would be enhanced due to the saving of lease payment in relation to the Factories (being approximately RMB17.6 million in FY2023).

Looking ahead, due to the fact that the Group's clientele is diversified over South East Asia, China, Europe and North America, the Group's business will face the economic environment which continues to be overshadowed with uncertainties from the persistent impact of deglobalisation, high interest rates and the escalating tensions between major powers. Meanwhile, the increasing labour, material and production costs in China are expected to be the challenges to the Group. In particular, the minimum wage in Suzhou, where the Group's production base locates, had been raised by approximately 9% with effect from 1 January 2024. Market prices of the Group's major raw material, being ferrous metals, recorded consecutive month-on-month increase of 0.4%, 0.2%, 0.3% and 0.7% in September, October, November and December 2023 respectively according to the purchasing price index for ferrous metals published by the National Bureau of Statistics of China.

### ***1.5 Industry overview***

Based on the discussion with the Management and our review of search results from the internet on the metal stamping market including the websites of Markets and Markets, an intelligence and market research platform, and Technavio, a market research company, the metal stamping products generally serve as parts of machinery or electrical and electronics products for various industries such as medical and laboratory, network and data storage, consumer electronics, office automation, construction, and automotive industries. The growth of the metal stamping industry is mainly driven by the growth of the industries which the clients operate in. As the Group's customer base is well-diversified over various industries across the globe, the Group's industry outlook is largely subject to the economic environment which continues to face uncertainties from deglobalisation, high interest rates and tensions between major powers.

We are of the view that our relevant knowledge on this industry acquired through the aforementioned means, is sufficient for us to form our view in relation to the fairness of the Offer.

In addition, when forming our independent view, we place a stronger emphasis on the outlook and performance of the Group, where there may or may not always be a linear correlation to the general industry as it is largely dependent on the business needs of the customers of the Group. We understand from the Management that in their mode of operation, their key business decisions are largely dependent on their customer's needs and expansion plans. In other words, the future plans of the Group are largely dependent on the foreseeable demands of their customers.

## **2. Background information of the Offeror**

### ***2.1 The Offeror***

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

***2.2 The Offeror's intention in relation to the Company and composition of the Board***

Following the close of the Offer, the Offeror intends to continue the existing business of the Group and maintain the employment of the operational and administrative employees of the Group (except for the proposed changes to the member of the Board as detailed in the sub-paragraph headed "2.3 Proposed change to the Board composition of the Company" below). As at the Latest Practicable Date, the Offeror has no intention to introduce any major changes to the existing business of the Group, including any redeployment of the fixed assets of the Group.

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

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

***2.3 Proposed change to the Board composition of the Company***

As at the Latest Practicable Date the Board is currently made up of six members, comprising two executive Directors, Mr. Peter Sun and Mr. Wong; one non-executive Director, namely Mr. Zhang Haifeng; and three independent non-executive Directors, Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing.

It is intended that the non-executive Director, namely Mr. Zhang Haifeng, will resign with effect from the earliest time permitted under the Takeovers Code. As at the Latest Practicable Date, KIG Real Estate has not reached any final decision as to who will be nominated as new Director. Any changes to the Board composition will be announced by the Company and made in compliance with the Takeovers Code and the Listing Rules as and when appropriate.

***2.4 Listing status of the Company and public float***

It is noted that the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer and will undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares. For details, please refer to the paragraphs headed "Public float and maintaining the listing status of the Company" under the section headed "Letter from Head & Shoulders Securities" in the Composite Document.

It is further noted that the Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

then, it will consider exercising its discretion to suspend dealings in the Shares. The sole director of Offeror and the Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps, which may include placing down part of the interest of the Offeror or parties acting in concert with it in the Company following the close of the Offer, to ensure that sufficient public float exists in the Shares after the close of the Offer.

### 3. The Offer Price

#### *3.1 Offer Price comparison*

The Offer Price of HK\$0.30 per Offer Share equals to the purchase price per MF Sale Share paid by the Offeror under the MF SPA and represents:

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (viii) a discount of approximately 14.77% to the average closing price of approximately HK\$0.352 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Second Last Trading Day;
- (ix) a discount of approximately 17.81% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (x) a discount of approximately 64.92% to the Company's consolidated net asset value per Share of approximately HK\$0.8552 calculated with reference to the Company's audited net asset value of approximately HK\$513,118,000 as at 31 March 2023 and 600,000,000 Shares in issue as at the Latest Practicable Date; and
- (xi) a discount of approximately 66.69% to the Company's consolidated net asset value per Share of approximately HK\$0.9006 calculated with reference to the Company's unaudited net asset value of approximately HK\$540,380,000 as at 30 September 2023 and 600,000,000 Shares in issue as at the Latest Practicable Date.

We have conducted further analysis on the fairness and reasonableness of the Offer Price as presented below.

### ***3.2 Analysis of historical Share price movement***

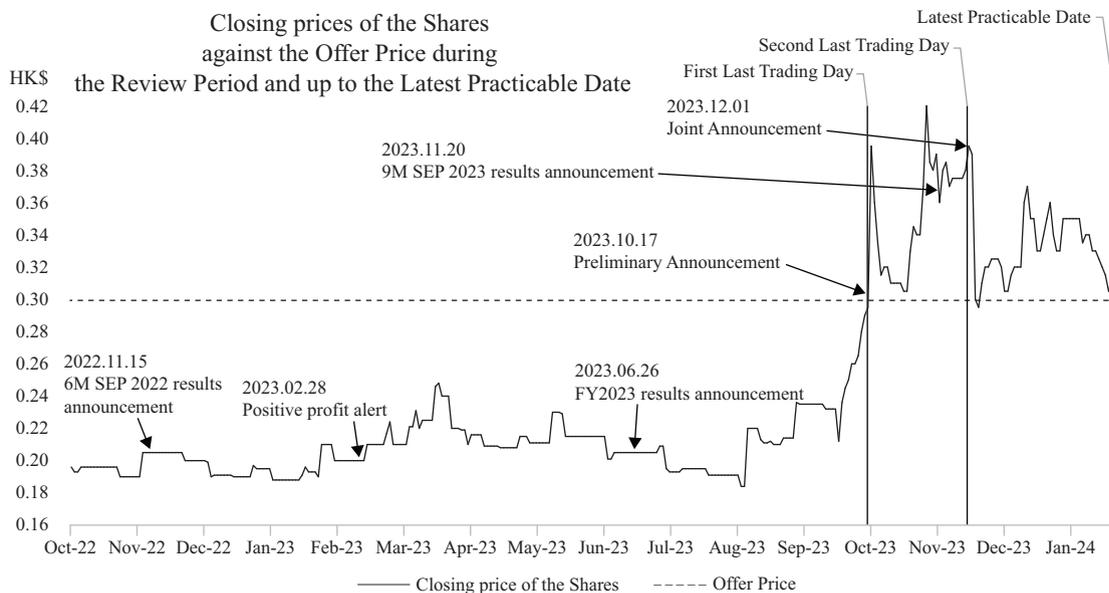
In assessing the reasonableness of the Offer, we have considered the historical movement of the price of the Shares, as well as the comparison between prices of the Shares and the Offer Price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is a chart showing the movement of the closing prices of the Shares against the Offer Price from 17 October 2022, being one year prior to the First Last Trading Day, and up to the Latest Practicable Date (the “**Review Period**”). We are of the view that the price performance of the Shares during the past one full year prior to and including the First Last Trading Day can sufficiently and fairly reflect the market perception on the Company’s performance, outlook and effects of certain specific events without the possible effect from the announcement of the Offer, which may be relevant to our analysis. The Share price movement during the period subsequent to the First Last Trading Day to the Latest Practicable Date is also presented for the Offer Shareholders’ information.



Source: The Stock Exchange website ([www.hkex.com.hk](http://www.hkex.com.hk))

Over the period from 17 October 2022 to and including the First Last Trading Day (i.e. 16 October 2023), the highest and lowest closing price of the Shares were HK\$0.290 per Share on 16 October 2023, being the First Last Trading Day and HK\$0.184 per Share on 18 and 21 August 2023 respectively. The average closing price of the Shares over the such period was approximately HK\$0.208 per Share.

Over the period from 17 October 2023 to and including the Latest Practicable Date, the highest and the lowest closing price of the Shares were HK\$0.420 per Share on 13 November 2023 and HK\$0.295 per Share on 17 October 2023 and 5 December 2023 respectively. The average closing price of the Shares was approximately HK\$0.341 per Share.

*From 17 October 2022 to 28 February 2023*

There was no clear trend of the movement of closing prices of the Shares during such period despite an announcement of results for 6M SEP 2022 was made on 15 November 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*From 1 March 2023 to 26 June 2023*

Following the positive profit alert announcement after the trading hours of 28 February 2023, the closing prices of the Shares trended upwards until early April 2023. The closing prices of the Shares trended downwards afterwards. We did not identify any public announcement of the Company that may explain such decline. We have discussed and understood from the Management that they were not aware of any events or factors attributable to the such decline.

*From 27 June 2023 to the First Last Trading Date*

Following the announcement of the final results for FY2023 after the trading hours of 26 June 2023 and up to the First Last Trading Date, the closing prices of the Shares trended upwards. This may be attributable to the improvement of financial performance for FY2023. From 4 October 2023 to the Last Trading Day, the closing prices of the Shares increased sharply from HK\$0.212 per Share to HK\$0.290 per Share. We have discussed and understood from the Management that they were not aware of any other events or factors attributable to the such increase.

*Subsequent to the First Last Trading Date and up to the Second Last Trading Date*

After the trading hours of 17 October 2023, the Preliminary Announcement setting out the possible change in control of the Company and a mandatory general offer was made by the Company. Starting from the 18 October 2023, the closing prices of the Shares started significant fluctuation within the range from HK\$0.295 to HK\$0.420 per Share, which may be attributable to the speculations resulted from the Preliminary Announcement and the results announcement for 6M SEP 2023 made on 20 November 2023.

*Subsequent to the Second Last Trading Date and up to the Latest Practicable Date*

After the trading hours of 1 December 2023, the Joint Announcement setting out the terms of the Offer was made by the Company. The significant fluctuation of the closing prices of the Shares continued and had been traded within the range of HK\$0.295 to HK\$0.390 per Share, which may be attributable to the speculations resulted from the Joint Announcement.

*Section summary*

During the one-year period prior to and including the date of the Preliminary Announcement, being a period without the possible effect from the announcement of the Offer, the closing prices of the Share had consistently traded at a discount to the Offer Price with an average of approximately HK\$0.208 per Share, representing a discount of approximately 30.65% to the Offer Price. For reference purpose, the average closing prices per Share from 17 October 2022 to and including the Second Last Trading Day is approximately HK\$0.225 per Share,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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representing a discount of approximately 25.11% to the Offer Price. Therefore, from the perspective of the historical market trading price performance of the Shares, we are of the view that the Offer Price is fair and reasonable.

We note the recent surge in prices of Shares after the issuance of the Preliminary Announcement. We are not aware of any events or factors (such as material improvements in operating performance, financial and trading positions or outlook of the Group) during this period of price surge that would potentially alter the intrinsic value of the Shares and support this price surge.

#### **4. Historical trading liquidity of the Shares**

We have conducted a review on the trading liquidity of the Shares, and set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares during the one-year period prior to and including the date of the Preliminary Announcement (the “**Liquidity Review Period**”) as compared to the total number of issued Shares as at the end of the relevant month and the total number of the Shares held by public Shareholders as at the end of the relevant month. We are of the view that the trading liquidity of the Shares during the Liquidity Review Period can sufficiently reflect the market trading of the Shares without the possible effect from the announcement of the Offer. Similar analysis for the period from 17 October 2023 to the Latest Practicable Date is also presented for the Offer Shareholders’ information.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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<b>Month</b>	<b>Average daily trading volume <i>Shares</i></b>	<b>Approximate % of average daily trading volume to total issued Shares as at the end of the relevant month/period <i>(%)</i></b>	<b>Approximate % of average daily trading volume to total number of Shares held by public Shareholders as at the end of the relevant month/period <i>(%)</i></b>
<b>From 17 October 2022 to and including the First Last Trading Day 2022</b>			
October (starting from 17 October)	26,545	0.0044	0.0177
November	27,636	0.0046	0.0184
December	45,600	0.0076	0.0304
<b>2023</b>			
January	75,111	0.0125	0.0501
February	359,800	0.0600	0.2399
March	89,043	0.0148	0.0594
April	45,412	0.0076	0.0303
May	12,190	0.0020	0.0081
June	19,238	0.0032	0.0128
July	8,200	0.0014	0.0055
August	26,783	0.0045	0.0179
September	13,895	0.0023	0.0093
October (up to and including the First Last Trading Day, 16 October)	163,600	0.0273	0.1091
<b>Average</b>	<b>67,429</b>	<b>0.0112</b>	<b>0.0450</b>
<b>Subsequent to the First Last Trading Day and up to the Last Practicable Date 2023</b>			
October (starting from 17 October to 31 October)	2,291,200	0.3819	1.5275
November	447,818	0.0746	0.2985
December	915,789	0.1526	0.6105
<b>2024</b>			
January	104,545	0.0174	0.0697
February (up to the Latest Practicable Date)	412,000	0.0687	0.2747
<b>Average</b>	<b>702,753</b>	<b>0.1171</b>	<b>0.4685</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the table above, the average daily trading liquidity of the Shares was low during the Liquidity Review Period, ranging from approximately 0.0014% to 0.0600% of the Group's total issued share capital as at the end of the relevant month/period, and approximately 0.0055% to 0.2399% of the total number of Shares held by public Shareholders as at the end of the relevant month/period. Such liquidity would suggest that any sale of large number of Shares on the market over a short period of time may be difficult without exerting downward pressure on the price of the Shares.

Subsequent to the First Last Trading Day and up to the Latest Practicable Date, we noted that the average daily trading liquidity of the Shares increased to approximately 0.1171% of the Group's total issued share capital as at the end of the relevant month/period and approximately 0.4685% of the total number of Shares held by the public Shareholders as at the end of the relevant month/period. We believe such increase in liquidity is likely related to the Preliminary Announcement and the Joint Announcement relating to the Offer, and such high level of trading liquidity may or may not be able to sustain during and/or after the Offer Period.

In light of the thin trading liquidity of the Shares during the Liquidity Review Period, which was not affected by the Offer, the Offer provides an assured opportunity for the Offer Shareholders to realise their investment in the Company for cash at the fixed Offer Price regardless of the number of Shares they hold.

### 5. Market comparables

For market comparable analysis, we have identified listed companies on the Stock Exchange engaging in similar business of the Group with a similar scale (the "**Comparable Companies**"). In selection of the comparable companies, our selection criteria focused on the company that (i) are listed on the Main Board of the Stock Exchange; (ii) are principally engaged in manufacturing of metal and plastic products using moulds; (iii) has a market capitalisation as at the First Last Trading Day relatively similar to the implied market capitalisation of the Company based on the Offer Price (i.e. not exceeding HK\$1 billion); and (iv) the trading of its shares was not suspended as at the First Last Trading Day.

For our market comparable analysis, we have used price-to-earnings ratio ("**P/E Ratio**") and Price-to-book ratio ("**P/B Ratio**"), both commonly adopted parameters in assessing a company's value, to assess whether or not the Offer Price is fair and reasonable against the Comparables Companies.

The list of Comparable Companies below was selected based on the above criteria and have been identified through our research based on information on the website of the Stock Exchange and is an exhaustive list based on our selection criteria.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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<b>Company</b>	<b>Stock code</b>	<b>Principal business</b>	<b>Market capitalisation as at the First Last Trading Day</b> <i>(Note 1)</i> <i>(HK\$ million)</i>	<b>P/E Ratio</b> <i>(Note 2)</i> <i>(Times)</i>	<b>P/B Ratio</b> <i>(Note 3)</i> <i>(Times)</i>
Yusei Holdings Ltd.	96	The design, manufacture and trading of moulds and plastic components; plastic components assembling and processing services	350	5.8	0.4
Cosmos Machinery Enterprises Ltd.	118	The manufacture of industrial and machinery products	198	8.1	0.2
K & P International Holdings Limited	675	Precision parts and components businesses. Segments include: (i) precision parts and components segment; (ii) consumer electronic products segment; and (iii) corporate and other segment.	99	N/A (No profit)	0.3
Ka Shui International Holdings Limited	822	Plastic businesses divided into five segments: (i) plastic segment: plastic injection products manufacture and sale business; (ii) Magnesium Alloy Die Casting segment: the die casting of magnesium alloy; (iii) Aluminum Alloy Die Casting segment: die casting of aluminum alloy; (iv) Zinc Alloy Die Casting segment: the die casting of zinc alloy; and (v) Others segment: trading of lighting products, production of smart home products and provision of motor vehicle sales and repairing business.	362	4.8	0.3
IPE Group Ltd.	929	The manufacture and sales of precision metal components	526	60.5 <i>(Note 4)</i>	0.3 <i>(Note 4)</i>
V.S International Group Ltd.	1002	The manufacture and sale of plastic molded products and parts; the assembling and sale of electronic products; the manufacturing and sales of plastic injection moulds	233	N/A (No profit)	0.8
			Maximum	8.1	0.8
			Minimum	4.8	0.2
			Average	6.2	0.4
			Median	5.8	0.3
<b>The Company</b>	3816	The manufacturing and sale of metal stamping products	180 <i>(Note 5)</i>	7.9 <i>(Note 5)</i>	0.3 <i>(Note 5)</i>

*Source: The websites of the Stock Exchange*

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*Notes:*

1. Market capitalisation was calculated based on the closing share price as at the First Last Trading Day and the number of shares in issue on the latest available monthly return on movements in securities of the respective company.
2. P/E Ratio was calculated based on the respective market capitalisation divided by their respective latest profit after tax attributable to the owners of the respective company or, if no non-controlling interests, profit after tax reported in the respective companies' latest published annual report or annual results announcement.
3. The P/B Ratio was calculated based on the respective market capitalisation divided by their respective latest available net assets minus non-controlling interests or, if no non-controlling interest, net assets reported in the respective companies' latest published annual/interim report or annual/interim results announcement.
4. We consider the P/E Ratio of IPE Group Ltd. an outlier and excluded it from the analysis due its unreasonably extraordinarily high trading P/E Ratio.
5. The implied market capitalisation of the Company was calculated based on the Offer Price and the number of issued Shares as at the First Last Trading Day. The implied P/E Ratio of the Company was calculated based on the implied market capitalisation divided by the Group's profit after tax published in the 2023 Annual Report. The implied P/B Ratio of the Company was calculated based on the implied market capitalisation divided by the Group's net assets published in the 2023 Interim Report. For illustrative purpose, by using the illustrative unaudited net assets of the Group of approximately HK\$619.7 million upon completion of the transaction contemplated under the KPST SPA, the implied P/B Ratio of the Company would remain the same at approximately 0.3 times.

### **5.1 P/E Ratio**

The P/E Ratios of the Comparable Companies ranged from approximately 4.8 times to 8.1 times. The implied P/E Ratio of the Group based on the Offer Price is approximately 7.9 times, which is within the range, higher than the average of 6.2 times and the median of 5.8 times of the Comparable Companies. Such finding suggested that the implied valuation of the Company based on the Offer Price is higher than the average and median of the valuation of the Comparable Companies as at the First Last Trading Day from the perspective of P/E Ratio. Therefore, we are of the view that the Offer Price is fair and reasonable from the perspective of market comparable analysis using P/E Ratio.

### **5.2 P/B Ratio**

The P/B Ratios of the Comparable Companies ranged from approximately 0.2 times to 0.8 times. The implied P/B Ratio of the Group based on the Offer Price is approximately 0.3 times, which is within the range of the Comparable Companies, lower than the average of 0.4 times and similar to the median of 0.3 times of the Comparable Companies. With regards to such trading multiples of the Comparable Companies, we noted that for those profit-making Comparable Companies, the average P/B Ratio is 0.3 times, which is akin to the P/B Ratio of the Company based on the Offer Price. Such finding suggested that the implied valuation of the Company based on the Offer Price is close to the average and median of the valuation of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Comparable Companies from the perspective of P/B Ratio. Therefore, we are of the view that the Offer Price is fair and reasonable from the perspective of market comparable analysis using P/B Ratio.

### RECOMMENDATION

In summary, in relation to the Offer, we have considered the following factors and reasons in reaching our conclusion and recommendation:

- (i) there remains uncertainty as to the business outlook and operating performance of the Group in the short term from the persistent impact of deglobalisation, high interest rates and the escalating tensions between major powers and increasing costs. Financial performance of the Group had been fluctuating in the past three years mainly due to the disposal of the then loss-making metal lathing business. Based on our discussion with the Management, Offer Shareholders should note the seasonality factor attributable to the Group's interim results. The fact that the net profits for 6M SEP 2023 exceeded the profit for the year from continuing operations for FY2023 may not be an indication of potential improvement of the Group's operating results for the year ending 31 March 2024. As reference, the net profits for 6M SEP 2022 also exceeded the profits for the year from continuing operations for FY2022, which was partially due to seasonality factor;
- (ii) the average closing prices per Share during the one-year period prior to and including the date of the Preliminary Announcement, being a period without the possible effect from the announcement of the Offer, is approximately HK\$0.208 per Share, representing a discount of approximately 30.65% to the Offer Price, from the perspective of the historical market trading price performance of the Shares, we are of the view that the Offer Price is fair and reasonable;
- (iii) in light of the low trading liquidity of the Shares during the Liquidity Review Period, the Offer provides an assured opportunity for the Offer Shareholders to realise their investment in the Company for cash at the fixed Offer Price regardless of the number of Shares they hold; and
- (iv) from the perspective of market comparable analysis, given that (a) the implied P/E Ratio of the Company is higher than the average and median of those of the Comparable Companies; and (b) the implied P/B Ratio of the Company is close to the average and is as akin to the median of those of the Comparable Companies, we are of the view that the Offer Price is fair and reasonable.

In light of the above, we consider the terms of the Offer are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders to accept the Offer.

As the closing price of the Shares was above the Offer Price at the Latest Practicable Date, Offer Shareholders who have decided to realise their investments in the Shares can, to the extent possible, dispose of their Shares on market if the market price is above the Offer Price.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Offer Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period for acceptance and should, having regard to their own circumstances and investment objectives, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than the receivable under the Offer.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Responsible Officer*

**Leo Tam**  
*Responsible Officer*

*Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over nine years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

*To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which form part of the terms of the Offer.*

## 1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, by post or by hand, marked “**KFM Kingdom Holdings Limited — Cash Offer**” on the envelope, as soon as possible and in any event not later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and the Offeror and the Company may jointly announce with the permission of the Executive in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:
  - (1) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked “**KFM Kingdom Holdings Limited — Cash Offer**” the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (2) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**KFM Kingdom Holdings Limited — Cash Offer**” the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (3) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (4) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be duly completed and signed and delivered in an envelope marked **"KFM Kingdom Holdings Limited — Cash Offer"** to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked **"KFM Kingdom Holdings Limited — Cash Offer"** to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of Head & Shoulders Securities and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and the Offeror and the Company may jointly announce with the permission of the Executive in accordance with the Takeovers Code and the Registrar has recorded that the Form of Acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (1) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (2) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraph of this paragraph (e)); or
  - (3) certified by the Registrar or the Stock Exchange. If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.
- (f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Offer Shareholders at a rate of 0.10% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Offer Shareholders accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Offer Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.
- (g) If the Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event no later than 7 (seven) Business Days after the Offer is withdrawn or lapses, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to, or make such document(s) available for collection by, the relevant Offer Shareholder(s).

- (h) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## **2. SETTLEMENT**

- (a) Provided that a valid Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each accepting Shareholder, less the seller's ad valorem stamp duty payable by him/her/it, will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event no later than seven (7) Business Days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid and in accordance with the Takeovers Code.
- (b) Settlement of the consideration to which any Shareholders are entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholders.

## **3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Offer has previously been revised or extended with the consent of the Executive, all acceptances of the Offer must be received by the Registrar (as regards the Offer) by 4:00 p.m. on Friday, 1 March 2024, being the Closing Date. The Offer is unconditional.
- (b) The Offer, if revised/extended, will be done as the Offeror may determine in accordance with the Takeovers Code (or permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any revision or extension of the Offer, which will state the next closing date or that the revised Offer will remain open until further notice and at least 14 days' notice in writing must be given to those Shareholders who have not accepted the Offer before the Offer is closed and an announcement must be published. If the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. If the Offer is extended or revised, the announcement of such extension or revision will state the revised Closing Date. If the Offer is revised, the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the revised Composite Document to the Shareholders. If the Closing Date is extended, any reference in the Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

- (c) The Offeror may introduce new condition(s) to be attached to revised Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised Offer and subject to the consent of the Executive in accordance with the Takeovers Code.
- (d) If there is (i) a tropical cyclone warning signal number 8 or above; (ii) a “black” rainstorm warning signal; or (iii) “extreme conditions” caused by super typhoons: (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Closing Date, the latest time and date for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Closing Date, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

#### **4. NOMINEE REGISTRATION**

To ensure equality of treatment of all Offer Shareholders, those registered Offer Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

#### **5. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on Friday, 1 March 2024 (or such later time and/or date as the Executive may in exceptional circumstances permit) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Offer. The Offeror must post an announcement on the Stock Exchange’s website by 7:00 p.m. on the Closing Date stating, among others, information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised or extended, or has expired. The announcement must state the total number of Shares and rights over Shares:
  - (1) for which acceptances of the Offer has been received;
  - (2) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
  - (3) acquired or agreed to be acquired during the Offer Period by the Offeror or persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have

been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that have been received by the Registrar no later than 4:00 p.m. on the Closing Date shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

## **6. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offer tendered by any Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “5. Announcements” above, as set out in Rule 19.2 of the Takeovers Code, the Executive may require that the Offer Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.

In such case, if the Offer Shareholders withdraw their acceptances, the Offeror shall, as soon as possible but in any event no later than 7 (seven) Business Days after receipt of the notice of withdrawal, despatch the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to, or make such document(s) available for collection by, the relevant Offer Shareholders.

## **7. GENERAL**

- (a) All communications, notices, Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Offer Shareholders will be delivered by or sent to or from them, or their designated agents by post at their own risk, and the Offeror, its ultimate beneficial owners and parties acting in concert with any of them, the Company, Head & Shoulders Securities, Merdeka Corporate Finance, the Independent Financial Adviser, the Registrar or the company secretary of the Company, any of their respective directors and professional advisers and any other parties involved in the Offer and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Head & Shoulders Securities and/or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Shares under the Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made.
- (g) References to the Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.
- (i) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.

- (j) In making their decision, the Offer Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owners, the Company, Head & Shoulders Securities, Merdeka Corporate Finance or the Independent Financial Adviser or their respective professional advisers. The Offer Shareholders should consult their own professional advisers for professional advice.
- (k) The Offeror must, as soon as possible but in any event no later than when the consideration is paid for by the Offeror, despatch the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) representing the untaken or untendered Shares to, or make such document(s) available for collection by, the relevant Offer Shareholder(s) who accepted the Offer.
- (l) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

## 1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 March 2021, 2022 and 2023; and (ii) the unaudited financial results of the Group for the six months ended 30 September 2023 as extracted from the published financial statements of the Group for the relevant years/period.

	Year ended 31 March			Six months ended 30 September	
	2021	2022	2023	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	406,340	612,190	605,101	343,073	314,091
Profit before income tax	10,932	18,578	27,735	39,550	35,682
Income tax expenses	<u>(1,815)</u>	<u>(5,247)</u>	<u>(5,069)</u>	<u>(6,597)</u>	<u>(6,252)</u>
Profit for the year/ period	<u>9,117</u>	<u>13,331</u>	<u>22,666</u>	<u>32,953</u>	<u>29,430</u>
Profit for the year/ period attributable to:					
— Equity holders of the Company	9,117	13,331	22,666	32,953	29,430
— Non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings per share for profit attributable to equity holders of the Company					
— Basic and diluted (HK cents)	<u>1.52</u>	<u>2.22</u>	<u>3.78</u>	<u>5.49</u>	<u>4.91</u>

*Note:* All above figures regarding the three financial years ended 31 March 2021, 2022 and 2023 derived from continuing operations.

No dividend was paid or proposed for each of the three financial years ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2023, nor has any dividend has proposed since 30 September 2023.

The auditors' reports issued by the Company's auditors, being SHINEWING (HK) CPA LIMITED, in respect of each of the three financial years ended 31 March 2021, 2022 and 2023 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Save as disclosed above, there are no other items of income or expense or non-controlling interests which are material for each of the three financial years ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2023.

## 2. FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2021 (the “**2021 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2022 (the “**2022 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2023 (the “**2023 Financial Statements**”); and (iv) the unaudited consolidated financial statements of the Group for the year ended 30 September 2023 (the “**Interim Financial Statements**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2021 Financial Statements are set out on pages 45 to 118 of the annual report of the Company for the year ended 31 March 2021, please refer to a direct link thereto as follows:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0721/2021072100438.pdf>

The 2022 Financial Statements are set out on pages 57 to 130 of the annual report of the Company for the year ended 31 March 2022, please refer to a direct link thereto as follows:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0722/2022072200460.pdf>

The 2023 Financial Statements are set out on pages 55 to 122 of the annual report of the Company for the year ended 31 March 2023, please refer to a direct link thereto as follows:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0721/2023072100397.pdf>

The Interim Financial Statements are set out on pages 21 to 54 of the interim report of the Company for the six months ended 30 September 2023, please refer to a direct link thereto as follows:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1221/2023122100545.pdf>

The 2021 Financial Statements, the 2022 Financial Statements, the 2023 Financial Statements and the Interim Financial Statements (but not any other part of the respective annual report and interim report) are incorporated by reference into this Composite Document and form part of this Composite Document.

### 3. INDEBTEDNESS

#### Borrowings

As of the close of business on 31 December 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the indebtedness of the Group was as follows:

	<b>As at 31 December 2023</b> <i>(HK\$'000)</i>
Short-term bank borrowings, unsecured	38,500
Lease Liabilities	<u>77,544</u>
<b>Total</b>	<b><u>116,044</u></b>

Save as aforesaid and apart from intra-group liabilities, and normal trade payables, the Group did not, as at 31 December 2023, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other material contingent liabilities.

### 4. MATERIAL CHANGE

The Directors confirm that save and except for the following information, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

1. as disclosed in the interim report of the Company for the six months ended 30 September 2023, the Group recorded (i) revenue and net profits of approximately HK\$314.1 million and HK\$29.4 million for the six months ended 30 September 2023, representing a decrease of approximately 8.5% and 10.7% respectively as compared to those for the six months ended 30 September 2022; (ii) an enhanced gross profit margin of approximately 21.3% for the six months ended 30 September 2023 as compared to a gross profit margin of approximately 17.1% for the year ended 31 March 2023, which was due to the Group's enhanced productive efficiency and reduced number of employees; and (iii) additions of plant and equipment of approximately HK\$23.0 million; and

2. the Company had acquired 70% of the entire issued share capital of Kingdom Precision Science and Technology Holding Limited at a consideration of HK\$168.0 million. Such transaction was approved by the independent Shareholders of the Company at the extraordinary general meeting on 31 January 2024 and completed on 5 February 2024.

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this Composite Document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interest to be acquired by the Company as at 31 December 2023.*



27th Floor  
One Island East  
Taikoo Place  
18 Westlands Road  
Quarry Bay  
Hong Kong

9 February 2024

The Board of Directors  
KFM Kingdom Holdings Limited  
Workshop C, 31/F, TML Tower  
3 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

Dear Sirs,

#### **INSTRUCTIONS, PURPOSE & VALUATION DATE**

In accordance with the instructions from KFM Kingdom Holdings Limited (the “**Company**”) for us to value the target property to be acquired by the Company or its subsidiaries (hereinafter together referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have inspected the property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property as at 31 December 2023 (the “**Valuation Date**”).

#### **BASIS OF VALUATION**

Our valuation of the property represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors (the “**HKIS**”) is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We confirm that the valuation is undertaken in accordance with the HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors.

Our valuation of the property is on an entirely interest basis.

In valuing the property, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”); Practice Note 12 of the Listing Rules and Rule 11 of The Code on Takeovers and Mergers published by the Securities and Futures Commission.

### VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation, we have obtained and relied on the information and advice and the legal opinion given by the Company’s PRC legal adviser, Allbright Law Offices (上海市錦天城(蘇州)律師事務所), regarding the titles to the property and the interests of the Company to be held in the property in the PRC. Unless otherwise stated in the legal opinion, in valuing the property, we have assumed that the owner of the property has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

### METHOD OF VALUATION

The selection principle of valuation method is reliant upon market dynamics (nature and availability of market-derived data/comparables and the circumstances relating to the market for the asset) prevailing as at the Valuation Date. As market conditions change, it may become necessary to change to a more suitable model(s) or to modify the previous model.

Market Comparison Method is the best valuation method when there is sufficient relevant evidence to show the price levels that buyers are willing to pay for similar properties in the market.

However, when there is little relevant sales evidence, in particular at an early stage of property development, other methods such as cost approach may be used.

The Suzhou industrial property market has been developing for some years and has now become relatively more mature with readily available sales transactions to justify the use of Market Comparison Method this time.

Market Comparison Method involves more market-driven inputs to fairly and reasonably reflect the market value of a property whilst cost approach is less market-driven and thus not used.

Market Comparison Method is appropriate to reflect a fair and reasonable value of the property in this valuation, and such method is in line with industry practice.

In valuing the property, we have used Market Comparison Method assuming sale of the property in its existing state by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, size and other relevant factors. This method is in line with the market practice.

Key assumptions adopted in Market Comparison Method for the property:

Use	Unit Market Value <i>RMB/sq m</i>
Industrial	RMB4,300

We have examined current industrial transactions and our search was based on similar type of industrial properties traded recently in the vicinity of the subject property.

In the course of our valuation, we have considered the differences between the subject property and the comparable properties in terms of various factors and accordingly made due adjustments, including but not limited to the transaction status, location and environment, size, etc. If the comparable is similar to the subject property, no adjustment is necessary. However, if the subject property is inferior to the comparable property, downward adjustment would be made in order to derive the lower unit rate of the subject property. Likewise, if the subject property is superior to the comparable property, upward adjustment would be made.

#### SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, orders, easements, tenure, lettings, licences, particulars of occupancy, identification of land and building, site and floor plans, site and floor areas, number of parking spaces and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason

to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

### **TITLE INVESTIGATION**

We have been provided with extracts of documents relating to the property in the PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the property and we have therefore relied on the advice given by the Company and the advice in the legal opinion given by the Company's legal adviser, Allbright Law Offices, regarding the interests of the Company to be held in the property in the PRC.

### **SITE INSPECTION**

Ms. Liz Xu (Chongqing University Master Degree in Finance), Valuer of our Suzhou Office, inspected the exterior and, wherever possible, the interior of the property on 19 September 2023. She has about 3 years' experience in property valuation in the PRC. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

### **POTENTIAL TAX LIABILITIES**

As advised by the Company, the potential tax liabilities which would arise on the direct disposal of the property held by the Group at the amounts valued by us mainly comprise the following:

- Enterprise income tax at 25% on the gain.
- Land appreciation tax at progressive rates from 30% to 60% on the appreciation of property value.

We would point out that the above-said potential tax liabilities only represent our general understanding for your reference. We would therefore advise you to consult tax adviser regarding the precise execution of the tax matters.

As confirmed by the Group, the property is intended to be held either for investment or owner-occupation. Therefore, the likelihood of the relevant tax liabilities being crystallised is remote as the Group has no plan for disposal of the property yet.

According to our established practice, in the course of our valuations, we have neither verified nor taken into account such tax liabilities. The precise tax implication will be subject to prevailing rules and regulations at the time of disposal.

**CURRENCY**

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (“**RMB**”), the official currency of the PRC.

**OTHER DISCLOSURE**

We hereby confirm that Cushman & Wakefield Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

We enclose herewith our valuation report for your attention.

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**  
**Grace Lam**  
*MRICS, MHKIS, RPS (GP)*  
*Senior Director*

Valuation & Advisory Services Greater China

*Note:* Ms. Grace Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

## VALUATION REPORT

## Property to be acquired by the Group for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2023								
Factory Phases I, II and III at No. 881 Jinshan South Road, High-Tech District, Suzhou City, Jiangsu Province, the PRC	The property comprises factories with phases I and II completed in about 2015 (with approximate age of eight years) and phase III completed in about 2022 (with approximate age of one year), which were all erected upon a parcel of industrial land with a total site area of 52,000 square-metres ("sq m").	As at the Valuation Date, the entire property was subject to a single tenancy for a term of 6 years from 1 November 2021 to 31 October 2027 at total monthly rent of approximately RMB1,389,000, exclusive of building management fee and value-added tax.	RMB252,000,000 (equivalent to approximately HK\$277,200,000)  (RENMINBI TWO HUNDRED FIFTY TWO MILLION)								
(中華人民共和國，江蘇省，蘇州市，高新區金山南路881號廠房一、二及三期)	The property is located at Jinshan Road South and Xiangjiang Road West, within High-Tech District in Suzhou City.		(EQUIVALENT TO APPROXIMATELY HONG KONG DOLLARS TWO HUNDRED SEVENTY SEVEN MILLION TWO HUNDRED THOUSAND)								
	The total gross floor area ("GFA") of the property is 58,694.72 sq m. The details are as follows:										
	<table border="1"> <thead> <tr> <th>Phase</th> <th>Permitted GFA (sq m)</th> </tr> </thead> <tbody> <tr> <td>I and II</td> <td>48,496.64</td> </tr> <tr> <td>III</td> <td><u>10,198.08</u></td> </tr> <tr> <td><b>Total</b></td> <td><b><u>58,694.72</u></b></td> </tr> </tbody> </table>	Phase	Permitted GFA (sq m)	I and II	48,496.64	III	<u>10,198.08</u>	<b>Total</b>	<b><u>58,694.72</u></b>		(Exchange rate of 1RMB = 1.10HK\$ between RMB and HK\$ as of the Valuation Date is based on The People's Bank of China provided by the Company)
Phase	Permitted GFA (sq m)										
I and II	48,496.64										
III	<u>10,198.08</u>										
<b>Total</b>	<b><u>58,694.72</u></b>										
	The land use rights of the property have been granted for a term due to expire on 2 May 2063 for industrial use.										

## Notes:

- According to Certificate of State-owned Land Use Rights No. (2013) 006838 issued by the Suzhou Municipal Government (蘇州市人民政府) on 20 June 2013, the land use rights of the property comprising an attributable site area of 52,000 sq m have been vested in Kingdom Precision Science and Technology (Suzhou) Company Limited, i.e. a subsidiary of Kingdom Precision Science and Technology Holding Limited (the Target Company), for a term due to expire on 2 May 2063 for industrial use.
- According to Certificate of Real Estate Ownership No. (2017) 5070645 issued by the Suzhou Land and Resources Bureau (蘇州市國土資源局) on 20 September 2017, the real estate ownership of portions of the property comprising a parcel of land with total site area of 52,000 sq m and a total gross floor area of 48,496.64 sq m has been vested in Kingdom Precision Science and Technology (Suzhou) Company Limited for a term due to expire on 2 May 2063 for industrial use.
- According to Construction Permit for Construction Works No. (320505202104150401) issued to Kingdom Precision Science and Technology (Suzhou) Company Limited on 15 April 2021, the construction works of the factory phase III with a total gross floor area of 10,198.08 sq m was permitted for construction.

- (4) According to the Construction Works Completion Examination Form dated 18 August 2022, the construction works of the factory phase III with a total gross floor area of 10,198.08 sq m was completed.
- (5) According to Business Licence No. 1613801 (320512400000798) dated 20 December 2013, Kingdom Precision Science and Technology (Suzhou) Company Limited was established as a limited company on 14 January 2013 with a registered capital of USD20 million for a valid operating period from 14 January 2013 to 13 January 2033.
- (6) We have been provided with a legal opinion on the title of the property issued by the Company's PRC legal adviser, Allbright Law Offices, which contains, inter-alia, the following information:
- (a) Kingdom Precision Science and Technology (Suzhou) Company Limited has obtained the real estate ownership as recorded in Real Estate Ownership No. (2017) 5070645 issued by the Suzhou Land and Resources Bureau;
- (b) According to Contract Suzhongxin Mortgage No. (2023) 349 (2023蘇中新貸字第349號), the land use rights together with the building ownership are subject to a mortgage by Kingdom Precision Science and Technology (Suzhou) Company Limited in favour of Bank of China Limited, Suzhou High-tech Industrial Development Zone Branch (中國銀行股份有限公司蘇州高新技術產業開發區支行);
- (c) Apart from the mortgages disclosed in this legal opinion, there are no ownership disputes or uncertainties regarding ownership for Kingdom Precision Science and Technology (Suzhou) Company Limited in the exercise of the aforementioned property rights; and
- (d) Phase III factory construction project has been granted the necessary approvals or permits from the relevant authorities and the final acceptance inspection has been completed. The establishment of property rights for the phase III factory is pending registration in accordance with legal requirements, and its effectiveness will occur upon registration in the real estate register.
- (7) The status of title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:
- |  |                       |
|--|-----------------------|
| Certificate of State-owned Land Use Rights     | Yes                   |
| Certificate of Real Estate Ownership           | Yes (Phases I and II) |
| Construction Permit for Construction Works     | Yes (Phase III)       |
| Construction Works Completion Examination Form | Yes (Phase III)       |
| Business Licence                               | Yes                   |
- (8) In valuing the market value of the property, Market Comparison Method is adopted. We have made reference to relevant sales comparables which are selected based on the following criteria:
- (a) land use — comparables of industrial use;
- (b) time — comparables transacted since second half of 2022;
- (c) location — comparables of similar accessibility as the property within radial distance of 50 kilometres; and
- (d) size — floor area of comparables within 30,000–70,000 sq m.

We have identified two relevant transaction comparables. The unit values of the identified comparables range from about RMB4,349/sq m to RMB4,525/sq m. We have also made reference to recent asking comparable cases in the vicinity and identified one relevant asking comparable. The asking unit value of the identified comparable, located at Longziwan Road with a floor area of 35,000 sq m, is RMB4,570/sq m. Details of the transaction comparables considered are listed below:

No.	Location	Transaction Time	Floor Area (sq m)	Land Use	Unit Value (RMB/sq m)
1	Wujiang District	September 2022	47,331.70	Industrial	4,525
2	Gongyeyuan District	August 2022	60,467.52	Industrial	4,349

Our concluded unit value of the property is about RMB4,300/sq m.

The major adjustments made to arrive at our valuation, include but not limited to, are summarised below:

Adjustment	Range
Location	-5% to +2%
Size	-2% to 0

The general basis of adjustment is that if the property is better than the comparable, an upward adjustment is made. Alternatively, if the property is inferior to or less desirable than the comparable, a downward adjustment is made.

The identified comparables represent an exhaustive list based on the above-mentioned selection criteria. Adjustment details are illustrated below:

In terms of location, Comparable 1 is away from the community centre and main roadway, while the subject property is superior, thus upward adjustment is made to comparable 1. Comparable 2 is located at an industrial park within proximity to the community centre, while the subject property is inferior thus downward adjustment is made to Comparable 2.

In terms of size, adjustments have been made to reflect the marketability. Usually, smaller sized properties with lower total prices have a larger market, good liquidity and are relatively easier to sell, which leads to a higher unit price. Comparable 1 is smaller in size than the subject property, thus downward adjustment is made to Comparable 1.

**1. RESPONSIBILITY STATEMENTS**

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

**2. DISCLOSURE OF INTERESTS AND DEALINGS AS REQUIRED BY THE TAKEOVERS CODE**

KIG Real Estate confirms that, as at the Latest Practicable Date:

- (1) save for the 449,999,012 Shares (representing approximately 75.0% of the total issued share capital of the Company) currently owned by KIG Real Estate and its ultimate beneficial owners, together with parties acting in concert with any of them, including KIG Concert Parties, neither KIG Real Estate nor any person acting in concert with it owned or had control or direction over any voting rights or rights over the Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities in the Company, or hold any relevant securities in the Company;
- (2) save for MF Sale Shares, KIG Real Estate and its ultimate beneficial owners, together with parties acting in concert with any of them, including KIG Concert Parties, had not dealt with for value any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (3) save for the 449,999,012 Shares (representing approximately 75.0% of the total issued share capital of the Company) currently owned by KIG Real Estate and its ultimate beneficial owners, together with parties acting in concert with any of them, including KIG Concert Parties, the sole director of KIG Real Estate (i.e. Mr. Peter Sun) was not interested in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities in the Company, or hold any relevant securities in the Company;
- (4) save for the MF SPA, the KPST SPA, the H&S Facilities and the Shareholders SPA Loan and the arrangement involving the Deposit Shares under the H&S Offer Facility, in which KIG Real Estate, being the holder of 449,999,012 Shares (representing approximately 75.0% of the total issued share capital of the Company) was interested in, there were no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between KIG Real Estate or KIG Concert Parties or associates of KIG Real Estate and any other person;

- (5) there were no Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which KIG Real Estate, its ultimate beneficial owners and the parties acting concert with any of them have borrowed or lent;
- (6) neither KIG Real Estate nor any person acting in concert with it had received any irrevocable commitment to accept or reject the Offer;
- (7) save for the consideration paid by KIG Real Estate to the Vendor under the MF SPA, there is no consideration, compensation or benefit in whatever form paid or to be paid by KIG Real Estate, its ultimate beneficial owners or any parties acting in concert with any one of them to the Vendor (or any parties acting in concert with it) in connection with the sale and purchase of the MF Sale Shares;
- (8) save for the MF SPA, there was no understanding, arrangement, agreement or special deal (under Rule 25 of the Takeovers Code) between KIG Real Estate, its ultimate beneficial owners or any parties acting in concert with any of them on one hand, and the Vendor or any parties acting in concert with it on the other hand;
- (9) save for the transaction contemplated under the KPST SPA and the MF Share Sale, there was no understanding, arrangement, agreement or special deal (under Rule 25 of the Takeovers Code) between (a) any Shareholders on the one hand; and (b) KIG Real Estate, its ultimate beneficial owners or any parties acting in concert with any of them on the other hand;
- (10) there was no understanding, arrangement, agreement or special deal (under Rule 25 of the Takeovers Code) between KIG Real Estate, its ultimate beneficial owners or any parties acting in concert with any of them on the one hand, and the parties who will tender their shareholding interests in the Company for acceptance under the Offer on the other hand;
- (11) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror and the parties acting concert with it on the one hand, and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer on the other hand;
- (12) there was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offer;
- (13) none of KIG Real Estate or parties acting in concert with it had any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and

(14) save for the arrangement involving the Deposit Shares under the H&S Offer Facility, there was no agreement, arrangement or understanding that the Offer Shares acquired pursuant to the Offer would be transferred, charged or pledged to any other persons.

### 3. MARKET PRICE

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) 16 October 2023, being the last Business Day immediately preceding the date of the Preliminary Announcement and the First Last Trading Day; and (iii) the Latest Practicable Date on which trading of the Shares took place:

Date	Closing price of Shares (HK\$)
28 April 2023	0.209
31 May 2023	0.229
30 June 2023	0.205
31 July 2023	0.195
31 August 2023	0.212
29 September 2023	0.232
16 October 2023 <i>(being the last Business Day immediately preceding the date of the Preliminary Announcement and the First Last Trading Day)</i>	0.290
31 October 2023	0.310
30 November 2023 <i>(being the last Business Day immediately preceding the date of the Joint Announcement)</i>	0.395
29 December 2023	0.350
31 January 2024	0.320
6 February 2024 <i>(being the Latest Practicable Date)</i>	0.365

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.420 per Share on 13 November 2023 and HK\$0.184 per Share on 18 August 2023 and 21 August 2023, respectively.

**4. QUALIFICATION AND CONSENT OF PROFESSIONAL ADVISERS**

The followings are the names and the qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Merdeka Corporate Finance	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Head & Shoulders Securities	a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO

Each of experts mentioned above has given and has not withdrawn their respective written consents to the issue of this Composite Document with the inclusion herein of their respective letters, opinions or advice (as the case may be) and references to their names and logos in the form and context in which they respectively appear.

**5. MISCELLANEOUS**

- (1) The registered office of KIG Real Estate is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (2) The sole director of KIG Real Estate is Mr. Peter Sun. The correspondence address of each of KIG Real Estate and Mr. Peter Sun in Hong Kong is located at Flat 3, 10/F., Block A, Yee Lim Industrial Centre, 2–28 Kwai Lok Street, Kwai Chung, New Territories, Hong Kong.
- (3) KIG Real Estate is owned by Mr. Peter Sun, Mr. Wong, Mr. Yau, Mr. Yung, Mr. Lam Kin Shun, Mr. Chan Lin On, Mr. Yeung Man Chiu, Mr. Suen Fai Chuen Alan (younger brother of Mr. Peter Sun) and Sunny Nova Limited (which is beneficially wholly-owned by Mr. He Lin, an employee of the Group, the nephew-in-law of Mr. Peter Sun and Mr. Suen Fai Chuen Alan) as to approximately 45.4%, 12.6%, 12.6%, 9.2%, 5.4%, 6.2%, 3.2%, 1.4% and 4.0%, respectively.
- (4) Head & Shoulders Securities is making the Offer for and on behalf of the Offeror. The principal place of business of Head & Shoulders Securities is at 28/F, Queen's Road Centre, 152 Queen's Road Central, Hong Kong.
- (5) Merdeka Corporate Finance is the financial adviser to the Offeror in respect of the Offer. The principal place of business of Merdeka Corporate Finance is at Room 1108–1110, 11/F, Wing On Centre, 111 Connaught Place, Central, Hong Kong.

**1. RESPONSIBILITY STATEMENTS**

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

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

*HK\$*

Authorised share capital:

<u>4,500,000,000</u>	Shares of HK\$0.1 each	<u>450,000,000</u>
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Issued and fully paid up:

<u>600,000,000</u>	Shares of HK\$0.1 each	<u>60,000,000</u>
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All issued Shares rank equally in all respect, including in particular as to dividend, voting rights and return on capital.

The Shares are listed and traded on the Main Board of the Stock Exchange. None of the Shares is listed, or dealt in, on other stock exchange, nor is any listing of or permission to deal in Shares being, or proposed to be, sought on any other stock exchange.

The Company had not issued any Shares since 31 March 2023, being the end of the last financial year of the Company, up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

**3. DISCLOSURE OF INTERESTS**

For the purpose of this paragraph 3 in this Appendix V to this Composite Document, “interested” has the same meaning as ascribed to that term in Part XV of the SFO.

**(a) Directors’ interests and chief executive’s interests**

As at the Latest Practicable Date, the interests or short positions of each Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code were as follows:

**(a) Directors’ and chief executive’s interests and short positions in Shares and underlying Shares**

<b>Name of Director</b>	<b>Name of Group member/ associated corporation</b>	<b>Capacity/ nature of interests</b>	<b>Number and class of securities</b>	<b>Interest in underlying shares of share options</b>	<b>Approximate percentage of shareholding</b>
Mr. Peter Sun	Company	Interest in controlled corporation	449,999,012 ordinary (L) (Note 2)	Nil	75.0%

*Notes:*

- The letter “L” denotes the Directors’ long position in the Shares and underlying shares of the Company or the relevant associated corporation.
- Mr. Peter Sun beneficially owned KIG Real Estate as to approximately 45.4% as at the Latest Practicable Date.

*(b) 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	4,490	45.40%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code.

**(b) Substantial Shareholders' interests**

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) who had interest 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 the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital varying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital, were as follows:

Name of Shareholder	Capacity and nature of interest	Number and class of securities	Approximate % of the issued Shares
KIG Real Estate	Beneficial owner	449,999,012 ordinary (L)	75.0%
Kwok Wing Yi	Interest of spouse (Note 2)	449,999,012 ordinary (L)	75.0%

*Notes:*

- (1) The letter “L” denotes the long position of the substantial shareholder in the Shares.
- (2) Ms. Kwok Wing Yi is the spouse of Mr. Peter Sun and is therefore deemed to be interested in the Shares interested by Mr. Peter Sun under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under the Takeovers Code or provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

**(c) Other interests**

As at the Latest Practicable Date:

- (1) the Company did not hold any relevant securities in KIG Real Estate, and save for Mr. Peter Sun and Mr. Wong being beneficially interested in approximately 45.4% and 12.6% of the total issued share capital of KIG Real Estate, none of the Directors were interested in any relevant securities in KIG Real Estate;
- (2) neither the Company nor its Directors had dealt for value in any relevant securities in KIG Real Estate during the Relevant Period;
- (3) save as disclosed in the paragraph headed “3. Disclosure of interests — (a) Directors’ interests and chief executive’s interests” above, none of the Directors was interested in any Shares, securities which carry voting rights in the Company, or any convertible securities, warrants, options or derivatives in respect of the Shares or in respect of other securities which carry voting rights in the Company;
- (4) save for the MF Sale Shares which KIG Real Estate (beneficially owned by Mr. Peter Sun as to approximately 45.4%) was the purchaser thereof, none of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period;
- (5) save for the MF Sale Shares which KIG Real Estate (beneficially owned by Mr. Peter Sun as to approximately 45.4%) was the purchaser thereof, none of the subsidiaries of the Company, pension funds of the Company or of any subsidiaries of the Company, or person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code, or person who is an associate of the

Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers), held, owned or controlled any Shares or any convertible securities, warrants, options, or derivatives in respect of any Shares and none of them had dealt for value any Shares or any convertible securities, warrants, options, or derivatives in respect of any Shares in the Company during the Relevant Period;

- (6) save for the MF SPA, the KPST SPA, the H&S Facilities, the Shareholders SPA Loan and the arrangement involving the Deposit Shares under the H&S Offer Facility, no person who had any arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code, or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code, owned or controlled any Shares, convertible securities, warrants, options, or derivatives in respect of the Shares and none of them had dealt for value in any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (7) none of the non-exempt discretionary fund managers connected with the Company owned, controlled, or managed any Shares or any convertible securities, warrants, options, or derivatives in respect of the Shares and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (8) no relevant securities in the Company were borrowed or lent by any of the Directors or by the Company or parties acting in concert with it;
- (9) save for the KPST SPA, there was no understanding, arrangement, agreement or special deal (under Rule 25 of the Takeovers Code) between (a) any Shareholders on the one hand; and (b) the Company, its subsidiaries or associated companies on the other hand;
- (10) no benefit was or would be given to any Director as compensations for loss of office or otherwise in connection with the Offer;
- (11) there was no agreement or arrangement existed between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (12) save for the KPST SPA, the MF SPA, the H&S Facilities and Shareholders SPA Loan, no material contracts had been entered into by KIG Real Estate in which any Director has a material personal interest.

**4. INDICATION AS TO ACCEPTANCE**

As the Latest Practicable Date, none of the Directors own any Offer Shares.

**5. DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

- (1) (including both continuous and fixed term contracts) had been entered into or amended during the Relevant Period;
- (2) was a continuous contract with a notice period of 12 months or more; or
- (3) was a fixed term contract with more than 12 months to run irrespective of the notice period.

**6. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

**7. MATERIAL CONTRACTS**

Save for the KPST SPA, no contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by members of the Group within the two years preceding 17 October 2023 (being the date of commencement of the Offer Period) and up to and including the Latest Practicable Date and were or might be material.

**8. CONSENTS AND QUALIFICATIONS OF PROFESSIONAL ADVISERS**

The followings are the names and the qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Altus	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Cushman & Wakefield Limited	property valuer

Each of experts mentioned above has given and has not withdrawn their respective written consents to the issue of this Composite Document with the inclusion herein of their respective letters, opinions or advice (as the case may be) and references to their names and logos in the form and context in which they respectively appear.

**9. MISCELLANEOUS**

- (1) The company secretary of the Company is Mr. Kwok For Chi, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (2) The registered office of the Company is at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The correspondence address of the Company in Hong Kong is at Workshop C, 31/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.
- (3) The correspondence address of the Independent Financial Adviser is at 21 Wing Wo Street, Central, Hong Kong.
- (4) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (5) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts.

**DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection on (i) the website of the SFC at <http://www.sfc.hk>; and (ii) the website of the Company at <http://www.kingdom.com.hk> from the date of this Composite Document up to and including the Closing Date:

- (1) the memorandum of association and the articles of association of the Company;
- (2) the memorandum and articles of association of KIG Real Estate;
- (3) the annual reports of the Company for each of the two financial years ended 31 March 2023;
- (4) the interim report of the Company for the six months ended 30 September 2023;
- (5) the letter from Head & Shoulders Securities, the text of which is set out on pages 7 to 15 of this Composite Document;
- (6) the letter from the Board, the text of which is set out on pages 16 to 21 of this Composite Document;
- (7) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this Composite Document;
- (8) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 44 of this Composite Document;
- (9) the report from the property valuer on the Factories, the text of which is set out in Appendix III to this Composite Document;
- (10) the material contract referred to under the paragraph headed “7. Material contracts” in Appendix V to this Composite Document;
- (11) the letters of consents referred to under the paragraphs headed “4. Qualification and consent of professional advisers” in Appendix IV to this Composite Document and “8. Consents and qualifications of professional advisers” in Appendix V to this Composite Document;
- (12) Shareholders SPA Loan Agreement;
- (13) H&S SPA Loan Agreement;
- (14) H&S Offer Loan Agreement; and
- (15) this Composite Document.