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KING FORCE GROUP HOLDINGS LIMITED

冠輝集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08315)

DISCLOSEABLE TRANSACTION

IN RELATION TO THE ACQUISITION OF 100% OF THE ISSUED SHARE CAPITAL OF CHINA BEI DOU COMMUNICATIONS TECHNOLOGY GROUP LIMITED AND RESUMPTION OF TRADING

THE SALE AND PURCHASE AGREEMENT

On 18 October 2016 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 100% of the issued share capital of the Target Company at the Consideration of HK\$51,170,000, which will be satisfied by the allotment and issue of the Consideration Shares at the Issue Price of HK\$0.0704 per Consideration Share.

Upon Completion, the Target Company shall become a wholly-owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

The Consideration Shares shall be allotted and issued pursuant to the General Mandate, and shall rank *pari passu* with the Shares in issue.

The Consideration Shares represent (i) approximately 11.36% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 10.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratio(s) as set out in the GEM Listing Rules in respect of the Acquisition exceed 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements under the GEM Listing Rules but is exempt from the Shareholders' approval.

Completion of the Acquisition is subject to the fulfillment (or waiver) of the conditions precedent under the Sale and Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 19 October 2016 pending release of this announcement. The Company has applied to the Stock Exchange the resumption of trading in the Shares with effect from 9:00 a.m. on 20 October 2016 following the publication of this announcement.

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 18 October 2016 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, the principal terms of which are set out as follows:—

Date

18 October 2016

Parties

Purchaser: Loyal Salute Limited, a wholly-owned subsidiary of the Company

Vendor: Mr. Zheng Gang (鄭剛)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party (as defined under the GEM Listing Rules).

The Acquisition

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, being the 100% of the issued share capital in the Target Company, subject to the terms and conditions therein.

Consideration

The Consideration for the Sale Shares is HK\$51,170,000, which shall be paid to the Vendor or its nominee(s) upon Completion by the issue and allotment of 726,846,591 Consideration Shares at the Issue Price of HK\$0.0704 per Consideration Share.

Further details of the Consideration Shares are set out in the paragraph headed “Principal terms of the Consideration Shares” below.

The Consideration of HK\$51,170,000 was agreed between the Purchaser and the Vendor after arm’s length negotiation with reference to, including without limitation, (i) a preliminary valuation report prepared by an independent valuer against Bei Don Zhongshan; and (ii) the benefits to be derived by the Group from the Acquisition as described herein below. The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As discounted cash flow method is applied in valuation report, further announcement will be made by the Company in compliance with Rule 14.60A and Rule 14.62 of the Listing Rules upon the issuance of the final valuation report.

Conditions precedent

Completion is conditional upon:

- (a) the Purchaser having satisfied with its due diligence investigation in respect of the Target Group;
- (b) the Purchaser having satisfied with the valuation report of the Target Group issued by an independent valuer;
- (c) the transactions contemplated under the Sale and Purchase Agreement having complied with the GEM Listing Rules and been approved by the Stock Exchange (including the granting of the listing of, and permission to deal in, the Consideration Shares by the Listing Committee of the Stock Exchange); and
- (d) all licenses, permissions, authorisations, certificates, regulatory approvals and consents in relation to the Sale and Purchase Agreement and the transactions contemplated therein under any applicable laws, statutes, regulations and ordinances having been obtained by the Company and the parties thereto.

The Purchaser may not at any time waive any of the above conditions precedent (or any part thereof) other than those set out in condition (a) above by notice in writing to the Vendor.

If any of the conditions precedent have not been fulfilled (or, as the case may be, waived by the Purchaser) on or before 31 December 2016 (or such other date as the Vendor and the Purchaser may agree in writing), the Sale and Purchase Agreement shall cease to have any effect and no party thereto shall have any obligations and liabilities thereunder save for any antecedent breaches thereof.

Completion

Completion shall take place on a business day on or before 31 December 2016 when all of the conditions precedent has been fulfilled (or waived, where applicable) or such other date as the parties may agree in writing.

Principal terms of the Consideration Shares

The Consideration is to be satisfied by the issue and allotment of an aggregate of 726,846,591 Consideration Shares by the Company at the Issue Price of HK\$0.0704 per Consideration Share upon Completion. The Issue Price of HK\$0.0704 per Consideration Share represents:–

- (i) a discount of approximately 17.18% to the closing price of HK\$0.085 per share as quoted on the Stock Exchange on 18 October 2016, being the last trading date prior to the date of the Sale and Purchase Agreement; and
- (ii) a discount of approximately 11.56% to the closing price of HK\$0.0796 per share for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price was arrived at after arm's length negotiations between the Purchaser and the Vendor, after taking into account with reference to the prevailing market price of the Shares, liquidity of the Shares, the financial performance of the Group and the prime opportunities for the Company to further expand into the security guarding services and mobile game market as a result of the Acquisition. The Directors consider that the Issue Price is fair and reasonable and the issuance of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

Profit guarantee

Pursuant to the Sale and Purchase Agreement, the Vendor covenanted and guaranteed to the Purchaser that the total audited consolidated net profit after taxation of the Target Group based on the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards and to be audited by auditors (the "Total Actual Net Profit"), shall not be less than HK\$18 million (the "Total Guaranteed Profit") for the two financial years ending 31 December 2017 and 31 December 2018 (the "Profit Guarantee"). In the event that the Profit Guarantee is not achieved, the Vendor shall pay the Purchaser a compensation on a dollar-for-dollar basis, calculated in the following manner:

$$\text{Total Guaranteed Profit} - \text{Total Actual Net Profit}$$

If the Target Group records a total loss for the two financial years ending 31 December 2017 and 31 December 2018, the compensation amount will be the same as the Consideration, being HK\$51,170,000.

The Target Company shall, within 3 months upon expiry of the financial year ending 31 December 2018, submit the audited accounts of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards to the Purchaser for its review.

Tax indemnity

Save as the stamp duty in relation to this Acquisition which will be paid by the parties equally, the Vendor has agreed to unconditionally and irrevocably indemnify the Purchaser and the Target Group for, the full amount of all taxes and other taxes payable by the Vendor and any liability, cost or amount (including penalties, interest and expenses) arising therefrom or with respect thereto on or before the date of the Sale and Purchase Agreement.

Application for listing

The Consideration Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 24 August 2016, subject to the limit of 1,280,000,000 Shares (representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date). The 726,846,591 Consideration Shares to be allotted and issued will utilise approximately 56.78% of the General Mandate, and hence is not subject to the Shareholders' further approval. As at the date of this announcement, the Company has utilised 553,000,000 Shares of the General Mandate (representing approximately 43.20% of the General Mandate) pursuant to a placing agreement entered into by the Company and the placing agent on 18 October 2016. As at the date of this announcement, the placing (the "Placing") under the aforesaid placing agreement is not completed.

The Consideration Shares represent:—

- (i) approximately 11.36% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 10.20% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares.

The Consideration Shares, when issued upon Completion, will rank *pari passu* in all respects with the existing Shares in issue on the date of allotment and issue including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issue.

Shareholders' approval will not be required for the allotment and issue of the Consideration Shares as the Consideration Shares will be issued under the General Mandate.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

INFORMATION ON THE TARGET GROUP

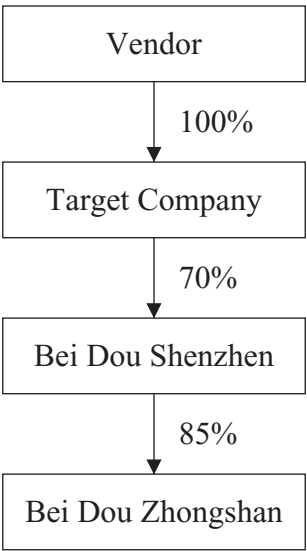
The Target Company is incorporated in Hong Kong with limited liabilities and is wholly-owned by the Vendor. It is an investment holding company which holds 70% of the issued share capital of Bei Dou Shenzhen which in turn holds 85% of the issued shares of Bei Dou Zhongshan.

The Target Group is principally engage in the business of education security.

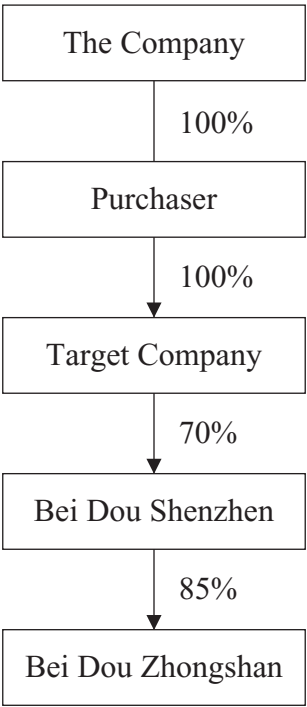
Upon Completion, the Target Company shall become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated in the consolidated financial statement of the Group.

Shareholding Structure of the Target Group

Shareholding structure of the Target Group immediately before Completion



Shareholding structure of the Target Group immediately after Completion



Financial information of the Target Group

Set below is the unaudited consolidated financial information of the Target Group for the financial year ended 31 December 2015 and the period ended 31 August 2016:

	For the year ended 31 December 2015	For the period ended 31 August 2016
	<i>RMB</i>	<i>RMB</i>
Revenue	—	15,600
Loss before taxation	3,036,000	3,404,000
Loss after taxation	3,036,000	3,404,000

The unaudited consolidated net assets of the Target Group is approximately RMB8,927,000 as at 31 August 2016.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of manned security guarding services in Hong Kong and mobile game business.

The Target Group is principally engaged in the business of developing and manufacturing of education security system to protect the safety of students. Bei Dou Zhongshan was appointed as the sole operator of a personal safety system (人身安全保障系統) under the demonstration construction project namely “Zhongshan Bei Dou City” (“中山北斗城市” 建設示範項目) by the General Armament Department of Central Military Commission (中央軍委總裝備部) and the Guangdong Provincial Government (廣東省政府) and obtained the franchise of “Bei Dou Civil Operation Services Branch Qualification” (“北斗民用分理運營服務資質”) in Guangdong, Guangxi, Hunan, Fujian and Hainan from 北斗九億信息科技產業(北京)有限公司 (Bei Dou Jiuyi Information Technology Industry (Beijing) Limited*). The self-developed educational information exchange platform (學互通) has been approved by Zhongshan Municipal Bureau of Education (中山市政府教育局) for promotion to primary school students in Zhongshan City. Currently, Bei Dou Zhongshan has signed cooperation agreements with three educational institutions to provide free home-school platform and signed strategic cooperation agreements with Beijing Normal University, Zhuhai (北京師範大學珠海分校) and Aerospace Feeling Measuring & Control Technology Co., Ltd. (航天飛鄰測控技術公司) to further develop its e-education business.

The Directors believe that leveraging the experience and background of the Target Group in education security, the Acquisition will facilitate the Group to expand the range and type of its services and generate long term return to the Group.

The Directors consider that the Acquisition could enable the Group to be benefited from diversifying its revenue stream which is expected to increase its Shareholders' value. The Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Reference is made to the Company's announcement dated 19 October 2016 in relation to the Placing.

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; (ii) upon the shares to be placed under the Placing are fully placed; and (iii) upon the issue of the maximum number of Consideration Shares, assuming shares to be placed under the Placing are fully placed.

	As at the date of this announcement		Upon shares to be placed under the Placing are fully placed		Upon allotment and issue of Consideration Shares assuming shares to be placed under the Placing are fully placed	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Chen Yun Chuo	1,304,000,000	20.38%	1,304,000,000	18.75%	1,304,000,000	16.98%
Vendor	–	–	–	–	726,846,591	9.46%
Public						
– Placees	–	–	553,000,000	7.95%	553,000,000	7.20%
– Others	5,096,000,000	79.62%	5,096,000,000	73.29%	5,096,000,000	66.36%
	<u>6,400,000,000</u>	<u>100%</u>	<u>6,953,000,000</u>	<u>100%</u>	<u>7,679,846,591</u>	<u>100%</u>
Total	<u>6,400,000,000</u>	<u>100%</u>	<u>6,953,000,000</u>	<u>100%</u>	<u>7,679,846,591</u>	<u>100%</u>

FUND RAISING DURING THE PAST TWELVE MONTHS

Save for the Placing of 553,000,000 Shares by the Company on 18 October 2016, the Company does not have any equity fund raising activity during the past 12 months immediately preceding the date of this announcement.

GEM LISTING RULES IMPLICATIONS

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Completion of the Acquisition is subject to the fulfillment (or waiver) of the conditions precedent under the Sale and Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

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DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor in accordance with terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Bei Dou Shenzhen”	Bei Dou Internet Education Technology (Shenzhen) Limited* (北斗互聯網教育科技(深圳)有限公司), a company incorporated in the PRC with limited liabilities, which 70% of its issued share capital is owned by the Target Company
“Bei Dou Zhongshan”	Zhongshan Bei Dou Education Technology Limited* (中山北斗教育科技有限公司), a company incorporated in the PRC with limited liabilities which 85% of its issued share capital is owned by Bei Dou Shenzhen
“Company”	King Force Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the GEM board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with terms and conditions of the Sale and Purchase Agreement
“Consideration”	the consideration of HK\$51,170,000, being the consideration for the Sale Shares payable under the Sale and Purchase Agreement
“Consideration Share(s)”	the 726,846,591 new Shares to be issued to the Vendor at an issue price of HK\$0.0704 each as the Consideration for the Acquisition
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

* For identification purposes only.

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of the Securities on the GEM
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company to allot, issue and deal with up to 1,280,000,000 new Shares, being 20% of the Shares then in issue of the capital of the Company as at the date of the annual general meeting on 24 August 2016
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with the Company or its connected persons
“Issue Price”	HK\$0.0704 being the issue price of each Consideration Share
“PRC”	The People’s Republic of China and for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“Purchaser”	Loyal Salute Limited, a company incorporated in the British Virgin Islands with limited liabilities and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 18 October 2016 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Sale Shares”	2 shares of issued share capital of the Target Company, representing 100% of the issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	China Bei Dou Communications Technology Group Limited (中國北斗通信科技集團有限公司), a company incorporated in Hong Kong with limited liabilities which is wholly and beneficially owned by the Vendor
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Mr. Zheng Gang, an Independent Third Party of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
King Force Group Holdings Limited
Chen Yunchuo
Chairman

Hong Kong, 19 October 2016

As at the date of this announcement, the executive Directors are Mr. Fu Yik Lung, Mr. Li Mingming and Mr. Chen Yunchuo; and the independent non-executive Directors are Mr. Xiong Hong, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo.

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

This announcement will remain on the “Latest Company Announcements” page of The Stock Exchange of Hong Kong Limited’s website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.kingforce.com.hk.