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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 60% OF THE ISSUED SHARE CAPITAL OF GENERAL VENTURE ENTERPRISES LIMITED AND ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

On 27 May 2016 (after trading hours), Loyal Salute, a wholly-owned subsidiary of the Company, as purchaser, entered into the Sale and Purchase Agreement with the Vendors, pursuant to which Loyal Salute conditionally agreed to acquire and the Vendors conditionally agreed to sell 60% of the issued share capital in the Target Company for a maximum Consideration of HK\$80,000,000 (subject to downward adjustment as detailed in the section headed “The Acquisition – Adjustment to Consideration” in this announcement). The Consideration shall be settled by way of issue of the Consideration Shares at the Issue Price of HK\$0.50 each.

Upon completion of the Acquisition, Loyal Salute will hold 60% of the issued share capital of the Target Company and the Target Company will become a subsidiary 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.

Assuming no downward adjustment is made to the Consideration, the Consideration Shares represent (i) 2.5% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.44% 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 one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules exceed(s) 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirement but exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

THE ACQUISITION

On 27 May 2016 (after trading hours), Loyal Salute, a wholly-owned subsidiary of the Company, as purchaser, entered into the Sale and Purchase Agreement with the Vendors, the principal terms of which are set out as follows:

Date: 27 May 2016

Parties: Loyal Salute Limited (as purchaser);
the Vendors (as vendor)

Subject matter:

Pursuant to the Sale and Purchase Agreement, Loyal Salute conditionally agreed to acquire and the Vendors conditionally agreed to sell 60% of the issued share capital of the Target Company (among which each of the Vendors agreed to sell 30% of the issued share capital of the Target Company), subject to the terms and conditions therein.

Consideration:

The maximum Consideration is HK\$80,000,000 (subject to downward adjustment), which shall be settled by way of issue of the Consideration Shares at the Issue Price of HK\$0.50 each in the following manner:

- (i) 80,000,000 and 80,000,000 Consideration Shares (or the adjusted number of the Consideration Shares in the event that the Guaranteed Profit (as defined below) is not satisfied) shall be released to Vendor 1 and Vendor 2, respectively, within 40 calendar days after the issue of the audited consolidated accounts of the Target Group for the financial year ending 31 March 2017.

Consideration Shares:

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

Pursuant to an ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 1 September 2015, the Directors are entitled to allot, issue and deal with up to 1,280,000,000 Shares under the General Mandate.

Reference is made to the announcements of the Company dated 19 October 2015 and 24 November 2015 in relation to, among others, the Company's acquisition of 25% equity interest in MAGN Investment Limited by way of issue of a maximum of 109,730,000 new Shares under the General Mandate as consideration. Accordingly, 109,730,000 Shares shall be deemed as having been utilised by the Company under the General Mandate, and the Directors are entitled to further allot, issue and deal with up to 1,170,270,000 Shares under the General Mandate.

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.

The Issue Price of HK\$0.50 per Consideration Share represents:

- (i) a premium of approximately 264.96% to the closing price of HK\$0.137 per Share as quoted on the Stock Exchange on 27 May 2016, being the date of the Sale and Purchase Agreement;
- (ii) a premium of approximately 264.43% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive full trading days prior to the date of the Sale and Purchase Agreement of HK\$0.1372 per Share; and
- (iii) a premium of approximately 250.39% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive full trading days prior to the date of the Sale and Purchase Agreement of HK\$0.1427 per Share.

Assuming that no downward adjustment is made to the Consideration, the Consideration Shares represent (i) 2.5% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.44% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Adjustment to Consideration:

Guaranteed Profit

Pursuant to the Sale and Purchase Agreement, the Vendors jointly and severally guaranteed to Loyal Salute that the audited consolidated net profit after tax of the Target Company for the financial year ending 31 March 2017 (the “**Actual Profit**”) shall be not less than HK\$20,000,000 (the “**Guaranteed Profit**”).

Adjustment to Consideration

In the event that the Actual Profit fails to meet the Guaranteed Profit, the Vendors shall indemnify Loyal Salute the Compensated Amount (as defined below) by deducting the Compensated Amount from the aggregate consideration of the Consideration Shares and the Company will issue the adjusted number of the Consideration Shares to the Vendors. The Compensated Amount shall be determined in accordance with the formula below:

the “**Compensated Amount**” = (Guaranteed Profit-Actual Profit) x 6.7

The Actual Profit should be treated as zero if the Target Company recorded a net loss after taxation for the financial year ending 31 March 2017.

If the Actual Profit for the financial year ending 31 March 2017 exceeds the Guaranteed Profits, the balance of the Consideration shall not be adjusted.

Basis of Consideration:

The Consideration was determined among the parties to the Acquisition based on arm’s length negotiations after taking into account, among others, (i) the future prospects of the Target Group; (ii) the Guaranteed Profit provided by the Vendors for the financial year ending 31 March 2017 as described in the subsection headed “Adjustment to Consideration” above; (iii) the downward adjustments mechanism to the Consideration to protect the Group’s interests as described in the subsection headed “Adjustment to Consideration” above; and (iv) the benefits to be derived by the Group from the Acquisition as described herein below.

Conditions Precedent:

Completion of the Sale and Purchase Agreement is conditional upon the fulfilment of, among others, the following conditions:

- (i) Spa Global having established a wholly-owned foreign enterprise (the “**WOFE**”) in the PRC and the WOFE having completed acquisition of the entire equity interest in Shenzhen Spa Moment (the “**Reorganisation**”);
- (ii) Shenzhen Spa Moment having entered into one or more written agreement(s) with any party(ies) in respect of services to be provided by Shenzhen Spa Moment, from which a total revenue of no less than RMB30,000,000 shall be generated to Shenzhen Spa Moment for the year ending 31 March 2017;
- (iii) Loyal Salute, in its absolute discretion, being satisfied with the results of the due diligence review on, the financial condition, commerce, trade, asset, corporation, taxation, operation and other conditions of each of the Target Group companies; and
- (iv) no material adverse change in the financial condition, commerce, trade, asset, corporation, taxation, operation or other conditions the Target Group companies has occurred since the date of the Sale and Purchase Agreement to the completion date of the Acquisition.

Non-competition

The Vendors agree that for a period of five (5) years starting from the date of completion of the Sale and Purchase Agreement, any of them shall not, and shall ensure that none of their related parties shall, engage or hold any interest in any business or activity (including research, developing, marketing and/or promotion of spa chain management and spa chain software) in Hong Kong or the PRC, either directly or indirectly, solely or jointly with others, or through the establishment of any business entity directly or indirectly, solely or jointly with others.

Completion

Completion shall take place on the 7th Business Day after all conditions precedent have been fulfilled or such other date as the parties hereto may mutually agree in writing.

Upon completion of the Acquisition, Loyal Salute will hold 60% of the issued share capital of the Target Company and the Target Company will become a subsidiary of the Company.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; and (ii) upon the issue of the maximum number of Consideration Shares, assuming there is no other change in the shareholding structure of the Company since the date of this announcement.

Shareholders	As at the date of this announcement		Upon issue of the maximum number of Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate % of the interest held</i>	<i>Number of Shares</i>	<i>Approximate % of the interest held</i>
Optimistic King Limited (<i>Note 1</i>)	1,304,000,000	20.375%	1,304,000,000	19.878%
Hongkong ZOJE Co., Limited (<i>Note 2</i>) (香港中捷投資有限公司)	674,205,000	10.534%	674,205,000	10.278%
Vendor 1	—	—	80,000,000	1.220%
Vendor 2	—	—	80,000,000	1.220%
Public	4,421,795,000	69.091%	4,421,795,000	67.405%
Total	<u>6,400,000,000</u>	<u>100%</u>	<u>6,560,000,000</u>	<u>100%</u>

Notes:

1. The entire issued share capital of Optimistic King Limited is owned by Mr. Fu Yik Lung, an executive Director. Accordingly, Mr. Fu Yik Lung and his spouse, Ms. Liu Lai Ying, are deemed or taken to be interested in all of the Shares held by Optimistic King Limited. Mr. Fu Yik Lung is also one of the directors of Optimistic King Limited.
2. The entire issued share capital of Hongkong ZOJE Co., Limited (香港中捷投資有限公司) is owned by Mr. Zhang Ming Wei. Accordingly, Mr. Zhang Ming Wei is deemed or taken to be interested in all of the Shares held by Hongkong ZOJE Co., Limited (香港中捷投資有限公司).

FUND RAISING DURING THE PAST TWELVE MONTHS

The Company does not have any equity fund raising activity during the past 12 months immediately preceding the date of this announcement.

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 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.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Seychelles with limited liability with a registered capital of US\$1,000. It is an investment holding company which holds the entire issued share capital of Spa Global, which will in turn hold the entire equity interest in Shenzhen Spa Moment through the WOFE to be established by Spa Global upon completion of the Reorganisation. The Target Company has not commenced any business since its incorporation.

The Target Group is principally engaged in spa chain management and spa chain software research and development.

Since the Target Company was newly incorporated on 28 December 2015, no accounts have been prepared for the Target Company.

Shenzhen Spa Moment is a company established in the PRC with limited liability on 24 December 2015.

INFORMATION OF THE PARTIES TO THE ACQUISITION

Loyal Salute is a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company. The Company is principally engaged in the provision of manned security guarding services in Hong Kong and mobile game business.

Vendor 1 is a Hong Kong resident and Vendor 2 is a PRC resident. Both of them are merchants.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors is an Independent Third Party.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules exceed(s) 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirement but exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 30% and 30% of the issued share capital of the Target Company from Vendor 1 and Vendor 2, respectively, by Loyal Salute pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday and public holiday) when normal commercial banks in Hong Kong are opened for general banking business
“BVI”	British Virgin Islands
“Company”	King Force Group Holdings Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on the GEM
“Consideration”	the consideration of HK\$80,000,000 for the Acquisition which is subject to downward adjustment pursuant to the terms and condition of the Sale and Purchase Agreement
“Consideration Share(s)”	the new Shares to be issued to the Vendors at an issue price of HK\$0.50 each as the Consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 27 May 2016 entered into between Loyal Salute and the Vendors in relation to the Acquisition
“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 1 September 2015 which was adjusted by the share subdivision of the Company completed on 17 August 2015

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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\$0.50 per Consideration Share
“Loyal Salute”	Loyal Salute Limited, a company incorporated with limited liability in the BVI and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Spa Moment”	深圳市琉璃時光企業諮詢管理有限公司 (Shenzhen Spa Moment Corporate Consultancy and Management Company Limited*), a company established in the PRC with limited liability and will become a wholly-owned subsidiary of the WOFE upon completion of the Reorganisation
“Spa Global”	Spa Global Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	General Venture Enterprises Limited, a company incorporated in Seychelles with limited liability and owned as to 50% by each of the Vendors as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries upon completion of the Reorganisation, namely Spa Global, the WOFE and Shenzhen Spa Moment

“Vendor 1”	a Hong Kong resident, being the legal and beneficial owner of 50% of the issued share capital of the Target Company as at the date of this announcement
“Vendor 2”	a PRC resident, being the legal and beneficial owner of 50% of the issued share capital of the Target Company as at the date of this announcement
“Vendors”	Vendor 1 and Vendor 2
“%”	per cent

By order of the Board
King Force Group Holdings Limited
Fu Yik Lung
Chairman

Hong Kong, 27 May 2016

As at the date of this announcement, the executive Directors are Mr. Fu Yik Lung, Ms. Liu Lai Ying, Ms. Chung Pui Yee Shirley, Mr. Li Mingming and Mr. Chen Yunchuo; and the independent non-executive Directors are Ms. Au Man Yi, Professor Lam Sing Kwong, Simon and Mr. Ong Chi King

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’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.

* *For identification purpose only*