
HISTORY AND DEVELOPMENT

CORPORATE HISTORY AND REORGANISATION

Our Corporate History

KFM-HK

KFM-HK was incorporated in Hong Kong on 13 October 1989. The issued share capital of KFM-HK at incorporation was HK\$1,000,000 divided into 1,000,000 shares of HK\$1.00 each, of which 450,000 shares, 225,000 shares, 225,000 shares and 100,000 shares were issued and allotted to Mr. Peter Sun, Mr. Ip Kam Pui, an Independent Third Party, Mr. Yau Lam Chuen and Mr. Yung Ching Tak respectively.

On 22 September 1995, 75,000 shares were passed back to Mr. David Wong from Mr. Yau Lam Chuen at a consideration of HK\$1 (the basis of consideration was based on a trust arrangement of which Mr. Yau Lam Chuen held the 75,000 shares for Mr. David Wong). On the same date, Mr. Ip Kam Pui transferred 101,471 shares to Mr. David Wong, of which 75,000 shares were passed back to Mr. David Wong from Mr. Ip Kam Pui based on a trust arrangement and 26,471 shares were acquired by Mr. David Wong. The total consideration for the transfer of 101,471 shares was HK\$352,948, with HK\$1 for the transfer of 75,000 shares and HK\$352,947 for the transfer of the remaining 26,471 shares. The basis of consideration of HK\$1 of the transfer of 75,000 shares from Mr. Ip Kam Pui was based on a trust arrangement of which Mr. Ip Kam Pui held the 75,000 shares for Mr. David Wong and the basis of consideration of HK\$352,947 of the remaining 26,471 shares was determined by the fair value of the shares as agreed by the parties respectively. Each of the transfers was properly and legally completed and settled. On the same date, Mr. Ip Kam Pui also transferred 79,411 shares, 26,471 shares and 17,647 shares to Mr. Peter Sun, Mr. Yau Lam Chuen and Mr. Yung Ching Tak at a consideration of HK\$1,058,812, HK\$352,947 and HK\$235,294 respectively. The basis of consideration was determined by the fair value of the shares as agreed by the parties. Each of these transfers was properly and legally completed and settled. Since such transfer and before the Reorganisation, Mr. Peter Sun, Mr. David Wong, Mr. Yau Lam Chuen and Mr. Yung Ching Tak had held 529,411 shares, 176,471 shares, 176,471 shares and 117,647 shares respectively, representing approximately 52.94%, 17.65%, 17.65% and 11.76% of the total issued share capital of KFM-HK respectively.

The entire issued share capital of KFM-HK was transferred to KFM-BVI as part of the Reorganisation, details of which are set out in the paragraph headed “Reorganisation” in this section. After the Reorganisation and until the Latest Practicable Date, KFM-HK remained an indirect wholly-owned subsidiary of our Company.

Kingdom Industrial Company (金德實業製品廠*), a business unit operated by Mr. Peter Sun and which is the business predecessor of KFM-HK, first entered into processing agreement with 深圳市南頭區西麗實業公司 (Shenzhen Nantou District Xili Enterprise*) as processing Chinese partner and 深圳市南頭對外經濟發展公司 (Shenzhen Nantou External Economic Development Company*) as business agent on 4 January 1990 for an initial term of five years from 5 January 1990, pursuant to which they co-operated to operate KFM-Shenzhen Factory.

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Such processing agreement was subsequently renewed. 深圳市南頭對外經濟發展公司 (Shenzhen Nantou External Economic Development Company*) or 深圳市順安外資實業發展有限公司 (Shenzhen Shunan Foreign Investment Industrial Development Company Limited*) (formerly known as 深圳市南山區順安外資服務公司 (Shenzhen Nanshan District Shunan Foreign Investment Service Company*)) (“**Shenzhen Shunan**”) were named as the Chinese party and business agent in subsequent processing agreements. KFM-HK replaced Kingdom Industrial Company to be a party to the processing agreement on 30 June 1995, and KFM-HK continued to be a party to the processing agreement and operated the KFM-Shenzhen Factory. Based on the 廣東省對外來料加工特准營業證 (Guangdong Province External Processing Special Permit Business Licence*) dated 5 August 2009, the scope of processing business includes metal parts, semi-finished products cases (with tools production, cutting, pressing, washing and assembly). According to the relevant PRC laws and regulations, processing arrangement involves the supply of raw materials, equipment and packaging materials from outside the PRC, and the materials would be processed by the Chinese party subject to a contract processing fee to be paid by the foreign party. The written agreements must be signed by the relevant parties and approved by the competent counterparts of Ministry of Commerce. Afterwards, the approved agreement shall then be submitted to the relevant customs, tax authorities and other authorities in the PRC for the completion of the relevant registration. As advised and confirmed by our PRC Legal Advisers, such approvals had been obtained for the processing agreement from the relevant authority and the relevant regulations had been complied with.

The salient terms of the processing agreement are summarized below:

Parties to the existing processing agreement

- (a) Shenzhen Shunan as the Chinese party and the business agent
- (b) KFM-HK as the foreign party

Shenzhen Shunan is an Independent Third Party and has no other past or present relationship with our Company, our subsidiaries, their shareholders, directors, senior management or any of the respective associates save for being a party to the processing agreement.

Term

From 5 January 1990 for an initial term of five years, which was subsequently supplemented and renewed, with the supplemental agreement entered into on 28 July 2009 for extension of the term to 30 September 2020.

Primary responsibilities of the contracting parties

- (a) the Chinese party shall provide factory premises, labour and water and electricity for production and shall manufacture the products as requested by us; and

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- (b) the foreign party, being KFM-HK, shall provide raw materials, ancillary materials and packaging materials, machinery and equipment, technical guidance and training to workers and it shall also pay contract processing fee and rental for the factory premises.

According to the relevant PRC laws and regulations, the business agent shall assist the foreign party to handle the procedures for settlement of contract processing fees and import and export procedures.

Although the term of the current processing agreement will expire on 30 September 2020, in view of achieving greater certainty to the long term continuity of our business model, it is our plan to change the business form and to have the business operations of KFM-Shenzhen Factory to be taken up by KFM-Shenzhen. Please refer to the section headed “Business – Processing Arrangement” in this prospectus for further details.

KFM-Shenzhen

KFM-Shenzhen was established by KFM-HK in the PRC on 6 April 2011 with an initial registered capital of US\$4,000,000 and an initial total investment amount of US\$4,000,000. The business licence was granted to KFM-Shenzhen on 6 April 2011. According to its business licence, the scope of business of KFM-Shenzhen includes production and operation of metal parts, semi-finished case (production to be operated by branch company) and sale of self-manufactured products. As at November 2011, the paid-up capital of KFM-Shenzhen amounted to US\$4,000,000, all of which was contributed by KFM-HK.

The shareholder’s resolution relating to the total investment amount and the registered capital of KFM-Shenzhen being increased to US\$7,500,000 and US\$7,000,000 respectively was issued by KFM-HK on 12 December 2011. Approval for such increase was obtained on 1 March 2012 from the relevant PRC governmental authority and it was registered by the relevant industry and commerce administrative department on 10 July 2012. As at 21 July 2012, the paid-up registered capital of KFM-Shenzhen amounted to US\$7,000,000, all of which was contributed by KFM-HK.

In 2012, the scope of business of KFM-Shenzhen was changed to production and operation of metal parts, semi finished case (including mold making, cutting, stamping, cleaning and assembly process, production to be operated by branch company) and sale of self-produced products. Approval for such change of the scope of business was obtained on 5 July 2012, and the relevant business license was granted to KFM-Shenzhen on 2 August 2012.

After the Reorganisation and as at the Latest Practicable Date, KFM-Shenzhen remained an indirect wholly-owned subsidiary of our Company.

KRP-HK

KRP-HK was incorporated in Hong Kong on 11 December 1996. The issued share capital of KRP-HK at incorporation was HK\$1,000,000 divided into 1,000,000 shares of HK\$1.00

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each, of which 509,999 shares, 180,000 shares, 180,000 shares, 40,000 shares, 90,000 shares and one share were issued and allotted to KFM-HK, Mr. Chan Lin On, Mr. Banson Lam, Mr. Alan Suen, Mr. Yeung Man Chiu and Mr. Peter Sun respectively, representing approximately 50.9999%, 18%, 18%, 4%, 9% and 0.0001% of the total issued share capital of KRP-HK respectively.

On 7 January 1997, Mr. Peter Sun transferred his one share in KRP-HK to KFM-HK at a consideration of par value of HK\$1. Such transfer was properly and legally completed and settled. On 15 January 2008, the entire issued share capital of KRP-HK was increased to HK\$5,000,000 divided into 5,000,000 shares of HK\$1.00 each by the creation of 4,000,000 shares, among which 2,040,000 shares, 720,000 shares, 720,000 shares, 360,000 shares and 160,000 shares were issued and allotted to KFM-HK, Mr. Chan Lin On, Mr. Banson Lam, Mr. Yeung Man Chiu and Mr. Alan Suen respectively. Since such transfer and before the Reorganisation, KFM-HK, Mr. Chan Lin On, Mr. Banson Lam, Mr. Yeung Man Chiu and Mr. Alan Suen had held 2,550,000 shares, 900,000 shares, 900,000 shares, 450,000 shares and 200,000 shares respectively, representing 51%, 18%, 18%, 9% and 4% of the total issued share capital of KRP-HK respectively. The issued share capital held by Mr. Chan Lin On, Mr. Banson Lam, Mr. Yeung Man Chiu and Mr. Alan Suen was transferred to KFM-HK as part of the Reorganisation, details of which are set out in the paragraph headed “Reorganisation” in this section. After the Reorganisation and as at the Latest Practicable Date, KRP-HK remained a wholly-owned subsidiary of KFM-HK and an indirect wholly-owned subsidiary of our Company.

KRP-Shanghai

KRP-Shanghai was established in the PRC on 26 September 2002, with an initial registered capital of US\$2,100,000 and an initial total investment amount of US\$3,000,000, and the entire interest of it was held by KRP-HK. At establishment, the scope of business of KRP-Shanghai included research, development and production of high-end fine metal products and sale of self-manufactured products. The relevant business licence was granted to KRP-Shanghai on 26 September 2002.

In 2002, the scope of business of KRP-Shanghai was changed to include production of precision bearing and ancillary fine metal products and sale of self-manufactured products. Approval for such change of scope of business was obtained on 12 November 2002 from the relevant PRC governmental authority and the relevant business licence was granted to KRP-Shanghai on 16 January 2003.

In 2006, the total investment amount and the registered capital were increased to US\$5,030,000 and US\$3,530,000 respectively. Approval for such increase was obtained on 21 August 2006 from the relevant PRC governmental authority and it was registered by the relevant industry and commerce administrative department on 27 September 2006. As at 20 August 2007, the registered capital of KRP-Shanghai was fully paid-up, all of which was contributed by KRP-HK.

After the Reorganisation and as at the Latest Practicable Date, KRP-Shanghai remained an indirect wholly-owned subsidiary of our Company.

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KRP-Shenzhen

KRP-Shenzhen was established by KRP-HK in the PRC on 15 February 2007 with an initial registered capital of US\$2,500,000 and an initial total investment amount of US\$3,000,000 respectively. At establishment, the scope of business of KRP-Shenzhen included production and wholesale of high-end precision bearing and fine metal products (Commodities involving quota permit management and specific regulation management should be handled in accordance with the relevant regulations of the PRC). The business licence was granted to KRP-Shenzhen on 15 February 2007.

In 2007, the scope of business of KRP-Shenzhen was extended to cover production, wholesale, import and export business of high-end precision bearing and fine metal products (Commodities involving quota permit management and specific regulation management should be handled in accordance with the relevant regulations of the PRC). Approval of such extension of scope of business was obtained on 6 November 2007, and the relevant business licence was granted to KRP-Shenzhen on 14 November 2007.

As at 22 January 2008, the registered capital of US\$2,500,000 was fully paid-up, all of which was contributed by KRP-HK.

In 2010, the total investment amount and the registered capital were increased to US\$5,000,000 and US\$4,500,000 respectively. Approval for such increase was obtained on 30 April 2010 from the relevant PRC governmental authority and the relevant business licence was granted to KRP-Shenzhen on 18 June 2010. As at 6 August 2010, the registered capital of KRP-Shenzhen was fully paid-up, all of which was contributed by KRP-HK.

In 2011, the scope of business was changed to technology research, production, wholesale, import and export business of precision bearing and fine metal products (Commodities involving quota permit management and specific regulation management should be handled in accordance with the relevant regulations of the PRC). Approval of such change of scope of business was obtained on 10 November 2011, and the relevant business license was granted to KRP-Shenzhen on 16 November 2011.

In 2012, the total investment amount and the registered capital were increased to US\$12,500,000 and US\$8,500,000 respectively. Approval for such increase was obtained on 9 August 2012 from the relevant PRC government authority and the relevant business licence was granted to KRP-Shenzhen on 7 September 2012. As at 31 August 2012, the registered capital of KRP-Shenzhen of US\$6,500,000 was paid-up, all of which was contributed by KRP-HK. The remainder should be fully paid-up within 2 years from 7 September 2012.

After the Reorganisation and as at the Latest Practicable Date, KRP-Shenzhen remained an indirect wholly-owned subsidiary of our Company.

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KPP-HK

KPP-HK was incorporated in Hong Kong on 13 March 2002. The issued share capital of KPP-HK was HK\$10,000 divided into 10,000 shares of HK\$1.00 each, among which 9,000 shares were issued and allotted to KFM-HK and the remaining 1,000 shares were issued and allotted to Mr. He Lin, who held such 1,000 shares as trustee on trust for Mr. Peter Sun. As Mr. He Lin is responsible for the daily operations of KPP-Suzhou, the subsidiary of KPP-HK, Mr. Peter Sun considered that it would be in the interests of the businesses of those companies as a whole if Mr. He Lin was seen as having interests in the companies, as it could facilitate his business dealings with customers as well as internally manage the staff of such companies. Therefore, it was then agreed by Mr. Peter Sun and Mr. He Lin that he would hold such shares in KPP-HK on trust for Mr. Peter Sun. Since incorporation and before the Reorganisation, the entire issued share capital of KPP-HK was beneficially owned as to 90% by KFM-HK and 10% by Mr. Peter Sun.

Mr. Peter Sun transferred his 10% beneficial interest in KPP-HK to KFM-HK as part of the Reorganisation, details of which are set out in the paragraph headed “Reorganisation” in this section. After the Reorganisation and as at the Latest Practicable Date, KPP-HK remained a wholly-owned subsidiary of KFM-HK and an indirect wholly-owned subsidiary of our Company.

KPP-Suzhou

KPP-Suzhou was established by KPP-HK in the PRC on 29 April 2002 with an initial registered capital of US\$5,000,000 and an initial total investment amount of US\$12,500,000. At establishment, the scope of business of KPP-Suzhou included research, development, production and sale of precision tools, new electronic precision ancillaries and related products (which do not involve the restricted and prohibited items under the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄)) and provision of related after-sales technical services. The relevant business licence was granted to KPP-Suzhou on 29 April 2002. As at 22 November 2005, the registered capital of US\$5,000,000 was fully paid-up, all of which was contributed by KPP-HK.

The registered capital was increased to US\$6,000,000 in 2008 and approval for such increase in the registered capital was obtained on 11 August 2008 from the relevant PRC governmental authority and the relevant business licence was granted to KPP-Suzhou on 16 September 2008. As at 31 July 2008, the registered capital of US\$6,000,000 was fully paid-up, all of which was contributed by KPP-HK.

In 2010, the scope of business of KPP-Suzhou was extended to cover research, development and production of precision tools, new electronic precision ancillaries and related products (which do not involve the restricted and prohibited items under the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄)), sale of self-manufactured products, provision of related after-sales technical services and provision of spraying (non-dangerous products) services. Approval of such extension of scope of business was obtained on 16 April 2010 from the relevant PRC governmental authority and the relevant business licence was granted to KPP-Suzhou on 28 April 2010.

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In 2011, the total investment amount and the registered capital were increased to US\$99,000,000 and US\$33,400,000 respectively. The scope of business was also extended to cover research and development, design, production of precision punching tools, non-metal production tools, mass spectrograph, liquid chromatograph and other chemical analysis and testing precision apparatus and parts, new electronic precision ancillaries and related products (which do not involve the restricted and prohibited items under the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄)), sale of self-manufactured products, provision of related after-sales technical services and provision of spraying (non-dangerous products) services. Approval for such increase in total investment amount and the registered capital and extension of scope of business was obtained on 9 June 2011 from the relevant PRC governmental authority and the relevant business licence was granted to KPP-Suzhou on 25 August 2011. As at 1 September 2011, the paid-up registered capital of KPP-Suzhou was US\$15,570,880, all of which was contributed by KPP-HK.

金德精密配件(蘇州)有限公司第一分廠, the first branch factory of KPP-Suzhou, was established in the PRC on 19 May 2006. The scope of business of this branch factory included research, development and production of precision tools, new electronic precision ancillaries and related products (which do not involve the restricted and prohibited items under the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄)), sale of self-manufactured products and provision of related after-sales technical services.

金德精密配件(蘇州)有限公司第二分廠, the second branch factory of KPP-Suzhou, was established in the PRC on 30 March 2012. The scope of business of this branch factory included research, design, development and production of precision stamping tools (precision higher than and including 0.02 millimeters), non-metallic products mold, precision mass spectrometry and liquid chromatography, and other physical and chemical analysis test equipment and parts, new electronic precision ancillaries and related products, sale of self-manufactured products and provision of related after-sales technical services.

KFM-BVI

On 28 June 2011, KFM-BVI was incorporated in BVI for the purpose of acting as the intermediate company of our Group with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 28 July 2011, each unissued share of KFM-BVI were sub-divided into 100 shares of US\$0.01 each. The authorised share capital of KFM-BVI became US\$50,000 divided into 5,000,000 shares of US\$0.01 each.

Pursuant to the Reorganisation, KFM-BVI issued and allotted an aggregate of 100,000 shares to Mr. Peter Sun, Mr. David Wong, Mr. Yung Ching Tak, Mr. Yau Lam Chuen, Mr. Banson Lam, Mr. Chan Lin On, Mr. Yeung Man Chiu and Mr. Alan Suen. The entire issued share capital of KFM-BVI was transferred to our Company as part of the Reorganisation. Details of such allotment and transfer are set out in the paragraph headed “Reorganisation” in this section. After the Reorganisation and as at the Latest Practicable Date, KFM-BVI remained a direct wholly-owned subsidiary of our Company.

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KFM-Management

On 28 June 2011, KFM-Management was incorporated in Hong Kong, with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same date, one share was issued and allotted to CCM Corporate Services Limited. On 5 September 2011, the name of the company was changed from KFM Limited to KFM-Management and on 16 September 2011, CCM Corporate Services Limited transferred the one share, being the entire issued share capital of the company, to KFM-BVI, a direct wholly-owned subsidiary of our Company at a consideration at par value. The transfer was properly and legally completed and settled. KFM-Management was principally responsible for the administration and human resources functions of our Group. Since such transfer and as at the Latest Practicable Date, KFM-Management remained an indirect wholly-owned subsidiary of our Company.

KFM-Investment

On 28 June 2011, KFM-Investment was incorporated in Hong Kong, with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same date, one share was issued and allotted to CCM Corporate Services Limited. On 1 September 2011, the name of the company was changed from KFM Kingdom Holdings Limited (which bore the same company name as our Company but is another entity) to KFM-Investment and on 19 September 2011, CCM Corporate Services Limited transferred the one share, being the entire issued share capital of the company, to KFM-BVI, a direct wholly-owned subsidiary of our Company at a consideration at par value. The transfer was properly and legally completed and settled. KFM-Investment has been dormant since its incorporation. Since such transfer and as at the Latest Practicable Date, KFM-Investment remained an indirect wholly-owned subsidiary of our Company.

Our Company

For the purpose of Listing, our Company was incorporated on 13 July 2011 in the Cayman Islands as an exempted company with limited liability, which became the ultimate holding company of our Group as a result of the Reorganisation. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in this section.

Acquisition of the BDT Business

We currently provide metal engineering services to BDT-Germany, one of our key customers in the network/data storage segment. The products produced by us for BDT-Germany mainly are the entire storage unit housings, which are currently being delivered to the factory of BDT-Zhuhai (which is the wholly-owned subsidiary of BDT-Germany) located in Zhuhai, PRC, for product assembly. The entire storage unit housings are then assembled with other components by BDT-Zhuhai for the BDT Products.

To further strengthen our business cooperation with BDT-Germany, we entered into the BDT Sale and Purchase Agreement with BDT-Germany and BDT-Zhuhai on 29 March 2012, pursuant to which BDT-Germany agreed to sell to our Company the BDT Business which

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involves the assembly of the BDT Products. Pursuant to the BDT Sale and Purchase Agreement, BDT-Germany and our Company also agreed to move the operation of the BDT Business from BDT-Zhuhai's factory in Zhuhai to and integrate its operations with KFM-Shenzhen by no later than 31 December 2012.

The product assembly lines for the manufacturing of the BDT Products operated by BDT-Zhuhai was acquired by us pursuant to the BDT Sale and Purchase Agreement. Our Directors believe that the acquisition of the BDT Business can synergise with our Group's current operations and enhance our production capabilities. Our Directors further believe that as a result of the synergy from the acquisition of the BDT Business, our transportation cost and packaging cost for the assembly process will be reduced and we are able to provide more comprehensive integrated services to our customers within our own factory premises.

Please refer to the section headed "Business – Recent business development" in this prospectus for further details regarding our acquisition of the BDT Business.

Companies which were owned by KFM-HK during the Track Record Period

Innotech and Kingdom Innovative

Innotech was incorporated in Hong Kong on 12 September 2006. The issued share capital of Innotech was HK\$1,000,000 divided into 1,000,000 shares of HK\$1.00 each, among which 710,000 shares were issued and allotted to KFM-HK and the remaining 290,000 shares were issued and allotted to Mr. Alan Suen. On 5 November 2008, 2,130,000 shares were further issued and allotted to KFM-HK and 870,000 shares were further issued and allotted to Mr. Alan Suen. On 30 March 2011, KFM-HK transferred the 2,840,000 shares, representing 71% of the entire issued share capital of Innotech, to Gold Joy at a consideration of HK\$2,840,000. Since such transfer and as at the Latest Practicable Date, Innotech is no longer a subsidiary of the Company. The transfer was properly and legally completed and settled.

Kingdom Innovative was incorporated in Hong Kong on 14 February 2000. The issued share capital of the company was HK\$1,000,000 divided into 1,000,000 shares of HK\$1.00 each, among which 870,000 shares were issued and allotted to KFM-HK and the remaining 130,000 shares were issued and allotted to Mr. Alan Suen. On 30 March 2011, KFM-HK transferred the 870,000 shares, representing 87% of the entire issued share capital of Kingdom Innovative, to Gold Joy at a consideration of HK\$870,000. Since such transfer and as at the Latest Practicable Date, Kingdom Innovative is no longer a subsidiary of the Company. The consideration for both the transfer of shares in Innotech and Kingdom Innovative to Gold Joy was determined with reference to, among others, the net book value of Innotech and Kingdom Innovative, their respective historical business performance and income generating potential and the original costs for their respective shareholders in setting up those companies. The transfer was properly and legally completed and settled.

Further details of the business activities of Innotech and Kingdom Innovative and the reasons for the disposal of interests in Innotech and Kingdom Innovative are set out in the paragraph headed "Non-competition" in the section headed "Relationship with our Controlling Shareholders" in this prospectus.

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Kingdom Global Enterprises Limited

Kingdom Global Enterprises Limited was incorporated in Hong Kong on 11 June 2007. The issued share capital of the company was HK\$10,000 divided into 10,000 shares of HK\$1.00 each, all of which were issued and allotted to KFM-HK. On 30 March 2011, KFM-HK transferred the entire issued share capital of Kingdom Global Enterprises Limited to Gold Joy at par at a consideration of HK\$10,000. The transfer was properly and legally completed and settled. Since such transfer, Kingdom Global Enterprises Limited is no longer a subsidiary of the Company. Kingdom Global Enterprises Limited had been dormant since its incorporation, and was deregistered on 13 April 2012.

Global Environment Access Holdings Limited

Global Environment Access Holdings Limited was incorporated in Hong Kong on 10 April 2007. The issued share capital of the company was HK\$1 divided into 1 share of HK\$1.00, which was issued and allotted to an Independent Third Party, as subscriber. On 15 May 2007, the subscriber transferred the one share to another Independent Third Party (“**Shareholder 1**”) at par at a consideration of HK\$1.00. The transfer was properly and legally completed and settled. On the same date, 669 shares were issued and allotted to Shareholder 1, 1,330 shares were issued and allotted to KFM-HK, and 8,000 shares were issued and allotted to a third Independent Third Party (“**Shareholder 2**”). On 16 May 2007, 1,279,330 shares, 1,918,670 shares and 3,192,000 shares were further issued and allotted to Shareholder 1, KFM-HK and Shareholder 2. After such allotment, Global Environment Access Holdings Limited was owned as to 20% by Shareholder 1, 30% by KFM-HK and 50% by Shareholder 2. Global Environment Access Holdings Limited had been dormant since its incorporation, and was deregistered on 9 April 2009.

For charts illustrating the shareholding structure of our Group (i) immediately prior to the Reorganisation; (ii) after the Reorganisation and immediately prior to the Global Offering and the Capitalisation Issue; and (iii) following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), please refer to the paragraph headed “Reorganisation” in this section.

OUR BUSINESS HISTORY

In 1987, Mr. Peter Sun founded our Group by starting up his metal stamping factory in the name of Kingdom Industrial Company in Kwai Chung which signifies the beginning of his extensive experience in the metal stamping industry of more than 24 years.

Soon after the setup of Kingdom Industrial Company, our Group established KFM-HK in 1989 and started operating its first China-based factory in Shenzhen in 1990. Our Group initially provided metal stamping services for customers engaged in business in the consumer electronics sector, and supplied metal parts for products such as computer equipment power supplies and metal casing for receivers.

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Mr. David Wong, one of our Controlling Shareholders, has been in the printed circuit board manufacturing business since 1969 and Mr. Yau Lam Chuen, another Controlling Shareholder was working for Mr. David Wong's HT Circuits Limited. Mr. David Wong and Mr. Yau Lam Chuen became acquainted with Mr. Peter Sun as their offices were located in the same area. Mr. Peter Sun's visionary business mindset and enthusiasm attracted both Mr. Yau Lam Chuen and Mr. David Wong and they decided to explore business opportunities with Mr. Peter Sun and invested in KFM-HK in 1989. Both Mr. David Wong and Mr. Yau Lam Chuen continued to focus on their printed circuit board business and did not take up any operational roles in KFM-HK. Mr. Yung Ching Tak was one of the early technical staffs of our Group since the establishment of our Group by Mr. Peter Sun in 1987. Mr. Yung Ching Tak has been part of our Group since then and he is currently the Managing Director of our KFM-Shenzhen operation. Mr. Alan Suen is the brother of Mr. Peter Sun and he introduced Mr. Banson Lam to Mr. Peter Sun through his personal contact, and is instrumental in the forming of the cooperation between KFM-HK and Mr. Banson Lam's business which became KRP-HK in 1996. Mr. Banson Lam, Mr. Chan Lin On and Mr. Yeung Man Chiu were business partners in precision metal turning, machining and lathing process and they were one of the outsourcing suppliers of KFM-HK. Since KFM-HK only had metal stamping process and was planning to expand into the metal turning and machining process in order to expand its business, Mr. Peter Sun and Mr. Banson Lam saw the synergy of merging the two businesses together to strengthen their competitiveness. A strategic decision was made by the two companies that KFM-HK became the majority shareholder of Mr. Banson Lam's business which became KRP-HK in 1996.

Under Mr. Peter Sun's leadership, our Group initiated business dealings with clients from the office automation industry, and established business relationship with Ricoh in the 1990s and was awarded preferred supplier status by Ricoh as a result of our proven capability in producing high quality products.

In 1995, our Group obtained the ISO9002-1994 certification. Subsequently, our Group acquired additional precision engineering techniques such as machining and turning through the setup of KRP-HK in 1996. In 1997, our Group commenced supplying metal parts for the electrocardiography (ECG) machines of Hewlett-Packard, and thus entered the medical and test equipment industry.

Throughout the period our Group continued to demonstrate excellence in various categories such as product quality, production technology and environmental protection. Our effort and dedication were recognized by public organisations and our customers, and as such we received from them a portfolio of awards and accreditations.

As a result of our continuous expansion of sales and marketing effort as well as precision engineering service diversification, we penetrated the finance equipment sector through the provision of precision metal parts for Diebold in 2005. As at the Latest Practicable Date, the number of our customers had grown to over 100, many of which represent clients in the five specialised sectors, namely medical and test equipment industry, finance equipment industry, consumer electronics industry, network/data storage industry and the office automation industry.

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We have our in-house research and development team. As of the Latest Practicable Date, we owned 33 registered patents, including 3 invention patents, 29 utility model patents and 1 design patent, and 7 registered trademarks in the PRC and elsewhere in the world. We also have 11 patents and 71 trademarks pending approval for registration in the PRC and elsewhere in the world.

Below represents our Group milestones since our establishment in 1987 and up to the Latest Practicable Date:

| Time | Event |
|-------------|---|
| 1987 | Establishment of Kingdom Industrial Company. |
| 1989 | Establishment of KFM-HK. |
| 1995 | Obtained ISO9002-1994 Certification. |
| 1996 | Establishment of KRP-HK. Received the 1996 Hong Kong Awards for Industry – HKPC Productivity Award from the Hong Kong Productivity Council. |
| 1998 | Accredited with ISO 14001:1996 Certification. |
| 2000 | Received the Quality Grand Award and the Productivity Grand Award of the Hong Kong Awards for Industry. |
| 2002 | Establishment of KPP-HK. Establishment of KPP-Suzhou. Establishment of KRP-Shanghai. |
| 2003 | Received Fuji Xerox FXSZ Supplier QCD Outstanding Award from Fuji Xerox. Granted BS7799: PART2:1999 (now known as ISO/IEC 27001:2005) Certification. |
| 2004 | Awarded ISO/TS 16949:2002 Certification. |
| 2005 | Received the Innovation-Knowledge Enterprise Award from the Hong Kong Productivity Council and the Guangdong Intellectual Property Office. |
| 2006 | Mr. Peter Sun received the Medal of Honour from the then Chief Executive, Mr. Donald Tsang. |
| 2007 | Accredited with OHSAS18001:1999 Certification. Establishment of KRP-Shenzhen. |

HISTORY AND DEVELOPMENT

| Time | Event |
|-------------|--|
| 2008 | Received the Diebold Silver Award for Supplier Excellence 2008 from Diebold. |
| 2009 | Received the Environmental Performance Grand Award of the Hong Kong Awards for Industries. Received the Hang Seng Pearl River Delta Environmental Grand Award. Received the Konica Minolta Outstanding Supplier Award. |
| 2011 | Establishment of KFM-BVI. Establishment of KFM-Shenzhen. |
| 2012 | Acquisition of BDT Business. |

REORGANISATION

Introduction

In contemplation of Listing, members of our Group have undergone certain restructuring steps whereby a coherent corporate structure of our Group has been established which is suitable for listing on the Main Board of the Stock Exchange. The Reorganisation involved the following principal steps:

- (1) Incorporation of KFM-BVI and our Company
- (2) Acquisition of the entire issued share capital of KFM-HK by KFM-BVI
- (3) Acquisition of 49% interest in KRP-HK and 10% interest in KPP-HK by KFM-HK
- (4) Transfer of entire issued share capital of our Company to KIG and transfer of entire issued share capital of KFM-BVI to our Company
- (5) Setting up of a share award plan by KIG

For the purpose of Listing, the following Reorganisation steps have been implemented:

(1) Incorporation of KFM-BVI and our Company

KFM-BVI was incorporated in BVI on 28 June 2011 to act as the intermediate holding company of our Group. On incorporation, no share was allotted and the authorised share capital was US\$50,000 divided into 50,000 shares of US\$1.00 each.

HISTORY AND DEVELOPMENT

Our Company was incorporated in the Cayman Islands on 13 July 2011 to act as the ultimate holding company of our Group. The authorised share capital of our Company, on incorporation, was HK\$100,000 divided into 1,000,000 Shares of HK\$0.10 each. One nil paid Share was issued and transferred from the initial subscriber to Mr. Peter Sun on 13 July 2011.

(2) Acquisition of the entire issued share capital of KFM-HK by KFM-BVI

On 28 July 2011, each unissued share of KFM-BVI was sub-divided into 100 shares of US\$0.01 each. The authorised share capital of KFM-BVI became US\$50,000 divided into 5,000,000 shares of US\$0.01 each.

On 11 October 2011, Mr. Peter Sun, Mr. David Wong, Mr. Yau Lam Chuen and Mr. Yung Ching Tak transferred the entire issued share capital of KFM-HK to KFM-BVI for a consideration of HK\$1 for each individual, and which was satisfied by the issue and allotment of an aggregate of 79,740 shares by KFM-BVI to each of them as set out below:

| Name of shareholder | Number of KFM-BVI shares | Approximate % |
|---------------------|--------------------------------|------------------|
| Mr. Peter Sun | 43,240 | 54.23 |
| Mr. David Wong | 13,690 | 17.17 |
| Mr. Yau Lam Chuen | 13,690 | 17.17 |
| Mr. Yung Ching Tak | 9,120 | 11.44 |
| Total: | <u>79,740</u> | <u>100</u> |

(3) Acquisition of 49% interest in KRP-HK and 10% interest in KPP-HK

On 29 November 2011, Mr. Peter Sun transferred 1,000 shares in KPP-HK (representing 10% of the total issued share capital of KPP-HK) which were held by Mr. He Lin as trustee on trust for him to KFM-HK for a consideration of HK\$1.00, and which was satisfied by the issue and allotment of 3,460 shares by KFM-BVI (at the direction of KFM-HK) to him.

On 29 December 2011, Mr. Banson Lam, Mr. Chan Lin On, Mr. Yeung Man Chiu and Mr. Alan Suen transferred 900,000 shares, 900,000 shares, 450,000 shares and 200,000 shares in KRP-HK (representing an aggregate of 49% of the total issued share capital of KRP-HK) respectively to KFM-HK, for a consideration of HK\$1.00 for each individual, and which was satisfied by the issue and allotment of an aggregate of 16,800 shares by KFM-BVI (at the direction of KFM-HK) to them as set out in table under this paragraph below.

HISTORY AND DEVELOPMENT

The allotment of shares in KFM-BVI mentioned in this Step (3) of the Reorganisation above and the shareholding structure of KFM-BVI after this Step 3 of the Reorganisation are set out below:

| Name of shareholder | Number of KFM-BVI shares held before the allotment | Number of KFM-BVI shares allotted | Total number of KFM-BVI shares held after the allotment | % |
|---------------------|---|--|---|------------|
| Mr. Peter Sun | 43,240 | 3,460 | 46,700 | 46.70 |
| Mr. David Wong | 13,690 | – | 13,690 | 13.69 |
| Mr. Yau Lam Chuen | 13,690 | – | 13,690 | 13.69 |
| Mr. Yung Ching Tak | 9,120 | – | 9,120 | 9.12 |
| Mr. Banson Lam | – | 6,170 | 6,170 | 6.17 |
| Mr. Chan Lin On | – | 6,170 | 6,170 | 6.17 |
| Mr. Yeung Man Chiu | – | 3,090 | 3,090 | 3.09 |
| Mr. Alan Suen | – | 1,370 | 1,370 | 1.37 |
| Total: | <u>79,740</u> | <u>20,260</u> | <u>100,000</u> | <u>100</u> |

On 26 September 2011, a confirmation of concert party arrangement was executed by each of Mr. Peter Sun, Mr. David Wong, Mr. Yau Lam Chuen, Mr. Yung Ching Tak, Mr. Banson Lam, Mr. Chan Lin On and Mr. Yeung Man Chiu, confirming that they are parties acting in concert in the operation and management of KPP-HK, KPP-Suzhou, KRP-HK, KRP-Shenzhen, KRP-Shanghai, KFM-HK and KFM-Shenzhen since 13 March 2002, being the date of incorporation of KPP-HK. Mr. Alan Suen was not a party to the concert party arrangement. Mr. Alan Suen is the 13% owner and a director of Kingdom Innovative and the 29% owner and a director of Innotech, both companies are incorporated in Hong Kong. The principal business activities of the Kingdom Innovative Group are the sales of sweeper products while that of the Innotech Group are the sale and manufacturing of household products. The business operations of the Kingdom Innovative Group and the Innotech Group are principally managed by Mr. Alan Suen. Both the Kingdom Innovative Group and the Innotech Group are not part of our Group. Mr. Alan Suen is not a party to the concert party arrangement since (i) he is a director and shareholder of Innotech and Kingdom Innovative and is mainly involved in the business operations of the Innotech Group and the Kingdom Innovative Group; and (ii) he is not involved in our Group's operation and decision-making.

HISTORY AND DEVELOPMENT

(4) Transfer of entire issued share capital of our Company to KIG and transfer of entire issued share capital of KFM-BVI to our Company

On 13 September 2012, Mr. Peter Sun transferred one nil-paid share in our Company to KIG; and on 13 September 2012, all shareholders of KFM-BVI transferred the entire issued share capital in KFM-BVI to our Company, in exchange for which our Company, at the direction of the shareholders of KFM-BVI, (a) issue and allot 999,999 shares to KIG, credited as fully paid; and (b) credited as fully paid at par the one nil-paid share which was then registered in the name of KIG.

(5) Setting up of a share award plan by KIG

In order to recognise and reward the contribution of certain eligible participants to the growth and development of our Group, KIG adopted a share award plan on 22 September 2012. Mr. Peter Sun acted as the trustee to the share award plan.

Among the 4,670 shares in KIG held by Mr. Peter Sun, 220 shares were held by him as trustee on trust for the share award plan of KIG.

The shareholding structure of KIG after this Step 5 of the Reorganisation is set out below:

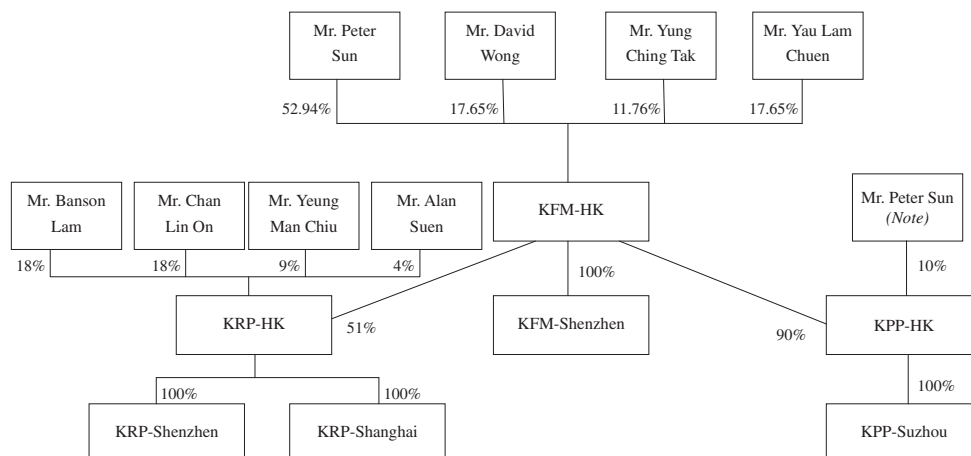
| Name of shareholder | Number of KIG shares held before the transfer | % |
|---------------------|--|----------------|
| Mr. Peter Sun | 4,670 <i>(Note)</i> | 46.70 |
| Mr. David Wong | 1,369 | 13.69 |
| Mr. Yau Lam Chuen | 1,369 | 13.69 |
| Mr. Yung Ching Tak | 912 | 9.12 |
| Mr. Banson Lam | 617 | 6.17 |
| Mr. Chan Lin On | 617 | 6.17 |
| Mr. Yeung Man Chiu | 309 | 3.09 |
| Mr. Alan Suen | 137 | 1.37 |
| Total: | <u>10,000</u> | <u>100</u> |

Note: Among the 4,670 shares in KIG held by Peter Sun, 220 shares were held by him as trustee on trust for the share award plan of KIG.

HISTORY AND DEVELOPMENT

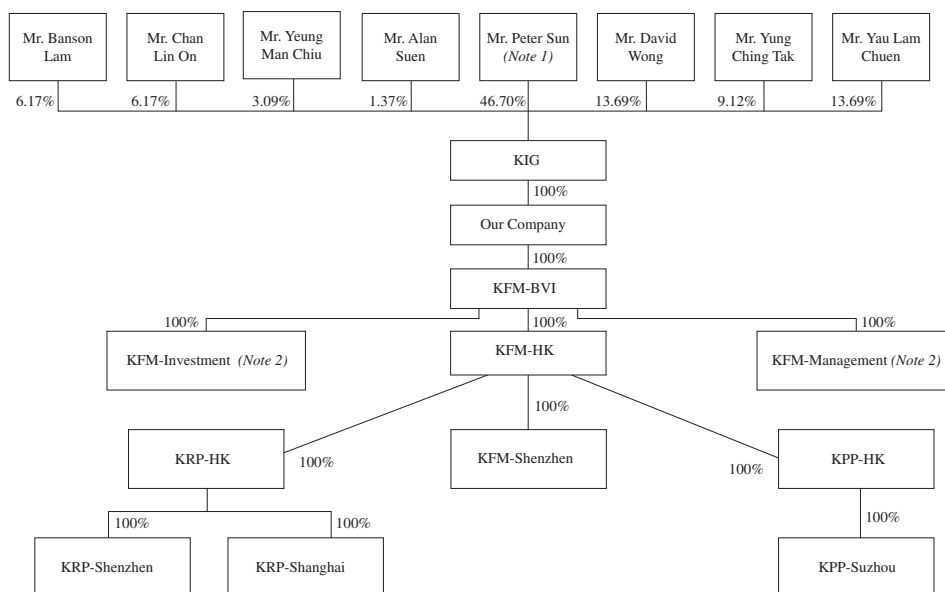
CORPORATE STRUCTURE

Set out below is the shareholding structure of our Group immediately prior to the Reorganisation:



Note: The 1,000 shares in KPP-HK (representing 10% of the total issued share capital of KPP-HK) were held by Mr. He Lin as trustee on trust for Mr. Peter Sun.

Set out below is the shareholding structure of our Group after the Reorganisation and immediately prior to the Global Offering and the Capitalisation Issue:



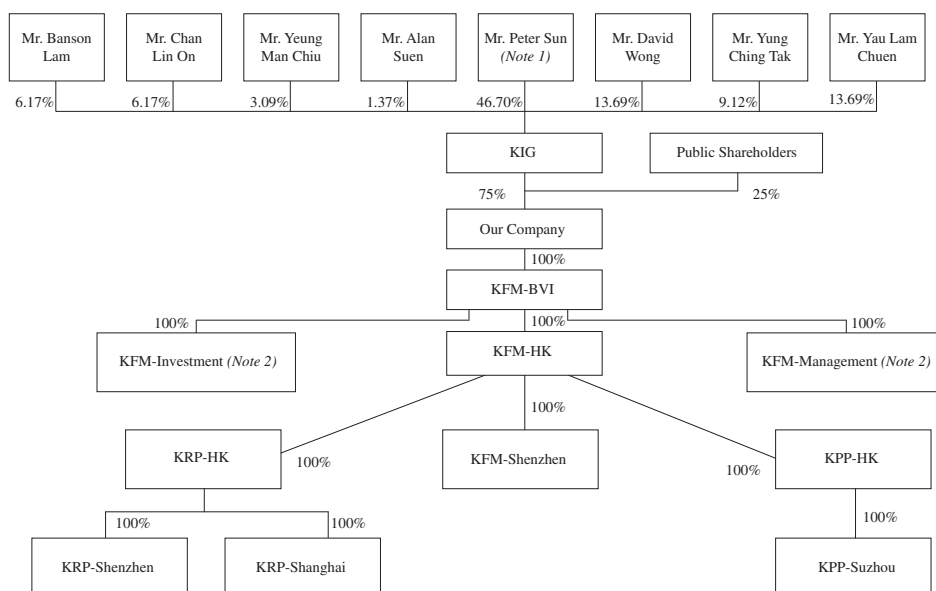
Notes:

1. Among the 4,670 shares (representing 46.70% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 220 shares (representing 2.20% of the total issued share capital of KIG) were held by him as trustee on trust for the share award plan of KIG.
2. The incorporation of KFM-Management and KFM-Investment was not part of Reorganisation.

HISTORY AND DEVELOPMENT

3. KIG was incorporated in the BVI on 20 March 2003 as an investment holding company. KIG was owned as to 100% by Mr. Peter Sun upon incorporation. On 11 August 2004, 529 shares of KIG were allotted to Mr. Peter Sun, 175 shares of KIG were allotted to Mr. David Wong, 175 shares of KIG were allotted to Mr. Yau Lam Chuen, and 120 shares of KIG were allotted to Mr. Yung Ching Tak. In contemplation for the Listing, our Controlling Shareholders and Mr. Alan Suen decided that they should hold the Shares through an investment holding company; hence, further shares were issued and allotted by KIG on 19 July 2011 to the then shareholders of KIG and other shareholders, namely Mr. Banson Lam, Mr. Chan Lin On, Mr. Yeung Man Chiu, Mr. Alan Suen and Mr. He Lin, with the intention to mirror the ultimate percentage shareholding of our Company upon completion of the reorganisation of our Group. The 346 shares in KIG then held by Mr. He Lin were being held by him as trustee on trust for Mr. Peter Sun, which reflected the then shareholding structure of KPP-HK. As advised by our BVI legal advisers, there was no legal prohibition, or restrictions for Mr. Peter Sun to hold the shares in KIG directly at the relevant time. Subsequent to that, Mr. Peter Sun and Mr. He Lin agreed that as part of the Reorganisation, the trustee arrangement between Mr. Peter Sun and Mr. He Lin should be terminated and Mr. Peter Sun should hold the Shares in his own name and accordingly, on 6 September 2011, Mr. He Lin transferred, at the direction of Mr. Peter Sun, the 346 shares in KIG held by him as trustee for Mr. Peter Sun, back to Mr. Peter Sun.

Set out below is the shareholding structure of our Group following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme):



Notes:

1. Among the 4,670 shares (representing 46.70% of the total issued share capital of KIG) in KIG held by Mr. Peter Sun, 220 shares (representing 2.20% of the total issued share capital of KIG) were held by him as trustee on trust for the share award plan of KIG.
2. The incorporation of KFM-Management and KFM-Investment was not part of Reorganisation.