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KINGDOM

KINGDOM HOLDINGS LIMITED

金達控股有限公司

(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as “Kingdom (Cayman) Limited”)

(Stock Code: 528)

DISCLOSEABLE TRANSACTION CAPITAL INJECTION INTO A SUBSIDIARY

CAPITAL INJECTION RESOLUTION

On 21 October 2021, (i) Zhejiang Jinda, an indirect wholly-owned subsidiary of the Company, (ii) Heilongjiang Kailai, (iii) Ms. Shen Chunyan and (iv) Shenzhen Boyang, all being shareholders of the Subsidiary, passed the Capital Injection Resolution, pursuant to which it is resolved that Zhejiang Jinda and Heilongjiang Kailai will make additional cash contribution of RMB146,000,000 and RMB44,000,000, respectively, as new registered capital into the Subsidiary.

Upon completion of the Capital Injection, the Group’s effective equity interest in the Subsidiary will increase from 72.73% to 75.34%, representing an increase of 2.61%. The Subsidiary will remain as a subsidiary of the Company and its financial results will continue to be consolidated in the Group’s accounts.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under the Listing Rules in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements but is exempt from the Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

1. INTRODUCTION

Reference is made to the announcement of the Company dated 2 May 2016 in relation to the establishment of the Subsidiary. As at the date of this announcement, Zhejiang Jinda, an indirect wholly-owned subsidiary of the Company, owns 72.73% equity interest in the Subsidiary.

2. CAPITAL INJECTION RESOLUTION

On 21 October 2021, (i) Zhejiang Jinda, (ii) Heilongjiang Kailai, (iii) Ms. Shen Chunyan (沈春豔) and (iv) Shenzhen Boyang, all being shareholders of the Subsidiary, passed the Capital Injection Resolution, pursuant to which it is resolved that Zhejiang Jinda and Heilongjiang Kailai will (i) make additional cash contribution of RMB146,000,000 and RMB44,000,000, respectively, as new registered capital into the Subsidiary and (ii) complete the payment of such contribution in full by 31 December 2021.

The two other shareholders of the Subsidiary, namely Ms. Shen Chunyan and Shenzhen Boyang, have confirmed that they will not make any further cash contribution to the Subsidiary.

The contribution amounts under the Capital Injection were determined after arm's length negotiations among the parties with reference to, among other things, the future development plan of the Subsidiary and its funding needs.

The cash contribution to be made by Zhejiang Jinda under the Capital Injection will be financed by the internal resources of the Group.

Completion

Upon completion of the Capital Injection, the Group's effective equity interest in the Subsidiary will increase from 72.73% to 75.34%, representing an increase of 2.61%. The Subsidiary will remain as a subsidiary of the Company and its financial results will continue to be consolidated in the Group's accounts.

Shareholding structure of the Subsidiary

Immediately upon completion of the Capital Injection, the registered capital of the Subsidiary will increase from RMB110,000,000 to RMB300,000,000.

The shareholding structure of the Subsidiary (i) as at the date of this announcement and (ii) immediately upon completion of the Capital Injection is as follows:

Shareholders	As at the date of this announcement		Immediately upon completion of the Capital Injection	
	<i>Registered capital (RMB)</i>	<i>Approximate %</i>	<i>Registered capital (RMB)</i>	<i>Approximate %</i>
Zhejiang Jinda	80,000,000	72.73%	226,000,000	75.34%
Heilongjiang Kailai	10,000,000	9.09%	54,000,000	18.00%
Ms. Shen Chunyan	10,000,000	9.09%	10,000,000	3.33%
Shenzhen Boyang	10,000,000	9.09%	10,000,000	3.33%
Total	<u>110,000,000</u>	<u>100%</u>	<u>300,000,000</u>	<u>100%</u>

3. INFORMATION ON THE PARTIES

Zhejiang Jinda

Zhejiang Jinda is a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company. It is principally engaged in the manufacture and sale of linen yarn in the PRC.

Heilongjiang Kailai

Heilongjiang Kailai is a company established in the PRC with limited liability and is principally engaged in investment holding. Heilongjiang Kailai is owned as to 60% by Mr. Sun Yucai (孫玉財) and as to 40% by Mr. Sun Wenzhong (孫文忠). Mr. Sun Yucai and Mr. Sun Wenzhong are PRC citizens.

Ms. Shen Chunyan

Ms. Shen Chunyan is a PRC citizen.

Shenzhen Boyang

Shenzhen Boyang is a limited liability company established in the PRC and is principally engaged in the manufacturing and trading of linen fabrics.

The Subsidiary

The Subsidiary is a company established in the PRC with limited liability and is an indirect 72.73%-owned subsidiary of the Company. It is principally engaged in the manufacture and sale of linen yarn in the PRC.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, all shareholders of the Subsidiary (other than Zhejiang Jinda) and their respective ultimate beneficial owner(s) are Independent Third Parties (save for their existing shareholdings in the Subsidiary).

Financial information of the Subsidiary

Set out below is the audited financial information of the Subsidiary for the two financial years ended 31 December 2019 and 2020 and the unaudited financial information of the Subsidiary for the nine months ended 30 September 2021, respectively:

	For the financial year		For the nine
	ended 31 December		months ended
	2019	2020	30 September
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)	(unaudited)
Net profit/(loss) before taxation	28,048,565	15,769,366	(8,185,507)
Net profit/(loss) after taxation	21,036,424	11,827,025	(8,185,507)

Based on the unaudited financial information of the Subsidiary, the total assets value and net assets value of the Subsidiary as at 30 September 2021 were approximately RMB580,475,069 and RMB265,740,487, respectively.

4. REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Group is principally engaged in the manufacture and sale of linen yarn. It is a leading exporter of linen yarn in the PRC.

The Directors consider that the Capital Injection is beneficial to the Group as it will strengthen the capital base and enhance the competitiveness of the Subsidiary, thereby enabling long-term benefits from its business development and hence create better returns for the Shareholders.

The Directors are of the view that although the Capital Injection was not implemented in the ordinary and usual course of business of the Group, the terms of the Capital Injection are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

5. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under the Listing Rules in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 2.61% of the equity interest in the Subsidiary by way of capital injection into the Subsidiary in an amount of RMB146,000,000 by Zhejiang Jinda pursuant to the Capital Injection Resolution
“associate(s)”	shall have meaning ascribed to it under the Listing Rules
“Board”	board of Directors

“Capital Injection”	the capital injection into the Subsidiary in an aggregate amount of RMB190,000,000 by Zhejiang Jinda and Heilongjiang Kailai, as resolved pursuant to the Capital Injection Resolution
“Capital Injection Resolution”	the resolution passed by the shareholders of the Subsidiary on 21 October 2021 in relation to the Capital Injection
“Company”	Kingdom Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	shall have meaning ascribed to it under the Listing Rules
“Directors”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Heilongjiang Kailai”	Heilongjiang Kailai Investment Co., Ltd.* (黑龍江省凱來投資有限公司), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person, or in the case of a company, the company of its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	share(s) of HK\$0.01 each of the Company
“Shenzhen Boyang”	Shenzhen Boyang Textile Industrial Co., Ltd.* (深圳市泊洋紡織實業有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Heilongjiang Jinda Flax Hemp Co., Ltd.* (黑龍江金達麻業有限公司), a company established in the PRC with limited liability and an indirect 72.73%-owned subsidiary of the Company
“Zhejiang Jinda”	Zhejiang Jinda Flax Co., Ltd.* (浙江金達亞麻有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company

* For identification purpose only

By Order of the Board of
Kingdom Holdings Limited
Ren Weiming
Chairman

Zhejiang, 21 October 2021

As at the date of this announcement, the executive Directors are Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong; the non-executive Director is Mr. Ngan Kam Wai Albert; and the independent non-executive Directors are Mr. Lau Ying Kit, Mr. Lo Kwong Shun Wilson and Mr. Yan Jianmiao.