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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)

CONNECTED TRANSACTION ACQUISITION OF 80% EQUITY INTEREST IN HEILONGJIANG KANGYUAN FLAX AND HEMP SEED CO., LTD.

EQUITY TRANSFER AGREEMENT

On 1 November 2021, Heilongjiang Jinda, an indirect non-wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with Heilongjiang Kangyuan, pursuant to which Heilongjiang Jinda agreed to acquire and Heilongjiang Kangyuan agreed to dispose of 80% equity interest in Kangyuan Seed at a consideration of RMB8,800,000.

LISTING RULES' IMPLICATIONS

As at the date of this announcement, Heilongjiang Kangyuan is a company owned as to 53.6% by Kingdom Creative, 16.0% by Economic Crop Research Institute, Heilongjiang Academy of Agricultural Sciences, 10.1% by Zou Ke, 6.1% by Wu Wei, 4.0% by Wang Pengliang, 3.0% by Xiong Lijian, 2.4% by Gao Ping, 1.6% by Zhang Yang, 1.6% by Deng Xiaokuan and 1.6% by Luo Yu. Kingdom Creative is owned as to 71.64% by Mr. Ren Weiming, 10.75% by Mr. Shen Yueming, 9.18% by Mr. Zhang Hongwen, 1.39% by Ms. Shen Hong, 4.48% by Mr. Sheng Liangzhen, 0.56% by Ms. Feng Liping, 0.54% by Ms. Chen Huiqun, 0.43% by Ms. Ren Liying, 0.38% by Mr. Xu Zhiquan, 0.2% by Ms. Xia Aimei, 0.19% by Mr. Zhuang Hanliang, 0.19% by Ms. Lu Min and 0.08% by Mr. Chen Shengfa.

Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong, being executive Directors and connected persons of the Company, are also directors of Kingdom Creative. Mr. Zhang Hongwen and Ms. Shen Hong are also directors of Heilongjiang Kangyuan. Accordingly, Kingdom Creative and Heilongjiang Kangyuan are associates of connected persons of the Company under Chapter 14A of the Listing Rules, and thus are connected persons of the Company. Therefore, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in relation to the Acquisition exceed 0.1% but all of the percentage ratios are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the 2019 Announcement in relation to the disposal by Heilongjiang Jinda, an indirect non-wholly-owned subsidiary of the Company, of 75% equity interest in Kangyuan Seed to Heilongjiang Kangyuan at a consideration of RMB7,500,000.

On 1 November 2021, Heilongjiang Jinda entered into the Equity Transfer Agreement with Heilongjiang Kangyuan, pursuant to which Heilongjiang Jinda agreed to acquire and Heilongjiang Kangyuan agreed to dispose of 80% equity interest in Kangyuan Seed at a consideration of RMB8,800,000.

The principal terms of the Equity Transfer Agreement are set out below.

EQUITY TRANSFER AGREEMENT

Date

1 November 2021

Parties involved

- 1) Heilongjiang Jinda, as purchaser; and
- 2) Heilongjiang Kangyuan, as vendor.

Subject matter

Pursuant to the Equity Transfer Agreement, Heilongjiang Jinda shall acquire 80% equity interest in Kangyuan Seed from Heilongjiang Kangyuan.

Consideration and payment term

The Consideration is RMB8,800,000, and shall be payable to the bank account of Heilongjiang Kangyuan within 30 days from the date of the Equity Transfer Agreement.

The Consideration was determined after arm's length negotiations between the parties to the Equity Transfer Agreement with reference to, among other things, (1) the valuation of Kangyuan Seed as at 31 August 2021 of RMB11,876,500 as appraised by Haiyan Zhonglian Asset Assessment Limited Corporation* (海鹽中聯資產評估有限公司), an independent valuer registered and licensed in the PRC, using the market approach method and (2) the proportion of equity interest in Kangyuan Seed to be acquired by Heilongjiang Jinda. Accordingly, the Directors, including the independent non-executive Directors, consider that the Consideration is fair and reasonable.

The Consideration will be funded by the internal resources of the Group.

Completion

Upon completion of the Acquisition, the Company will, through Heilongjiang Jinda, own 80% equity interest in Kangyuan Seed, and Kangyuan Seed will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Group.

INFORMATION OF KANGYUAN SEED

Corporate information

Kangyuan Seed is a company established in the PRC with limited liability and is principally engaged in the research, development and sale of a variety of flax and hemp seeds. As at the date of this announcement, Kangyuan Seed is owned as to 80% by Heilongjiang Kangyuan and as to 20% by Heilongjiang Longke Asset Management Co., Ltd.* (黑龍江省龍科資產經營管理有限責任公司). Heilongjiang Longke Asset Management Co., Ltd. is 100% owned by Heilongjiang Provincial Academy of Agricultural Sciences* (黑龍江省農業科學院).

Financial information

The audited financial information of Kangyuan Seed for the two years ended 31 December 2019 and 2020 and unaudited financial information for the nine months ended 30 September 2021, which was prepared in accordance with China Accounting Standards for Business Enterprises, is set out below:

	For the year ended		For the nine
	31 December		months ended
	2019	2020	30 September
	(audited)	(audited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before taxation	4,849	(1,537)	(1,286)
Net profit/(loss) after taxation	3,797	(1,537)	(1,286)
Total assets	15,966	12,178	10,130
Net assets	13,018	12,399	11,113

Kangyuan Seed dedicated a majority of its resources to the research and development of hemp seeds for medical use in 2020, therefore it did not generate any revenue and recorded loss for the year ended 31 December 2020. Based on the research and development efforts of Kangyuan Seed, fiber-rich hemp specie was planted in April 2021 and harvested in October 2021, and the sales of the hemp seeds to farmers will typically take place in the first quarter of the following year after the harvest.

INFORMATION OF HEILONGJIANG JINDA

Heilongjiang Jinda is a company established in the PRC with limited liability and is an indirect 75.34%-owned subsidiary of the Company. It is principally engaged in the manufacture and sale of linen yarn in the PRC. It is owned (i) as to 75.34% by Zhejiang Jinda Flax Co., Ltd.* (浙江金達亞麻有限公司) (an indirect wholly owned subsidiary of the Company), (ii) as to 18.00% by Heilongjiang Kailai Investment Co., Ltd.* (黑龍江省凱來投資有限公司), (iii) as to 3.33% by Ms. Shen Chunyan and (iv) as to 3.33% by Shenzhen Boyang Textile Industrial Co., Ltd.* (深圳市泊洋紡織實業有限公司). Heilongjiang Kailai Investment Co., Ltd. is owned as to 60% by Mr. Sun Yucai (孫玉財) and as to 40% by Mr. Sun Wenzhong (孫文忠) who are both PRC citizens. Ms. Shen Chunyan is a PRC citizen. Shenzhen Boyang Textile Industrial Co., Ltd. is owned as to 80% by Mr. Liu Peng (劉鵬) and as to 20% by Liu Boyang (劉泊洋) who are PRC citizens.

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

INFORMATION OF HEILONGJIANG KANGYUAN

Heilongjiang Kangyuan is a company established in the PRC with limited liability. It is a biotechnology company principally engaged in the research and development of extraction and application of cannabinoids (CBD) from hemp.

As disclosed in the 2019 Announcement, Heilongjiang Kangyuan acquired 75% equity interest in Kangyuan Seed from Heilongjiang Jinda at a consideration of RMB7,500,000. Heilongjiang Kangyuan subsequently acquired additional 5% equity interest in Kangyuan Seed at a consideration of RMB500,000. Therefore, Heilongjiang Kangyuan's original cost of acquiring 80% equity interests in Kangyuan Seed was RMB8,000,000.

REASONS FOR ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Company is an investment holding company. Its subsidiaries, including Heilongjiang Jinda, are principally engaged in the manufacture and sale of linen and hemp yarn. The Group is a leading exporter of linen yarn in the PRC. The Group is contemplating to complete its own hemp fiber supply chain in Heilongjiang from seed to yarn, in order to ensure both quality and quantity of raw materials for the Group's production of hemp yarn.

Kangyuan Seed is principally engaged in research, development and sale of variety of flax and hemp seeds. As disclosed in the 2019 Announcement, the Company initially disposed of its 75% equity interest in Kangyuan Seed in 2019 due to the then unsatisfactory business performance of Kangyuan Seed and that the research and development of variety of flax and hemp seeds was not the principal activity of the Group. However, in light of the Group's recent business plan to complete its own hemp fiber supply chain in Heilongjiang from seed to yarn, and that the business performance of Kangyuan Seed has improved and become profit-making in 2019, the Company considers that the Acquisition provides an opportunity for the Company to complete its hemp fiber ecosystem and supply chain in Heilongjiang from seed to yarn, through the collaboration with local farmers on the selection of hemp seed and the purchase of hemp crops from local farmers. Kangyuan Seed's connections with the local farmers in Heilongjiang accumulated through its operations will be essential to facilitate the completion of the hemp fiber supply chain and such connections can only be gained through a local presence.

The Directors, including the independent non-executive Directors, consider that the Equity Transfer Agreement was entered on normal commercial terms and that the terms of the Equity Transfer Agreement are fair and reasonable and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

Each of Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong has abstained from voting on (and has not been counted in the quorum for) the relevant Board resolutions for approving the Equity Transfer Agreement and the transactions contemplated thereunder by virtue of their directorships in Heilongjiang Kangyuan and Kingdom Creative. Save for Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong, none of the Directors (including all independent non-executive Directors) is regarded as having a material interest in, and therefore none of them is required to abstain from voting on, the relevant Board resolutions for approving the Equity Transfer Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATION

As at the date of this announcement, Heilongjiang Kangyuan is a company owned as to 53.6% by Kingdom Creative, 16.0% by Economic Crop Research Institute, Heilongjiang Academy of Agricultural Sciences, 10.1% by Zou Ke, 6.1% by Wu Wei, 4.0% by Wang Pengliang, 3.0% by Xiong Lijian, 2.4% by Gao Ping, 1.6% by Zhang Yang, 1.6% by Deng Xiaokuan and 1.6% by Luo Yu. Kingdom Creative is owned as to 71.64% by Mr. Ren Weiming, 10.75% by Mr. Shen Yueming, 9.18% by Mr. Zhang Hongwen, 1.39% by Ms. Shen Hong, 4.48% by Mr. Sheng Liangzhen, 0.56% by Ms. Feng Liping, 0.54% by Ms. Chen Huiqun, 0.43% by Ms. Ren Liying, 0.38% by Mr. Xu Zhiquan, 0.2% by Ms. Xia Aimei, 0.19% by Ms. Lu Min, 0.19% by Mr. Zhuang Hanliang and 0.08% by Mr. Chen Shengfa.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong, all other ultimate beneficial owners of Heilongjiang Kangyuan are Independent Third Parties.

Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong, being executive Directors and connected persons of the Company, are also directors of Kingdom Creative. Mr. Zhang Hongwen and Ms. Shen Hong are also directors of Heilongjiang Kangyuan. Accordingly, Kingdom Creative and Heilongjiang Kangyuan are associates of connected persons of the Company under Chapter 14A of the Listing Rules, and thus are connected persons of the Company. Therefore, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in relation to the Acquisition exceed 0.1% but all of the percentage ratios are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2019 Announcement”	the announcement of the Company dated 24 May 2019 in relation to the disposal of 75% equity interest in Kangyuan Seed by Heilongjiang Jinda
“Acquisition”	the acquisition of 80% equity interest in Kangyuan Seed by Heilongjiang Jinda from Heilongjiang Kangyuan pursuant to the Equity Transfer Agreement
“associate(s)”	shall have meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“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
“Consideration”	the consideration for the 80% equity interest in Kangyuan Seed under the Equity Transfer Agreement, being RMB8,800,000
“Directors”	director(s) of the Company
“Equity Transfer Agreement”	the agreement dated 1 November 2021 entered into between Heilongjiang Jinda and Heilongjiang Kangyuan in relation to the Acquisition
“Group”	the Company and its subsidiaries

“Heilongjiang Jinda”	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 75.34%-owned subsidiary of the Company
“Heilongjiang Kangyuan”	Heilongjiang Kangyuan Bio-tech Co., Ltd.* (黑龍江康源生物科技有限公司), a company established in the PRC with limited liability
“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
“Kangyuan Seed”	Heilongjiang Kangyuan Flax and Hemp Seed Co., Ltd.* (黑龍江康源種業有限公司)., a company established in the PRC with limited liability, with a registered capital of RMB10,000,000 and owned as to 80% by Heilongjiang Kangyuan as at the date of this announcement
“Kingdom Creative”	Zhejiang Kingdom Creative Co., Ltd.* (浙江金達創業有限公司), a company established in the PRC with limited liability
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	share(s) of HK\$0.01 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* *For identification purpose only*

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

Zhejiang, 1 November 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.