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KFM KINGDOM HOLDINGS LIMITED

KFM金德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3816)

DISCLOSEABLE TRANSACTIONS:

(1) RENOVATION AGREEMENT

AND

(2) SYSTEMS SUPPLY AGREEMENT

The Board announces that on 2 March 2021, Reliance Huizhou, a wholly-owned subsidiary of the Company, and the Renovation Contractor entered into the Renovation Agreement pursuant to which the Renovation Contractor has agreed to undertake the Renovation Work. In addition, on the same date, Reliance Shenzhen, another wholly-owned subsidiary of the Company, and the Systems Contractors entered into the Systems Supply Agreement pursuant to which the Systems Contractors has agreed to undertake the Systems Supply Work.

LISTING RULES IMPLICATIONS

As each of the Renovation Work and the Systems Supply Work is carried out for the Production Facility which is for the Group's own use in its ordinary and usual course of business, according to Rule 14.23A of the Listing Rules, the transactions contemplated under each of the Renovation Agreement and the Systems Supply Agreement and any other transactions contemplated under the agreement(s) entered by the Group in relation to construction and/or renovation work carried out for the Production Facility may not be required to be aggregated and treated as one transaction. However, as the applicable percentage ratios under the Listing Rules in respect of each of the Renovation Agreement and the Systems Supply Agreement exceed 5% but less than 25%, the transaction contemplated under each of the Renovation Agreement and the Systems Supply Agreement constitutes a discloseable transaction of the Company and therefore is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 2 March 2021, Reliance Huizhou, a wholly-owned subsidiary of the Company, and the Renovation Contractor entered into the Renovation Agreement pursuant to which the Renovation Contractor has agreed to undertake the Renovation Work. In addition, on the same date, Reliance Shenzhen, another wholly-owned subsidiary of the Company, and the Systems Contractors entered into the Systems Supply Agreement pursuant to which the Systems Contractors has agreed to undertake the Systems Supply Work.

THE RENOVATION AGREEMENT

The principal terms of the Renovation Agreement are as follow:

- Date:** 2 March 2021
- Parties:**
- (1) Reliance Huizhou; and
 - (2) the Renovation Contractor.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Renovation Contractor and its ultimate beneficial owner(s) are Independent Third Parties of the Company and its connected persons.

Renovation Work: Pursuant to the Renovation Agreement, the Renovation Contractor agreed to install the power distribution system, air conditioning system, sewage system and carry out renovation work for the factory in the Production Facility

Renovation Contract Price and payment terms: The Renovation Contract Price is RMB16,000,000 (equivalent to approximately HK\$19,200,000) which was determined after arm's length negotiations between Reliance Huizhou and the Renovation Contractor and on normal commercial terms with reference to the standard required under the Renovation Work, the experience and market position of the Renovation Contractor and the expected quality of the Renovation Work. Subject to the actual Renovation Work performed by the Renovation Contractor, the final Renovation Contract Price may be adjusted upward and downward no more than 10%.

The Renovation Contract Price shall be payable by Reliance Huizhou to the Renovation Contractor in the following manner:

- (a) 20% of the Renovation Contract Price shall be payable after the construction of all partitions in the factory in the Production Facility;
- (b) 15% of the Renovation Contract Price shall be payable after the installation of all racks in the factory in the Production Facility;
- (c) 15% of the Renovation Contract Price shall be payable after the installation of environment-friendly air conditioning system, wall painting and tile installation in the factory in the Production Facility;
- (d) 15% of the Renovation Contract Price shall be payable after the installation of power distribution system;
- (e) 27% of the Renovation Contract Price shall be payable within 15 business days after the acceptance of the Renovation Work; and
- (f) the remaining 8% of the Renovation Contract Price shall be payable by the end of June 2022.

The Renovation Contract Price will be financed by the internal resources of the Group.

Duration of the Renovation Work:

Pursuant to the Renovation Agreement, the Renovation Work shall commence on 1 April 2021 and shall be completed on or before 30 September 2021.

THE SYSTEMS SUPPLY AGREEMENT

The principal terms of the Systems Supply Agreement are as follow:

- Date:** 2 March 2021
- Parties:**
- (1) Reliance Shenzhen;
 - (2) Tencent Cloud Computing; and
 - (3) Pengans Technology (together with Tencent Cloud Computing, the “**Systems Contractors**”).

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, each of the System Contractors and their respective ultimate beneficial owner(s) are Independent Third Parties of the Company and its connected persons.

Systems Supply Work: Pursuant to the Systems Supply Agreement, (i) Tencent Cloud Computing agreed to supply a software system consist of an internet of things platform (the “**IoT Platform System**”) in the Production Facility which connects with a cloud server; and (ii) Pengans Technology agreed to set up and install the IoT Platform System in the Production Facility.

Tencent Cloud Computing also agreed to supply the relevant cloud resource services to the Group for three years commencing from the date of receipt of a notice from the Group after installation of the IoT Platform System in the Production Facility.

Systems Contract Price and payment terms: The Systems Contract Price is RMB19,180,000 (equivalent to approximately HK\$23,016,000), which comprise (i) the consideration of RMB11,000,000 (equivalent to approximately HK\$13,200,000) payable to Tencent Cloud Computing for the supply of the IoT Platform System (the “**Software Price**”); and (ii) the consideration of RMB8,180,000 (equivalent to approximately HK\$9,816,000) payable to Pengans Technology for the set up and installation work of the IoT Platform System (the “**Installation Price**”).

The Software Price shall be payable by Reliance Shenzhen to Tencent Cloud Computing in the following manner:

- (a) 30% of the Software Price shall be payable upon the signing of the Systems Supply Agreement;
- (b) 20% of the Software Price shall be payable upon completion of tailoring, design and planning of the IoT Platform System suitable for the Production Facility;
- (c) 42% of the Software Price shall be payable upon completion of the installation and testing of the IoT Platform System in the Production Facility; and
- (d) the remaining 8% of the Software Price shall be payable after one year of installation of the IoT Platform System if there is no material accident happened to the operation of the IoT Platform System.

The Installation Price shall be payable by Reliance Shenzhen to Pengans Technology in the following manner:

- (a) 10% of the Installation Price shall be payable upon the signing of the Systems Supply Agreement;
- (b) 20% of the Installation Price shall be payable upon the installation of all main circuits and bridges in the Production Facility;
- (c) 15% of the Installation Price shall be payable upon the installation of circuits infrastructures in the Production Facility;
- (d) 27% of the Installation Price shall be payable upon installation of material hardware and equipment;
- (e) 20% of the Installation Price shall be payable upon completion of the set up and installation of the IoT Platform System, including all other miscellaneous software systems such as surveillance system, fire protection systems and lighting systems; and
- (f) the remaining 8% of the Installation Price shall be payable after one year of installation of the IoT Platform System if there is no material accident happened to the operation of the IoT Platform System.

The Systems Contract Price was determined after arm's length negotiations between Reliance Shenzhen and the Systems Contractors and on normal commercial terms with reference to the specifications of the IoT Platform System to be supplied to the Group under the Systems Supply Agreement, the complexity and works required to set up and install the IoT Platform System, the experience and market position of the System Contractors and the expected quality of the Systems Supply Work and the IoT Platform System. The Systems Contract Price will be financed by the internal resources of the Group.

Duration of the Systems Supply Work:

Pursuant to the Systems Supply Agreement, it is expected that the Systems Supply Work shall be completed on or before 30 September 2021.

INFORMATION ON THE PARTIES

The Group

Each of Reliance Huizhou and Reliance Shenzhen is established under the PRC laws with limited liability and is an indirect wholly-owned subsidiary of the Company. Reliance Huizhou and Reliance Shenzhen principally engage in the manufacturing and sales of fine metal products and provision of precision metal lathing services. The Company's subsidiaries consist of manufacturing and sales of fine metal products and the provision of precision metal stamping and lathing services.

The Renovation Contractor

The Renovation Contractor is established under the PRC laws with limited liability and is principally engaged in interior design and constructions. As at the date of this announcement and according to the public search records, the Renovation Contractor is held by Chen Ming (程明) and Huang Qiulan (黃秋蘭), each of them being an Independent Third Party.

The Systems Contractors

Tencent Cloud Computing is established under the PRC laws with limited liability and is principally engaged in the operation of online platforms, and the development and supply of telecommunication and software systems. As at the date of this announcement and according to the public search records, Tencent Cloud Computing is held by Ma Huateng (馬化騰), Xu Chenye (許晨曄) and Lu Shan (廬山), each of them being an Independent Third Party.

Pengans Technology is established under the PRC laws with limited liability and is principally engaged in the development and installation of internet of things software and hardware systems. As at the date of this announcement and according to the public search records, Pengans Technology is held by Ma Xugang (馬旭剛) and Xie Qunyan (謝群艷), each of them being an Independent Third Party.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Renovation Contractor and the Systems Contractors and their respective ultimate beneficial owner(s) are independent of the Company and its connected persons. Further, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Renovation Contractor on one hand and the Systems Contractors on the other hand are not parties connected or otherwise associated with one another.

REASONS FOR AND BENEFITS OF THE RENOVATION AGREEMENT AND THE SYSTEMS SUPPLY AGREEMENT

As disclosed in the announcement of the Company dated 27 October 2020, one of the Group's four production bases, namely the Group's factory building and staff dormitory currently located in Xili, Nanshan District, Shenzhen, will be relocated to the Production Facility. As at the date of this announcement, the construction of the Production Facility is under final phase of construction, and the relevant government completion inspection is expected to be completed on or around 1 March 2021. Therefore, it is expected that the Production Facility will be delivered to the Group on or before 1 April 2021. As the Production Facility is a newly constructed premises, upon its delivery to the Group, the Production Facility is required to be renovated for efficient relocation and production use. The Renovation Work will be carried out on the Production Facility in order to facilitate the use of the Production Facility by the Group.

On the other hand, the entering into of the Systems Supply Agreement by the Group is for developing and setting up an automated facility and a smart management and security system at the Production Facility with a view to optimising the productivity and performance of business operation and hence strengthening the overall competitiveness of the Group among other industry players.

In light of the reasons stated above, the Directors are of the view that the terms of each of the Renovation Agreement and the Systems Supply Agreement and the respective transactions contemplated thereunder are on normal commercial terms after arm's length negotiations, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As each of the Renovation Work and the Systems Supply Work is carried out for the Production Facility which is for the Group's own use in its ordinary and usual course of business, according to Rule 14.23A of the Listing Rules, the transactions contemplated under each of the Renovation Agreement and the Systems Supply Agreement and any other transactions contemplated under the agreement(s) entered by the Group in relation to construction and/or renovation work carried out for the Production Facility may not be required to be aggregated and treated as one transaction. However, as the applicable percentage ratios under the Listing Rules in respect of each of the Renovation Agreement and the Systems Supply Agreement exceed 5% but less than 25%, the transaction contemplated under each of the Renovation Agreement and the Systems Supply Agreement constitutes a discloseable transaction of the Company and therefore is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	KFM 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 (Stock Code: 3816)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pengans Technology”	Shenzhen Pengans Technology Company Limited* (深圳市鵬安視科技有限公司), a company established in the PRC and an Independent Third Party
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Production Facility”	the production facility of the Group located at No. 55 Jiangjun Road, Qiuzhang Street Office, Huiyang District, Huizhou City, Guangdong Province, the PRC* (中國廣東省惠州市惠陽區秋長鎮將軍路)
“Reliance Huizhou”	Reliance Precision Smart Production (Huizhou) Company Limited* (德利賚精密智造(惠州)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

“Reliance Shenzhen”	Reliance Precision Metal Manufacturing (Shenzhen) Company Limited* (德利賽精密五金製品(深圳)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Renovation Agreement”	the renovation agreement dated 2 March 2021 and entered into between Reliance Huizhou and the Renovation Contractor regarding the Renovation Work
“Renovation Contractor”	Shenzhen Yijiayi Commercial Real Estate Investment Company Limited* (深圳市一佳一商業地產投資有限公司), a company established in the PRC and an Independent Third Party
“Renovation Contract Price”	the consideration of RMB16,000,000 (equivalent to approximately HK\$19,200,000) under the Renovation Agreement
“Renovation Work”	the renovation work to be carried out under the Renovation Agreement including installation of the power distribution system, air conditioning system, sewage system and carrying out renovation work for the factory in the Production Facility
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	ordinary shares in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Systems Contractors”	collectively, Tencent Cloud Computing and Pengans Technology
“Systems Contract Price”	the consideration of RMB19,180,000 (equivalent to approximately HK\$23,016,000) under the Systems Supply Agreement
“Systems Supply Agreement”	the systems supply agreement dated 2 March 2021 and entered into between Reliance Shenzhen and the Systems Contractors regarding the Systems Supply Work
“Systems Supply Work”	the systems supply work to be carried out under the Systems Supply Agreement including (i) the supply of a software system consist of an internet of things platform (i.e. the IoT Platform System) in the Production Facility which connects with a cloud server; and (ii) the set up and installation of the IoT Platform System in the Production Facility

“Tencent Cloud Computing” Tencent Cloud Computing (Beijing) Company Limited* (騰訊雲計算(北京)有限責任公司), a company established in the PRC and an Independent Third Party

“%” per cent.

By Order of the Board
KFM Kingdom Holdings Limited
Mr. Zhang Haifeng
Chairman and non-executive Director

Hong Kong, 2 March 2021

For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.20.

As at the date of this announcement, the Board comprises (1) Mr. Zhang Haifeng as a non-executive Director; (2) Mr. Sun Kwok Wah Peter and Mr. Wong Chi Kwok as executive Directors; and (3) Mr. Wan Kam To, Ms. Zhao Yue and Mr. Shen Zheqing as independent non-executive Directors.

* *For identification purposes only*