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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTION
PURCHASE OF ELECTRICITY UNDER THE 2022
PHOTOVOLTAIC ELECTRICITY PURCHASE AGREEMENT**

The Board is pleased to announce that on 24 October 2022, Zhejiang Jinda and Zhejiang Jinyuan entered into the 2022 Photovoltaic Electricity Purchase Agreement with Yuyuan to renew the 2020 Agreement on the same terms, and pursuant to which Zhejiang Jinda and Zhejiang Jinyuan agreed to purchase, and Yuyuan agreed to supply, electricity generated from the photovoltaic electricity system owned, managed and operated by Yuyuan for a term of three years commencing from 1 October 2022 and ending on 30 September 2025 (both dates inclusive).

Given that the 2022 Photovoltaic Electricity Purchase Agreement has a fixed term of three years commencing from 1 October 2022 and ending on 30 September 2025 (both dates inclusive), it is expected that the annual cap for the amount of electricity to be purchased under the 2022 Photovoltaic Electricity Purchase Agreement for each of the three years ending 30 September 2023, 2024 and 2025 will be RMB3,500,000, RMB3,500,000, and RMB3,500,000, respectively.

LISTING RULES IMPLICATION

As at the date of this announcement, Yuyuan is wholly owned by Kingdom Creative. Kingdom Creative is owned as to 71.919% equity interest by Mr. Ren Weiming, 10.748% equity interest by Mr. Shen Yueming, 9.182% equity interest by Mr. Zhang Hongwen and 1.388% equity interest by Ms. Shen Hong, who are executive Directors, and 0.430% equity interest by Ms. Ren Liying, who is a sister of Mr. Ren Weiming. Accordingly, Yuyuan is an associate of a connected person of the Company under Chapter 14A of the Listing Rules, and thus a connected person of the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the 2022 Photovoltaic Electricity Purchase Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) for the 2022 Photovoltaic Electricity Purchase Agreement, on an annual basis, exceed 0.1% but are less than 5%, the transaction contemplated under the 2022 Photovoltaic Electricity Purchase Agreement is subject to the reporting and announcement requirements but exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

References are made to the announcement of the Company dated 30 June 2017 and the supplemental and clarification announcement dated 3 July 2017. On 30 June 2017, Zhejiang Jinda and Zhejiang Jinyuan (both are indirect wholly-owned subsidiaries of the Company) entered into the 2017 Photovoltaic Electricity Purchase Agreement with Yuyuan, pursuant to which Zhejiang Jinda and Zhejiang Jinyuan agreed to purchase, and Yuyuan agreed to supply, electricity generated from the photovoltaic electricity system owned, managed and operated by Yuyuan for a term of three years which commenced from 1 July 2017 and ending on 30 June 2020 (both dates inclusive).

Zhejiang Jinda and Zhejiang Jinyuan entered into the 2020 Agreement on the same terms. The 2020 Agreement had a term of three years commenced from 1 July 2020 and ending on 30 June 2023 (both dates inclusive). The annual cap amount of the purchased electricity from Yuyuan under the 2020 Agreement was below HK\$3,000,000 per annum. As all the percentage ratios (other than the profits ratio) were less than 5% and the total consideration was less than HK\$3,000,000 in respect of the 2020 Agreement, the transaction contemplated under the 2020 Agreement was fully exempt from reporting, announcement and circular requirements under Rule 14A.76 of the Listing Rules.

The price of the electricity was determined by applying a discount rate of approximately 3.5% to the then prevailing government prescribed price for industrial use in Haiyan County, Zhejiang Province, the PRC, where Zhejiang Jinda and Zhejiang Jinyuan are located. As the electricity unit price in the PRC has increased during the year 2022, the total consideration for the electricity payable to Yuyuan is expected to exceed HK\$3,000,000 by the end of the year 2022.

On 24 October 2022, Zhejiang Jinda and Zhejiang Jinyuan entered into the 2022 Photovoltaic Electricity Purchase Agreement with Yuyuan to terminate the 2020 Agreement and renew the transaction contemplated under the 2020 Agreement on the same terms, pursuant to which Zhejiang Jinda and Zhejiang Jinyuan agreed to purchase, and Yuyuan agreed to supply, electricity generated from the photovoltaic electricity system owned, managed and operated by Yuyuan for a term of three years commencing from 1 October 2022 and ending on 30 September 2025 (both dates inclusive).

Principal terms of the 2022 Photovoltaic Electricity Purchase Agreement are set out below:

THE 2022 PHOTOVOLTAIC ELECTRICITY PURCHASE AGREEMENT

Date

24 October 2022

Parties involved

- (1) Zhejiang Jinda, an indirect wholly-owned subsidiary of the Company;
- (2) Zhejiang Jinyuan, an indirect wholly-owned subsidiary of the Company; and
- (3) Yuyuan.

Subject matter

Pursuant to the 2022 Photovoltaic Electricity Purchase Agreement, Zhejiang Jinda and Zhejiang Jinyuan agreed to purchase, and Yuyuan agreed to supply, electricity generated from the photovoltaic electricity system owned, managed and operated by Yuyuan.

Terms of agreement

The 2022 Photovoltaic Electricity Purchase Agreement has a fixed term of three years, commencing from 1 October 2022 and ending on 30 September 2025 (both dates inclusive). Pursuant to the 2022 Photovoltaic Electricity Purchase Agreement, the 2020 Agreement was terminated.

Pursuant to the 2022 Photovoltaic Electricity Purchase Agreement, Yuyuan guarantees that the electricity supplied to Zhejiang Jinda and Zhejiang Jinyuan will comply with the relevant national standards and power industry standard and ensures the safety and working conditions of the photovoltaic electricity system installed.

Pricing policy and payment terms

As a general principle, the price and terms of the individual agreement in respect of the electricity to be purchased by Zhejiang Jinda and Zhejiang Jinyuan pursuant to the 2022 Photovoltaic Electricity Purchase Agreement will be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favorable than those provided by Independent Third Parties to the Group.

The price of the electricity shall be determined by applying a discount rate of approximately 3.5% to the prevailing government prescribed price for industrial use in Haiyan County, Zhejiang Province, the PRC, where Zhejiang Jinda and Zhejiang Jinyuan are located.

The amount of electricity to be purchased by Zhejiang Jinda and Zhejiang Jinyuan pursuant to the 2022 Photovoltaic Electricity Purchase Agreement will be measured on monthly basis, with meter reading to be taken at 12:00 pm on the last day of each calendar month.

The fees payable by Zhejiang Jinda and Zhejiang Jinyuan to Yuyuan shall be settled on a monthly basis.

REASONS FOR ENTERING THE 2022 PHOTOVOLTAIC ELECTRICITY PURCHASE AGREEMENT

The Company is an investment holding company. Its subsidiaries, including Zhejiang Jinda and Zhejiang Jinyuan, are principally engaged in the manufacture and sale of linen yarn. The Group is the leading exporter of linen yarn in the PRC. The Group is committed to using cleaner energy whenever possible without sacrificing competitiveness of the Group. The 2022 Photovoltaic Electricity Purchase Agreement was entered into in the ordinary course of business of the Group to enable the Group to continue its green initiatives by using clean energy like photovoltaic electricity (instead of using electricity primarily generated from burning coals), without diversion from its core competency and avoid committing massive capital investment. The 2022 Photovoltaic Electricity Purchase Agreement will also enable Zhejiang Jinda and Zhejiang Jinyuan to continue benefit from a stable electricity supply at a fair and reasonable price at a rate which will be approximately 3.5% lower than that of the power company currently charged in the area, which in turn will lower the overall operating costs of the manufacturing units of the Group. Accordingly, the Directors (including all independent non-executive Directors) consider that the terms of the 2022 Photovoltaic Electricity Purchase Agreement are fair and reasonable based on normal commercial terms in the ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole.

HISTORICAL TRANSACTION AMOUNTS

The following table summarizes the historical transaction amounts of the continuing connected transactions of purchasing electricity from Yuyuan for the relevant periods:

	For the period covering		
	1 July 2020 to 30 June 2021	1 July 2021 to 30 June 2022	1 July 2022 to 30 September 2022
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Purchase of electricity from Yuyuan	2,153,000	2,430,000	922,000
	(equivalent to approximately HK\$2,300,000)	(equivalent to approximately HK\$2,596,000)	(equivalent to approximately HK\$985,000)

The annual cap amount of the purchased electricity from Yuyuan under the 2020 Agreement was below HK\$3,000,000 per annum.

As the electricity unit price in the PRC has increased during the year 2022 and based on the monthly monitoring of the continuing connected transactions of the Group, the total consideration for the electricity payable to Yuyuan is expected to exceed HK\$3,000,000 by the year ending 31 December 2022.

ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS

Given that the 2022 Photovoltaic Electricity Purchase Agreement has a fixed term of three years commencing from 1 October 2022 and ending on 30 September 2025 (both dates inclusive), it is expected that the annual cap for the amount of electricity to be purchased under the 2022 Photovoltaic Electricity Purchase Agreement for each of the years ending 30 September 2023, 2024 and 2025 will be RMB3,500,000, RMB3,500,000, and RMB3,500,000, respectively.

The annual caps under the 2022 Photovoltaic Electricity Purchase Agreement were determined based on (i) the average tariffs applicable; (ii) the historical consumption of electricity of Zhejiang Jinda and Zhejiang Jinyuan; (iii) the recent energy crisis and energy price hike globally and in the PRC; and (iv) the maximum amount of electricity to be consumed by Zhejiang Jinda and Zhejiang Jinyuan during the term of the 2022 Photovoltaic Electricity Purchase Agreement with reference to the anticipated utilization of production capacity of the Zhejiang Jinda and Zhejiang Jinyuan.

The Directors (including the independent non-executive Directors) considered that the annual caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INTERNAL CONTROL

The pricing of the electricity is determined by applying a discount rate of approximately 3.5% to the prevailing government prescribed price for industrial use in Haiyan County, Zhejiang Province, the PRC, where Zhejiang Jinda and Zhejiang Jinyuan are located.

Subject to the general principle disclosed above, the pricing policy will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure that the 2022 Photovoltaic Electricity Purchase Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The relevant accounting officer of the Group will conduct regular check on the prevailing market rate of electricity charge for industrial use in the area where Zhejiang Jinda and Zhejiang Jinyuan are located. The regular check results will then be checked by the relevant accounting supervisor. The annual report setting out the factual findings will also be submitted to the audit committee of the Company for final review and approval. Further, the independent non-executive Directors would continue to review the transactions contemplated under the 2022 Photovoltaic Electricity Purchase Agreement and the auditors of the Company would also conduct an annual review on the pricing terms and annual caps thereof.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the 2022 Photovoltaic Electricity Purchase Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

GENERAL

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

Zhejiang Jinda and Zhejiang Jinyuan, both are indirect wholly-owned subsidiaries of the Company, are principally engaged in manufacturing of linen yarn in the PRC.

Yuyuan is principally engaged in provision of photovoltaic electricity generated by solar panels. As at the date of this announcement, Yuyuan is wholly owned by Kingdom Creative. Kingdom Creative is owned as to 71.919% equity interest by Mr. Ren Weiming, 10.748% equity interest by Mr. Shen Yueming, 9.182% equity interest by Mr. Zhang Hongwen and 1.388% equity interest by Ms. Shen Hong, who are executive Directors, and 0.430% equity interest by Ms. Ren Liying, who is a sister of Mr. Ren Weiming. The remaining 6.333% equity interest is owned by 4.477% by Mr. Sheng Liangzhen, 0.280% by Ms. Feng Liping, 0.540% by Ms. Chen Huiqun, 0.382% by Mr. Xu Zhiqun, 0.200% by Ms. Xia Aimei, 0.187% by Mr. Zhuang Hanliang, 0.187% by Ms. Lu Min and 0.080% by Mr. Chen Shengfa, who are Independent Third Parties.

LISTING RULES IMPLICATION

As at the date of this announcement, Yuyuan is wholly owned by Kingdom Creative. Kingdom Creative is owned as to 71.919% equity interest by Mr. Ren Weiming, 10.748% equity interest by Mr. Shen Yueming, 9.182% equity interest by Mr. Zhang Hongwen and 1.388% equity interest by Ms. Shen Hong, who are executive Directors, and 0.430% equity interest by Ms. Ren Liying, who is a sister of Mr. Ren Weiming. Accordingly, Yuyuan is an associate of a connected person of the Company under Chapter 14A of the Listing Rules, and thus a connected person of the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the 2022 Photovoltaic Electricity Purchase Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) for the 2022 Photovoltaic Electricity Purchase Agreement, on an annual basis, exceed 0.1% but are less than 5%, the transaction contemplated under the 2022 Photovoltaic Electricity Purchase Agreement is subject to the reporting and announcement requirements but exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong has a material interest in the transaction contemplated under the 2022 Photovoltaic Electricity Purchase Agreement and therefore abstained from voting at the relevant Board resolution approving the 2022 Photovoltaic Electricity Purchase Agreement.

DEFINITIONS

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

“2017 Photovoltaic Electricity Purchase Agreement”	the agreement dated 30 June 2017 entered into by and among Zhejiang Jinda, Zhejiang Jinyuan and Yuyuan for the period from 1 July 2017 to 30 June 2020 in relation to the purchase of electricity generated from the photovoltaic electricity system owned, managed and operated by Yuyuan
“2020 Agreement”	the agreement dated 18 June 2020 entered into by and among Zhejiang Jinda, Zhejiang Jinyuan and Yuyuan for the period from 1 July 2020 to 30 June 2023 in relation to the purchase of electricity generated from the photovoltaic electricity system owned, managed and operated by Yuyuan

“2022 Photovoltaic Electricity Purchase Agreement”	the agreement dated 24 October 2022 entered into by and among Zhejiang Jinda, Zhejiang Jinyuan and Yuyuan in relation to the purchase of electricity generated from the photovoltaic electricity system owned, managed and operated by Yuyuan
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the 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)”	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, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons of the Company
“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 under 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 the Shares
“Share(s)”	ordinary shares of the Company with a par value of HK\$0.01
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yuyuan”	Zhejiang Yuyuan Photovoltaic Co., Ltd.* (浙江昱源光伏有限公司), a company established in the PRC with limited liability
“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
“Zhejiang Jinyuan”	Zhejiang Jinyuan Flax Co., Ltd.* (浙江金元亞麻有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company

For illustration purpose, amounts in RMB have been converted into HK\$ at RMB1.00 = HK\$1.0683.

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

Zhejiang, the PRC,
24 October 2022

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.

* *For illustration purpose only*