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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)

**CONTINUING CONNECTED TRANSACTION
2024 CHEMICALS AND ADDITIVES PURCHASE
FRAMEWORK AGREEMENT**

**THE 2024 CHEMICALS AND ADDITIVES PURCHASE FRAMEWORK
AGREEMENT**

On 8 December 2023, the Company and Jinxiu Jiangnan entered into the 2024 Chemicals and Additives Purchase Framework Agreement, pursuant to which the Company agreed to purchase, and Jinxiu Jiangnan agreed to sell, chemicals and additives to the subsidiaries of the Company, including but not limited to Zhejiang Jinyuan, Zhejiang Kingdom, Jiangsu Jinyuan, Kingdom Ethiopia and Heilongjiang Kingdom, for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jinxiu Jiangnan is owned as to 98% by Kingdom Creative and as to 2% by Mr. Ren Weiming, an executive Director and chairman of the Board. As at the date of this announcement, 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 and remaining 7.04% by nine individuals. Mr. Ren Weiming, Mr. Shen Yueming and Mr. Zhang Hongwen, each an executive Director, are also directors of Jinxiu Jiangnan and Kingdom Creative. Ms. Shen Hong, being an executive Director, is also a director of Kingdom Creative. Jinxiu Jiangnan is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the 2024 Chemicals and Additives Purchase Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the transactions contemplated under the 2024 Chemicals and Additives Purchase Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 12 March 2021 in relation to the Existing Chemicals and Additives Purchase Framework Agreement. The Existing Chemicals and Additives Purchase Framework Agreement will expire on 31 December 2023.

As the Group expects to continue to purchase chemicals and additives from Jinxiu Jiangnan in the Group's ordinary and usual course of business after the expiry of the Existing Chemicals and Additives Purchase Framework Agreement, on 8 December 2023, the Company and Jinxiu Jiangnan renewed the arrangement by entering into the 2024 Chemicals and Additives Purchase Framework Agreement.

Pursuant to the 2024 Chemicals and Additives Purchase Framework Agreement, the Company agreed to purchase, and Jinxiu Jiangnan agreed to sell, chemicals and additives to the subsidiaries of the Company, including but not limited to Zhejiang Jinyuan, Zhejiang Kingdom, Jiangsu Jinyuan, Kingdom Ethiopia and Heilongjiang Kingdom, for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive).

The principal terms of the 2024 Chemicals and Additives Purchase Framework Agreement are set out below.

THE 2024 CHEMICALS AND ADDITIVES PURCHASE FRAMEWORK AGREEMENT

Date

8 December 2023

Parties involved

(1) the Company;

and

(2) Jinxiu Jiangnan.

As at the date of this announcement, Jinxiu Jiangnan is owned as to 98% by Kingdom Creative and as to 2% by Mr. Ren Weiming, an executive Director and chairman of the Board. As at the date this announcement, 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 and remaining 7.04% by nine individuals. Mr. Ren Weiming, Mr. Shen Yueming and Mr. Zhang Hongwen, each an executive Director, are also directors of Jinxiu Jiangnan and Kingdom Creative. Ms. Shen Hong, being an executive Director, is also a director of Kingdom Creative. Jinxiu Jiangnan is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the 2024 Chemicals and Additives Purchase Framework Agreement, the Company agreed to purchase, and Jinxiu Jiangnan agreed to sell, chemicals and additives to the subsidiaries of the Company, including but not limited to Zhejiang Jinyuan, Zhejiang Kingdom, Jiangsu Jinyuan, Kingdom Ethiopia and Heilongjiang Kingdom from time to time for the purpose of the fiber scouring and bleaching process to be undergone by the respective subsidiaries in their ordinary and usual course of business.

The 2024 Chemicals and Additives Purchase Framework Agreement is a framework agreement which provides the mechanism for the procurement of chemicals and additives by the Group from Jinxiu Jiangnan. It is envisaged that from time to time and as required, individual agreements will be entered into between the Group and Jinxiu Jiangnan. Each individual agreement will set out the details of the chemicals and additives to be supplied by Jinxiu Jiangnan to the Group and the procurement costs. The individual agreements will only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the 2024 Chemicals and Additives Purchase Framework Agreement. As the individual agreements are simply further elaborations on the 2024 Chemicals and Additives Purchase Framework Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Term

The 2024 Chemicals and Additives Purchase Framework Agreement has a fixed term of three years from 1 January 2024 and ending on 31 December 2026 (both days inclusive).

Pricing policy and payment terms

Jinxiu Jiangnan will first purchase the chemicals and additives on normal commercial terms from third party suppliers, re-label and then deliver to each of the relevant subsidiaries of the Company for the purpose of the fiber scouring and bleaching process by the respective subsidiaries.

In light of the above process, as a general principle, the price of the chemicals and additives to be paid by the Group to Jinxiu Jiangnan shall be determined based on normal commercial terms, negotiated on arm's length basis taking into consideration of the original costs of such chemicals and additives paid by Jinxiu Jiangnan to third party suppliers, plus the additional transportation costs as well as other costs in order for the chemicals and additives to be re-labelled and delivered to the relevant subsidiaries of the Company.

Payment shall be made by the relevant subsidiaries of the Company to Jinxiu Jiangnan within 90 days after delivery of the chemicals and additives required by them.

HISTORICAL TRANSACTION AMOUNTS AND EXISTING ANNUAL CAPS

The following table summarizes the historical transaction amounts paid by the Group to Jinxiu Jiangnan for purchasing chemicals and additives and the existing annual caps for such transactions under the Existing Chemicals and Additives Purchase Framework Agreement for the three years ended 31 December 2022 and the eleven months ended 30 November 2023:

	For the year ended 31 December			For the eleven months ended
	2020	2021	2022	30 November
	RMB	RMB	RMB	2023
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
Purchase of chemicals and additives				
from Jinxiu Jiangnan	3,910,000	3,023,000	2,284,000	1,703,000
Existing annual caps	N/A	5,000,000	6,000,000	7,000,000

ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS

Pursuant to the 2024 Chemicals and Additives Purchase Framework Agreement, the annual caps for the purchase of chemicals and additives for each of the years ending 31 December 2026 is expected not to exceed the following:

	For the year ending 31 December 2024 RMB	For the year ending 31 December 2025 RMB	For the year ending 31 December 2026 RMB
Annual caps for purchase of chemicals and additives from Jinxiu Jiangnan	<u>4,000,000</u>	<u>5,000,000</u>	<u>6,000,000</u>

The annual caps were determined based on (i) the historical transaction amount of chemicals and additives purchased by the Group from Jinxiu Jiangnan; and (ii) the expected demand for chemicals and additives by the Group for the three years ending 31 December 2026 based on the growth and business plan of the Group.

The Board (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.

REASONS FOR AND BENEFITS OF ENTERING THE 2024 CHEMICALS AND ADDITIVES PURCHASE FRAMEWORK AGREEMENT

The Company is an investment holding company. Its subsidiaries, including Zhejiang Jinyuan, Zhejiang Kingdom, Jiangsu Jinyuan, Kingdom Ethiopia and Heilongjiang Kingdom, 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 considered that the type of chemicals and additives and their mixing proportions are critical to the scouring and bleaching process, affecting the quality of the yarn produced, together with the identities of the suppliers, are collectively commercial secrets and important to the success of the Group. Such arrangements have been made purely to preserve the commercial secrets of the Group and Jinxiu Jiangnan has not received any financial gain during the transactions.

Accordingly, the Board (including all independent non-executive Directors) consider that it is beneficial to renew the Existing Chemicals and Additives Purchase Framework Agreement, and that the terms and annual caps of the 2024 Chemicals and Additives Purchase Framework Agreement and the transactions thereunder are fair and reasonable, on normal commercial terms or better, in the Group's ordinary and usual course of business, and are in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL

The pricing of the chemicals and additives is based on the normal commercial terms with third party suppliers.

Subject to and in addition to the general pricing principles disclosed in the section headed "Pricing policy and payment terms", Jinxiu Jiangnan agreed to grant access of the third-party supplier invoices to the internal audit team of the Company, who will ensure the prices charged by Jinxiu Jiangnan are in line with the invoices provided and in accordance with the pricing policy. Subject to obtaining the approval from the Audit Committee, the internal audit team will ensure that the transactions contemplated under the 2024 Chemicals and Additives Purchase Framework Agreement are conducted on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

The internal audit team will perform regular checks on the invoices and prices charged by Jinxiu Jiangnan and the results of such regular checks should be satisfactory before the Group continues with the transactions contemplated under the 2024 Chemicals and Additives Purchase Framework Agreement with Jinxiu Jiangnan for the next twelve-month period. The factual findings of the regular checks will also be set out in the annual report and submitted to the Audit Committee for final review and approval. Further, the independent non-executive Directors will continue to review the transactions contemplated under the 2024 Chemicals and Additives Purchase Framework Agreement to ensure the transactions are conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Company's auditors will also conduct an annual review on the pricing terms and annual caps thereof.

Accordingly, the Board consider that the internal control mechanism is effective to ensure that the transactions contemplated under the 2024 Chemicals and Additives Purchase Framework Agreement will be conducted on normal commercial terms, are fair and reasonable and in 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 Jinyuan, Zhejiang Kingdom, Jiangsu Jinyuan and Kingdom Ethiopia, all indirect wholly-owned subsidiaries of the Company, together with Heilongjiang Kingdom, an indirect non wholly-owned subsidiary of the Company, are principally engaged in manufacturing of linen yarn in the PRC and in Ethiopia.

Jinxiu Jiangnan is a limited company incorporated in the PRC and principally engaged in trading businesses.

LISTING RULES IMPLICATIONS

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Each of Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong is considered as having a material interest in the transactions contemplated under the 2024 Chemicals and Additives Purchase Framework Agreement and have therefore abstained from voting at the relevant Board resolution approving the 2024 Chemicals and Additives Purchase Framework Agreement.

DEFINITIONS

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

“2024 Chemicals and Additives Purchase Framework Agreement”	the agreement dated 8 December 2023 entered into between the Company and Jinxiu Jiangnan in relation to the purchase of chemical and additives by the Group from Jinxiu Jiangnan for a term commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive)
“Audit Committee”	the audit committee of the Company
“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 (stock code: 528)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Ethiopia”	Federal Democratic Republic of Ethiopia
“Existing Chemicals and Additives Purchase Framework Agreement”	the agreement dated 12 March 2021 entered into between the Company and Jinxiu Jiangnan in relation to the purchase of chemical and additives by the Group from Jinxiu Jiangnan for a term commencing from 1 January 2021 to 31 December 2023 (both days inclusive)
“Group”	the Company and its subsidiaries

“Heilongjiang Kingdom”	Heilongjiang Kingdom Enterprise 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 non-wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jiangsu Jinyuan”	Jiangsu Jinyuan Flax Co., Ltd.* (江蘇金元亞麻有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Jinxiu Jiangnan”	Zhejiang Jinxiu Jiangnan Silk Co. Ltd * (浙江錦繡江南絲綢有限公司), a company established in the PRC with limited liability
“Kingdom Creative”	Zhejiang Kingdom Creative Co., Ltd.* (浙江金達創業有限公司), a joint stock company established in the PRC with limited liability
“Kingdom Ethiopia”	Kingdom (Ethiopia) Linen PLC, a limited company established in Ethiopia and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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)”	ordinary shares of the Company with a par value of HK\$0.01

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Zhejiang Kingdom”	Zhejiang Kingdom Linen 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, the People’s Republic of China,
8 December 2023

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.