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KINGDOM
KINGDOM HOLDINGS LIMITED
金達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 528)

CONNECTED TRANSACTION
DISPOSAL OF 75% EQUITY INTEREST IN
HEILONGJIANG KANGYUAN FLAX AND HEMP SEED CO., LTD.

EQUITY TRANSFER AGREEMENT

On 24 May 2019, Heilongjiang Jinda, a 72.73% indirect owned subsidiary of the Company, entered into the Equity Transfer Agreement with Heilongjiang Kangyuan, pursuant to which Heilongjiang Jinda agreed to dispose and Heilongjiang Kangyuan agreed to acquire the 75% equity interest of Kangyuan Seed at the Consideration of RMB7,500,000.

LISTING RULES' IMPLICATIONS

As at the date of this announcement, Heilongjiang Kangyuan is a company owned as to 56.0% by Kingdom Creative. Kingdom Creative is a company owned as to 67.12% by Mr. Ren Weiming, an executive Director and chairman of the Board of the Company. Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong, executive Directors of the Company, are directors of Kingdom Creative. Mr. Zhang Hongwen and Ms. Shen Hong are also directors of Heilongjiang Kangyuan. Kingdom Creative and Heilongjiang Kangyuan are associates of the Company under Chapter 14A of the Listing Rules and therefore the transaction contemplated under the Equity Transfer Agreement constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in relation to the Disposal as contemplated thereunder the Equity Transfer Agreement exceed 0.1% but are less than 5%, the entering of the Equity Transfer Agreement constitutes a connected transaction for the Company but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 24 May 2019, Heilongjiang Jinda, a 72.73% indirect owned subsidiary of the Company, entered into the Equity Transfer Agreement with Heilongjiang Kangyuan, pursuant to which Heilongjiang Jinda agreed to dispose and Heilongjiang Kangyuan agreed to acquire the 75% equity interest of Kangyuan Seed at a consideration of RMB7,500,000.

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

EQUITY TRANSFER AGREEMENT

Date

24 May 2019

Parties involved

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

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Heilongjiang Kangyuan is a company owned as to 56.0% by Kingdom Creative. Kingdom Creative is a company owned as to 67.12% by Mr. Ren Weiming, an executive Director and chairman of the Board of the Company. Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong, executive Directors of the Company, are directors of Kingdom Creative. Mr. Zhang Hongwen and Ms. Shen Hong are also directors of Heilongjiang Kangyuan.

Heilongjiang Jinda is a 72.73% indirect owned subsidiary of the Company as at the date of this announcement.

Subject matter

Pursuant to the Equity Transfer Agreement, Heilongjiang Kangyuan shall purchase the 75% equity interest of Kangyuan Seed from Heilongjiang Jinda.

As at 31 March 2019, the book value of the shareholders' equity of Kangyuan Seed was approximately RMB9,705,547, and 75% equity interest thereof was approximately RMB7,279,160.

Consideration, guarantees and payment term

The Consideration for the Disposal is RMB7,500,000, and shall be payable to the bank account of the Heilongjiang Jinda within 30 days from the date of the Equity Transfer Agreement.

Heilongjiang Jinda guaranteed that it has full and effective disposition rights to dispose of its 75% equity interest in Kangyuan Seed and the equity interest was not pledged.

The Consideration for the Disposal was determined after arm's length negotiations between the parties to the Equity Transfer Agreement based on the actual equity contribution made by the Heilongjiang Jinda to Kangyuan Seed. Accordingly, the Directors consider that the Consideration under the Equity Transfer Agreement is fair and reasonable.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Company will no longer have any interest in Kangyuan Seed and Kangyuan Seed will cease to be a subsidiary of the Company. Therefore, the assets, liabilities and financial results of Kangyuan Seed will no longer be consolidated into the consolidated financial statements of the Group. It is expected that the Company will not have any material gain or loss upon completion of the Disposal. The proceeds from the Disposal will be used as general working capital of the Group.

FINANCIAL INFORMATION OF KANGYUAN SEED

Financial information of Kangyuan Seed for the two years ended 31 December 2017 and 2018, which were prepared based on Chinese Accounting Standards, is set out below:

	For the year ended	
	31 December	
	2017	2018
	<i>(unaudited)</i>	<i>(audited)</i>
	<i>RMB</i>	<i>RMB</i>
Net loss before taxation	Nil <i>(Note)</i>	229,802
Net loss after taxation	Nil <i>(Note)</i>	289,558
		As at
		31 December
		2018
		<i>(audited)</i>
		<i>RMB</i>
Net asset value		9,210,442

Note: Kangyuan Seed was established on 8 August 2017 with no material operation during the year ended 31 December 2017.

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 the leading exporter of linen yarn in the PRC.

Kangyuan Seed is principally engaged in research, development and sale of variety of flax and hemp seeds. As Kangyuan Seed has been incurring losses since its establishment and research and development of variety of flax and hemp seeds is not the principal activity of the Group. Having considered the business strategies of the Group and the unsatisfactory business performance of Kangyuan Seed, the Company considers that the Disposal provides an opportunity for the Company to exit at acceptable terms and recoup investments in Kangyuan Seed, and will enable the Group to remain focus and concentrate its resources in its principal activities and to divest its non-core business.

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 transaction contemplated thereunder is 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 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.

GENERAL

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

LISTING RULES IMPLICATION

As at the date of this announcement, Heilongjiang Kangyuan is a company owned as to 56.0% by Kingdom Creative. Kingdom Creative is a company owned as to 67.12% by Mr. Ren Weiming, an executive Director and chairman of the Board of the Company. Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong, executive Directors of the Company, are directors of Kingdom Creative. Mr. Zhang Hongwen and Ms. Shen Hong are also directors of Heilongjiang Kangyuan. Kingdom Creative and Heilongjiang Kangyuan are associates of the Company under Chapter 14A of the Listing Rules and therefore the transaction contemplated under the Equity Transfer Agreement constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in relation to the Disposal as contemplated thereunder the Equity Transfer Agreement exceed 0.1% but are less than 5%, the entering of the Equity Transfer Agreement constitutes a connected transaction for the Company 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:

“associate(s)”	shall have 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)”	shall have meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal, being RMB7,500,000
“Directors”	the director(s) of the Company

“Disposal”	the disposal of the 75% equity interest in Kangyuan Seed by Heilongjiang Jinda pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 24 May 2019 entered into between Heilongjiang Jinda and Heilongjiang Kangyuan in relation to the Disposal
“Group”	the Company and its subsidiaries
“Heilongjiang Jinda”	Heilongjiang Jinda Flax and Hemp Co., Ltd* (黑龍江金達麻業有限公司), a company established in the PRC with limited liability and a 72.73% indirect 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
“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 75% by Heilongjiang Jinda as at the date of the Equity Transfer Agreement
“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”	Rules Governing the Listing of Securities on the Stock Exchange

* For identification purpose only

“percentage ratios”	the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“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

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

Zhejiang, 24 May 2019

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.