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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 ACQUISITIONS, LOGISTICS AND INSTALLATION OF MACHINERIES**

### **THE ACQUISITIONS, LOGISTICS AND INSTALLATION OF MACHINERIES**

On 28 November 2022 (after trading hours), KPM Malaysia, a wholly-owned subsidiary of the Company, entered into the (i) November Purchase Contracts with the Vendors for the Acquisitions; and (ii) DQ Installation Contract with Dongguan Quanyao for the logistics and installation of the Machineries, at an aggregate price of RMB14,149,000 (equivalent to approximately HK\$15,422,410).

### **IMPLICATION UNDER THE LISTING RULES**

Prior to the entering of the November Purchase Contracts and the DQ Installation Contract, KPP Suzhou, a wholly-owned subsidiary of the Company, entered into the DQ January Purchase Contract and the DQ May Purchase Contract with Dongguan Quanyao in January and May 2022 respectively. As the applicable percentage ratios (as defined under the Listing Rules) in respect of transactions contemplated under the Previous Purchase Contracts, on aggregate basis, were below 5%, the transactions contemplated under the Previous Purchase Contracts constitute de minimis transactions under Chapter 14 of the Listing Rules and are fully exempted.

As the Acquisitions are for the preparation of the Group's expansion plan in Malaysia and the Machineries to be acquired are for the Group's own use in its ordinary and usual course of business, according to Rule 14.23A of the Listing Rules, the transaction contemplated under the XYT November Purchase Contract and the transactions contemplated under contracts entered into between the Group and Dongguan Quanyao may not be required to be aggregated and treated as one transaction. As such, transactions contemplated under the XYT November Contract will be treated individually for the calculation of the relevant percentage ratios to determine the classification of the transactions.

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Previous Purchase Contracts, the DQ November Purchase Contract and the DQ Installation Contract shall be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions as they have been entered into by the Group and Dongguan Quanyao within a 12-month period and the subject matters under each of the agreements are of similar nature.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of (i) the transactions contemplated under the DQ November Purchase Contract and DQ Installation Contract, after aggregating with the transactions contemplated under the Previous Purchase Contracts; and (ii) the transaction contemplated under the XYT November Purchase Contract, respectively exceed 5% but are less than 25%, the transactions contemplated thereunder constitute discloseable transactions of the Company under the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **THE ACQUISITIONS, LOGISTICS AND INSTALLATION OF MACHINERIES**

The Board is pleased to announce that on 28 November 2022 (after trading hours), KPM Malaysia, a wholly-owned subsidiary of the Company, entered into the (i) November Purchase Contracts with the Vendors for the Acquisitions; and (ii) DQ Installation Contract with Dongguan Quanyao for the logistics and installation of the Machineries. Details of each of the November Purchase Contracts and DQ Installation Contract are set out below:

### **(1) THE XYT NOVEMBER PURCHASE CONTRACT**

- Date: 28 November 2022
- Parties: (i) Xie Yi Tech (as the vendor); and  
(ii) KPM Malaysia (as the purchaser)

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Xie Yi Tech and its ultimate beneficial owner are Independent Third Parties.

Assets acquired: Various kinds of frame crank press machines

Delivery schedule: Machineries sold under the XYT November Purchase Contract shall be delivered within 120 days after the receipt of confirmed order and drawings of the relevant model of each of the Machineries to be sold by Xie Yi Tech under the XYT November Purchase Contract.

Shipping terms of the Machineries are free-on-board (at Shanghai port).

Total contract price: RMB7,536,000 (equivalent to approximately HK\$8,214,240), which shall be paid by KPM Malaysia to Xie Yi Tech in the following manner:

- (1) 30% of the contract price (i.e. RMB2,260,800 and equivalent to approximately HK\$2,464,272) shall be paid by KPM Malaysia to Xie Yi Tech within 14 days after the XYT November Purchase Contract has been signed; and
- (2) 70% of the contract price (i.e. RMB5,275,200 and equivalent to approximately HK\$5,749,968) shall be paid by KPM Malaysia to Xie Yi Tech within seven days before Xie Yi Tech arranges shipment of the Machineries (i.e. the ex-factory date).

The total contract price was determined after arm's length negotiations between the parties after considering and comparing the quotations obtained from various manufacturers of comparable machineries. The total contract price will be settled by the Group with internal resources.

Liability for breach: In the event that there is a late payment by KPM Malaysia, KPM Malaysia shall pay Xie Yi Tech a liquidated damage at the rate of 0.1% of the total contract price for each of the expired days. The total liquidated damages shall not be more than 3% of the total contract price.

KPM Malaysia shall not transfer the ownership or sell the Machineries without Xie Yi Tech's written approval before KPM Malaysia has settled the contract price in full. In case of any breach, KPM Malaysia shall pay Xie Yi Tech a damage of RMB5,275,200 (equivalent to approximately HK\$5,749,968).

## (2) THE DQ NOVEMBER PURCHASE CONTRACT

Date: 28 November 2022

Parties: (i) Dongguan Quanyao (as the vendor); and  
(ii) KPM Malaysia (as the purchaser)

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Dongguan Quanyao and its ultimate beneficial owner are Independent Third Parties.

Assets acquired: Various robotics arms for metal pressing

Delivery schedule: Machineries sold under the DQ November Purchase Contract shall be delivered within eight months after Dongguan Quanyao has received the deposit and confirmed the drawings of the relevant model of each of the Machineries to be sold by Dongguan Quanyao under the DQ November Purchase Contract.

Shipping terms of the Machineries are free-on-board (at Guangdong port).

Total contract price: RMB4,683,000 (equivalent to approximately HK\$5,104,470), which shall be paid by KPM Malaysia to Dongguan Quanyao in the following manner:

(1) 40% of the contract price (i.e. RMB1,873,200 and equivalent to approximately HK\$2,041,788) shall be paid by KPM Malaysia to Dongguan Quanyao as a deposit within 14 days after the DQ November Purchase Contract has been signed and confirmed;

- (2) 55% of the contract price (i.e. RMB2,575,650 and equivalent to approximately HK\$2,807,458.50) shall be paid by KPM Malaysia to Dongguan Quanyao no later than 14 days before the despatch of the Machineries sold under the DQ November Purchase Contract; and
- (3) the remaining contract price (i.e. RMB234,150 and equivalent to approximately HK\$255,223.50) shall be paid by KPM Malaysia to Dongguan Quanyao within 14 days after KPM Malaysia's acceptance of the Machineries sold under the DQ November Purchase Contract.

The total contract price is exclusive of the customs duty, tariff, sales tax, value-added tax and transportation insurance and was determined after arm's length negotiations between the parties after considering and comparing the quotations obtained from various manufacturers of comparable machineries. The total contract price will be settled by the Group with internal resources.

Liability for breach: In the event that KPM Malaysia delays payment in accordance with the DQ November Purchase Contract for more than four weeks, Dongguan Quanyao has the right to cancel the DQ November Purchase Contract and to request KPM Malaysia to pay a damage of 20% of the total contract price.

In the event that Dongguan Quanyao delays the delivery in accordance with the DQ November Purchase Contract for more than four weeks, Dongguan Quanyao shall return all the payment to KPM Malaysia. KPM Malaysia also has the right to cancel the DQ November Purchase Contract and to request Dongguan Quanyao to pay a damage of 20% of the total contract price.

Dongguan Quanyao's Pursuant to the DQ November Purchase Contract, obligations: Dongguan Quanyao also has to fulfill the following vendor's obligations:

- (1) providing operation, maintenance and equipment maintenance training to the operation and maintenance personnel of KPM Malaysia so that they will be able to fully understand the entire operating procedure and maintain the equipment properly; and
- (2) providing KPM Malaysia with a proper solution within two days after receiving any enquiries from KPM Malaysia via email or instant message platform (i.e. Wechat) during the one year period from the date of acceptance of the Machineries.

### **(3) THE DQ INSTALLATION CONTRACT**

Date: 28 November 2022

Parties: (i) Dongguan Quanyao (as the service provider); and  
(ii) KPM Malaysia (as the customer)

Transaction nature: Dongguan Quanyao shall provide logistics and site installation services to KPM Malaysia in respect of the Machineries sold pursuant to the November Purchase Contracts.

Consideration: RMB1,930,000 (equivalent to approximately HK\$2,103,700) shall be paid by KPM Malaysia to Dongguan Quanyao in the following manner:

- (1) 40% of the contract price (i.e. RMB772,000 and equivalent to approximately HK\$841,480) shall be paid by KPM Malaysia to Dongguan Quanyao within 14 days after the DQ Installation Contract has been signed;
- (2) 35% of the contract price (i.e. RMB675,500 and equivalent to approximately HK\$736,295) shall be paid by KPM Malaysia to Dongguan Quanyao no later than 14 days after the arrival of the Machineries at the Group's factory in Malaysia;

- (3) 20% of the contract price (i.e. RMB386,000 and equivalent to approximately HK\$420,740) shall be paid by KPM Malaysia to Dongguan Quanyao no later than 14 days after completion of the installation of the Machineries; and
- (4) the remaining contract price (i.e. RMB96,500 and equivalent to HK\$105,185) shall be paid by KPM Malaysia to Dongguan Quanyao within 14 days after the acceptance of the installation.

**THE PREVIOUS PURCHASE CONTRACTS**

Prior to the entering of the November Purchase Contracts and the DQ Installation Contract, KPP Suzhou, a wholly-owned subsidiary of the Company, entered into the DQ January Purchase Contract and the DQ May Purchase Contract with Dongguan Quanyao in January and May 2022 respectively. Details of each of the Previous Purchase Contracts and the transactions contemplated thereunder are set out below:

	<b>The DQ January Purchase Contract</b>	<b>The DQ May Purchase Contract</b>
<b>Date:</b>	21 January 2022	3 May 2022
<b>Parties</b>	(i) KPP Suzhou (as purchaser); and (ii) Dongguan Quanyao (as vendor)	
<b>Asset(s) acquired:</b>	Various robotic arms and other machineries	A metal finishing machine
<b>Consideration:</b>	RMB2,700,000 (equivalent to approximately HK\$2,943,000)	RMB325,000 (equivalent to approximately HK\$354,250)

**INFORMATION ON KPM MALAYSIA, KPP SUZHOU AND THE GROUP**

KPM Malaysia is a company incorporated under the laws of Malaysia and a wholly-owned subsidiary of the Company. KPM Malaysia is principally engaged in the manufacturing of precision metal.

KPP Suzhou is a company established in the PRC and a wholly-owned subsidiary of the Company. KPP Suzhou is principally engaged in the manufacturing and sale of fine metal products. The Company’s subsidiaries principally engage in manufacturing and sales of fine metal products and the provision of precision metal stamping services.

## **INFORMATION ON THE VENDORS**

Xie Yi Tech is principally engaged in the manufacturing of electronic components, electromechanical component equipment and molds. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Xie Yi Tech is wholly owned by Shieh Yih Machinery Industry Co., Ltd., a company whose shares are listed in Taiwan (stock code: 4533), which is an Independent Third Party as at the date of this announcement.

Dongguan Quanyao is principally engaged in the manufacturing of mechanical and electrical equipment and the sales of mechanical equipment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Dongguan Quanyao is wholly owned by Mr. Xiong Jingxian who is an Independent Third Party as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Xie Yi Tech, Dongguan Quanyao and their respective ultimate beneficial owners are all Independent Third Parties.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER THE PREVIOUS PURCHASE CONTRACTS, THE NOVEMBER PURCHASE CONTRACTS AND THE DQ INSTALLATION CONTRACT**

The Group is principally engaged in the manufacturing and sales of precision metal stamping products. With respect to the Previous Purchase Contracts, the transactions contemplated under the Previous Purchase Contracts were purported to acquire new operating equipment to facilitate the operation and to enhance the production efficiency of KPP Suzhou.

With respect to the November Purchase Contracts, the Acquisitions are for the preparation of the Group's expansion plan in Malaysia. Affected by the pandemic of coronavirus and the China-US trade dispute, the manufacturing industry in China has been facing various challenges over the years. In order to cope with the difficulties, the Group has been exploring different opportunities including reorganising the Group's supply chain and developing a new production base outside China, especially in Southeast Asia. As part of the Group's business plans, the Group has located the factory in Malaysia as a new production base of the Group and the Acquisitions and the transactions contemplated under the DQ Installation Contract are purported to acquire and install necessary machineries to prepare for the future operation of the new production base in Malaysia. The Directors consider the terms of each of the November Purchase Contracts and the DQ Installation Contract are on normal commercial terms and are fair and reasonable and that the Acquisitions and the transactions contemplated under the DQ Installation Contract are in the interests of the Company and its shareholders as a whole.

## LISTING RULES IMPLICATIONS

Prior to the entering of the November Purchase Contracts and the DQ Installation Contract, KPP Suzhou, a wholly-owned subsidiary of the Company, entered into the DQ January Purchase Contract and the DQ May Purchase Contract with Dongguan Quanyao in January and May 2022 respectively. As the applicable percentage ratios (as defined under the Listing Rules) in respect of transactions contemplated under the Previous Purchase Contracts, on aggregate basis, were below 5%, the transactions contemplated under the Previous Purchase Contracts constitute de minimis transactions under Chapter 14 of the Listing Rules and are fully exempted.

As the Acquisitions are for the preparation of the Group's expansion plan in Malaysia and the Machineries to be acquired are for the Group's own use in its ordinary and usual course of business, according to Rule 14.23A of the Listing Rules, the transaction contemplated under the XYT November Purchase Contract and the transactions contemplated under contracts entered into between the Group and Dongguan Quanyao may not be required to be aggregated and treated as one transaction. As such, transactions contemplated under the XYT November Contract will be treated individually for the calculation of the relevant percentage ratios to determine the classification of the transactions.

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Previous Purchase Contracts, the DQ November Purchase Contract and DQ Installation Contract shall be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions as they have been entered into by the Group and Dongguan Quanyao within a 12-month period and the subject matters under each of the agreements are of similar nature.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of (i) the transactions contemplated under the DQ November Purchase Contract and DQ Installation Contract, after aggregating with the transactions contemplated under the Previous Purchase Contracts; and (ii) the transaction contemplated under the XYT November Purchase Contract, respectively exceeds 5% but are less than 25%, the transactions contemplated thereunder constitute discloseable transactions of the Company under the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Acquisitions”	the acquisitions of Machineries by KPM Malaysia from the Vendors under the November Purchase Contracts;
“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);
“Director(s)”	the director(s) of the Company;
“Dongguan Quanyao”	東莞市銓耀機電設備有限公司 (Dongguan Quanyao Mechanical and Electrical Equipment Co., Ltd.*), a company established in the PRC and an Independent Third Party;
“DQ Installation Contract”	the contract dated 28 November 2022 and entered into between KPM Malaysia and Dongguan Quanyao in relation to the provision of logistics and site installation services by Dongguan Quanyao in respect of the Machineries sold pursuant to the November Purchase Contract;
“DQ January Purchase Contract”	the purchase contract dated 21 January 2022 and entered into between KPP Suzhou as purchaser and Dongguan Quanyao as vendor in relation to the acquisition of machineries;
“DQ May Purchase Contract”	the purchase contract dated 3 May 2022 and entered into between KPP Suzhou as purchaser and Dongguan Quanyao as vendor in relation to the acquisition of machineries;
“DQ November Purchase Contract”	the purchase contract dated 28 November 2022 and entered into between KPM Malaysia as purchaser and Dongguan Quanyao as vendor in relation to the acquisition of Machineries;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules);

“KPM Malaysia”	Kingdom Precision Metal (Malaysia) Sdn. Bhd., a company incorporated under the laws of Malaysia and a wholly-owned subsidiary of the Company;
“KPP Suzhou”	金德精密配件(蘇州)有限公司 (Kingdom Precision Product (Suzhou) Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Machineries”	the frame crank press machines and robotic arms for metal pressing;
“November Purchase Contracts”	collectively, DQ November Purchase Contract and XYT November Purchase Contract;
“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);
“Previous Purchase Contracts”	collectively, the DQ January Purchase Contract and the DQ May Purchase Contract;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendors”	collectively, Xie Yi Tech and Dongguan Quanyao;
“Xie Yi Tech”	協易科技精機(中國)有限公司 (Xie Yi Tech Machinery (China) Co., Ltd.*), a company established in the PRC and an Independent Third Party;

“XYT November Purchase Contract” the purchase contract dated 28 November 2022 and entered into between KPM Malaysia as purchaser and Xie Yi Tech as vendor in relation to the acquisition of Machineries; and

“%” per cent.

*In this announcement, for the purpose of illustration only, amounts quoted in RMB has been converted into HK\$ at the rate of RMB1.00 to HK\$1.09. Such exchange has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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

Hong Kong, 28 November 2022

*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*