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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by approximately 29.5% to approximately RMB1,057,426,000 for the year ended 31 December 2020 from approximately RMB1,499,560,000 for the year ended 31 December 2019 due to lower average selling price of linen yarn attributable to the weaker demand affected by the COVID-19 pandemic.

- Gross profit margin for the year ended 31 December 2020 dropped by 14.1 percentage points to approximately 10.1% (2019: 24.2%) during the year.

- Loss for the year ended 31 December 2020 amounted to RMB11,141,000 as compared to a profit of approximately RMB155,765,000 for the year ended 31 December 2019.

- Loss attributable to owners of the parent of approximately RMB9,947,000 for the year ended 31 December 2020, compared to a profit attributable to owners of the parent of approximately RMB151,468,000 for the year ended 31 December 2019.

- Basic loss per share for the year ended 31 December 2020 at approximately RMB0.02 (2019: Basic earnings per share of approximately RMB0.25).

- The Board did not recommend the payment of any dividend for the year ended 31 December 2020 (2019: HK$0.07 per ordinary share).

The board (the "**Board**") of directors (the "**Directors**") of Kingdom Holdings Limited (the "**Company**" or "**Kingdom**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
REVENUE	*5*	**1,057,426**	1,499,560
Cost of sales		**(950,129)**	(1,136,293)
Gross profit		**107,297**	363,267
Other income and gains	*5*	**23,208**	17,364
Selling and distribution expenses		**(38,879)**	(49,453)
Administrative expenses		**(76,062)**	(82,061)
Other expenses		**(16,847)**	(10,327)
Finance costs	*6*	**(36,583)**	(22,148)
Gain on disposal of a subsidiary	*18*	**11,123**	235
(LOSS)/PROFIT BEFORE TAX	*7*	**(26,743)**	216,877
Income tax credit/(expense)	*8*	**15,602**	(61,112)
(LOSS)/PROFIT FOR THE YEAR		**(11,141)**	155,765
Attributable to:			
Owners of the parent		**(9,947)**	151,468
Non-controlling interests		**(1,194)**	4,297
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*10*	**RMB(0.02)**	RMB0.25
Diluted	*10*	**RMB(0.02)**	RMB0.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(11,141)**	155,765
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**334**	(61)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(10,807)**	155,704
Attributable to:		
Owners of the parent	**(9,613)**	151,407
Non-controlling interests	**(1,194)**	4,297
	(10,807)	155,704

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,050,539**	1,054,148
Investment properties		**5,729**	6,329
Right-of-use assets	*11*	**72,084**	76,109
Other intangible assets		**4,158**	4,703
Prepayments for equipment		**22,570**	5,602
Deferred tax assets	*12*	**23,277**	5,680
Other non-current assets		**407**	48,407
Total non-current assets		**1,178,764**	1,200,978
CURRENT ASSETS			
Inventories	*13*	**793,825**	795,592
Trade and notes receivables	*14*	**375,836**	345,813
Prepayments, deposits and other receivables		**85,947**	92,238
Derivative financial instruments		**–**	198
Pledged deposits		**32,889**	146,168
Cash and cash equivalents		**166,761**	144,798
Total current assets		**1,455,258**	1,524,807
CURRENT LIABILITIES			
Trade and notes payables	*15*	**198,863**	358,817
Other payables and accruals		**159,501**	131,457
Interest-bearing bank and other borrowings	*16*	**962,399**	823,482
Dividend payable		**188**	17
Tax payable		**12,762**	32,096
Total current liabilities		**1,333,713**	1,345,869
NET CURRENT ASSETS		**121,545**	178,938
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,300,309**	1,379,916

	Notes	**2020** *RMB'000*	2019 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,300,309**	1,379,916
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*12*	**19,870**	20,152
Interest-bearing bank and other borrowings	*16*	**53,204**	78,869
Total non-current liabilities		**73,074**	99,021
Net assets		**1,227,235**	1,280,895
EQUITY			
Equity attributable to owners of the parent			
Share capital		**6,329**	6,329
Treasury shares	*17*	**(13,305)**	(18,493)
Reserves		**1,192,320**	1,249,974
		1,185,344	1,237,810
Non-controlling interests		**41,891**	43,085
Total equity		**1,227,235**	1,280,895

1. CORPORATE AND GROUP INFORMATION

Kingdom Holdings Limited was incorporated in the Cayman Islands as an exempted company with limited liability on 21 July 2006. The Company's shares were listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 December 2006.

The Group is principally engaged in the manufacture and sale of linen yarn.

The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman KY1-1111, Cayman Islands; and the principal place of business is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework")

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

Amendments to IFRS 3 Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments did not have any impact on the financial position and performance of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

Amendment to IFRS 16 Covid-19-Related Rent Concessions (early adopted)

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, there are no monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic or other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for any rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. The amendment did not have any significant impact on the financial position and performance of the Group.

Amendments to IAS 1 and IAS 8 Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

There is no significant effect on the amounts recognised in the consolidated financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of non-current assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amount of the non-current assets of the Group has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The assumption that has the most significant impact on the determination of the recoverable amount of its assets is the discount rate. The pre-tax discount rate applied to the cash flow projections as at 31 December 2020 was 22%.

(b) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(c) Write-down of inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group writes down its inventories based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed annually for write-down, if appropriate. The carrying amount of inventories at 31 December 2020 was RMB793,825,000 (2019: RMB795,592,000). Further details are contained in note 13.

(d) Provision for expected credit losses on trade and notes receivables

The Group uses a provision matrix to calculate expected credit losses ("**ECLs**") for trade and notes receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating, coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and notes receivables is disclosed in note 14.

(e) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives or management will write off or write down technically obsolete or non-strategic assets that have been abandoned. The carrying amount of property, plant and equipment at 31 December 2020 was RMB1,050,539,000 (2019: RMB1,054,148,000).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that is primarily the manufacture and sale of linen yarns. Management reviews the consolidated results when making decisions about allocating resources and assessing the performance of the Group. Accordingly, no segment analysis is presented.

Geographical information

(a) Revenue from external customers

An analysis of the Group's geographical information on revenue attributed to the regions on the basis of customer locations for the year ended 31 December 2020 is set out in the following table:

	Revenue from external customers	
	2020	2019
	RMB'000	*RMB'000*
Mainland China	**476,377**	650,576
European Union	**302,630**	349,183
Non-European Union countries	**278,419**	499,801
	1,057,426	1,499,560

(b) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**800,801**	869,898
Ethiopia	**354,686**	325,400
	1,155,487	1,195,298

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

No revenue amounting to 10 percent or more of the Group's total revenue was derived from sales to a single customer for the year ended 31 December 2020 (2019: Nil).

5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers, which is also the Group's turnover, represents the sales value of linen yarn, hemp yarn and scraps, net of sales tax and deduction of any sales discounts and returns. The performance obligation is satisfied upon delivery of linen yarn, hemp yarn and scraps and payment is generally due within 30 to 150 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of revenue from contracts with customers, other income and gains is as follows:

	2020	2019
	RMB'000	*RMB'000*
Type of goods		
Sales of linen yarn, hemp yarn and scraps	**1,057,426**	1,499,560
Timing of revenue recognition		
Goods transferred at a point in time	**1,057,426**	1,499,560

Revenue recognised that was included in contract liabilities at the beginning of the reporting period was RMB14,935,000 (2019: RMB24,036,000).

	2020	2019
	RMB'000	*RMB'000*
Other income		
Bank interest income	**875**	1,051
Government grants	**16,598**	8,161
Others	**2,980**	2,768
	20,453	11,980
Gains		
Gain from disposal of property, plant and equipment	**2,755**	–
Foreign exchange gains, net	**–**	5,186
Fair value gains on derivative financial instruments, net	**–**	198
	23,208	17,364

6. FINANCE COSTS

	2020 *RMB'000*	2019 *RMB'000*
Interest on bank loans	**46,881**	35,003
Interest on lease liabilities	**470**	208
Total interest expense on financial liabilities not at fair value through profit or loss	**47,351**	35,211
Less: Interest capitalised	**(10,768)**	(13,063)
	36,583	22,148

7. LOSS/(PROFIT) BEFORE TAX

The Group's loss/(profit) before tax is arrived at after charging/(crediting):

	Notes	2020 *RMB'000*	2019 *RMB'000*
Cost of inventories sold		**950,129**	1,136,293
Depreciation		**74,376**	70,667
Depreciation of right-of-use asset		**4,077**	3,612
Amortisation of other intangible assets		**545**	545
Research and development ("**R&D**") expenses		**16,780**	14,998
Lease payment not included in the measurement of lease liabilities		**604**	737
Auditors' remuneration		**1,950**	1,950
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other benefits		**175,025**	184,237
Pension scheme contributions		**13,494**	14,204
(Reversal of)/accrual of equity-settled share award expense		**(4,295)**	5,631
		184,224	204,072
Foreign exchange differences, net		**14,700**	(5,186)
Fair value gain on derivative instruments – transactions not qualifying as hedges		**–**	(198)
(Gain)/loss on disposal of items of property, plant and equipment		**(2,755)**	1,374
(Reversal of provision)/provision for impairment of inventories		**(5,602)**	17,069
Provision for impairment of trade receivables	*14*	**59**	2,014
(Write-off of)/provision for impairment of property, plant and equipment		**(6,173)**	6,173
Finance costs		**36,583**	22,148
Bank interest income		**(875)**	(1,051)
Gain on disposal of a subsidiary	*18*	**(11,123)**	(235)

8. INCOME TAX

Major components of the Group's income tax (credit)/expense for the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Current – Mainland China		
– Charge for the year	**19**	50,318
– Overprovision in respect of prior years	**(36)**	(47)
Current – Hong Kong		
– Charge for the year	**3,069**	3,366
– (Overprovision)/underprovision in respect of prior years	**(789)**	604
Current – Italy		
– Charge for the year	**14**	1,545
Deferred *(note 12)*	**(17,879)**	5,326
Total tax (credit)/charge for the year	**(15,602)**	61,112

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

(ii) In accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, the provision for current income tax of Mainland China has been based on a statutory rate of 25% of the assessable profits of the Company for the year, except for Zhejiang Jinda Flax Co., Ltd. ("**Zhejiang Jinda**"), an indirectly wholly-owned subsidiary of the Group. Zhejiang Jinda obtained the High-new Technology Certificate for the years from 2019 to 2022 and was entitled to a tax rate of 15%.

(iii) Hong Kong profits tax has been provided at the rate of 8.25% on the estimated assessable profits arising in Hong Kong up to HK$2 million. Assessable profits over HK$2 million are subject to a tax rate of 16.5%.

(iv) Pursuant to the rules and regulations of Italy, the Group is subject to tax at an income tax rate of 28.82%, which comprises the Italy Corporate Income Tax at 24% and the Italy Regional Income Tax at 4.82%.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(26,743)**	216,877
Tax at an applicable tax rate of 25%	**(6,685)**	54,219
Effect of different/beneficial tax rates	**(2,864)**	(1,163)
(Overprovision)/underprovison in respect of prior years	**(825)**	557
Income not subject to tax	**(4,233)**	(1,705)
Tax losses not recognised	**1,160**	–
Expenses not deductible for tax	**2,218**	2,509
Tax credit arising from additional deduction of R&D expenditures of Mainland China subsidiaries	**(2,498)**	(2,065)
(Reversal of)/Accrual of withholding tax liability	**(1,875)**	8,760
Total tax (credit)/charge for the year	**(15,602)**	61,112

9. DIVIDEND

	2020	2019
	RMB'000	*RMB'000*
Proposed final – Nil (2019: HK7.0 cents) per ordinary share	**–**	39,484

At the meeting of the board of directors of the Company held on 19 March 2021, no payment of final dividend was recommended for the year ended 31 December 2020.

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 614,569,000 (2019: 610,881,000) in issue during the year, as adjusted to reflect the treasury shares vested during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted loss/earnings per share amounts are based on:

	2020	2019
	RMB'000	*RMB'000*
(Loss)/Earnings attributable to ordinary equity holders of the parent used in the basic loss/earnings per share calculation	**(9,947)**	151,468

	Number of shares	
	2020	2019
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss/earnings per share calculation	**614,569**	610,881
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	10,608
Share award plan	**15,079**	18,767
	629,648	640,256

11. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and buildings, motor vehicles and leased land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years to 70 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and buildings generally have lease terms between 2 and 12 years, while motor vehicles generally have lease terms of 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	Plant and buildings *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
As at 1 January 2019	64,695	1,776	1,448	67,919
Additions	1,541	10,261	–	11,802
Depreciation charge	(1,863)	(1,560)	(189)	(3,612)
As at 31 December 2019 and 1 January 2020	64,373	10,477	1,259	76,109
Additions	1,056	1,557	–	2,613
Decrease	(1,548)	–	–	(1,548)
Depreciation charge	(1,877)	(2,011)	(189)	(4,077)
Disposal of a subsidiary	(1,013)	–	–	(1,013)
As at 31 December 2020	60,991	10,023	1,070	72,084

(b) ***Lease liabilities***

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Carrying amount at 1 January	**11,712**	3,341
New leases	**1,557**	10,261
Accretion of interest recognised during the year	**482**	208
Payments	**(2,562)**	(2,098)
Carrying amount at 31 December	**11,189**	11,712
Analysed into:		
Current portion	**(1,985)**	(2,043)
Non-current portion	**(9,204)**	(9,669)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**482**	208
Depreciation charge of right-of-use assets	**4,077**	3,612
Expense relating to short-term leases (included in administrative expenses)	**604**	737
Total amount recognised in profit or loss	**5,163**	4,557

The Group as a lessor

The Group leases its investment properties consisting of three commercial properties in Shanghai and Jiaxing under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB606,000 (2019: RMB611,000).

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**422**	606
After one year but within two years	**–**	62
	422	668

12. DEFERRED TAX

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

Deferred tax assets:

	Accrual	Allowance for doubtful debts	Provision for inventories	Elimination of unrealised profits	Depreciation in excess of related depreciation allowance	Loss available for offsetting against future taxable profit	Fair value loss on derivative financial instruments	Deductible donation expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	1,841	392	806	1,827	4,699	–	860	–	10,425
Disposal of a subsidiary	–	–	–	–	(434)	–	–	–	(434)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 8)*	(33)	(353)	4,313	(162)	1,322	–	(860)	–	4,227
At 31 December 2019 and 1 January 2020	1,808	39	5,119	1,665	5,587	–	–	–	14,218
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 8)*	(491)	53	(1,487)	(503)	(1,277)	28,701	–	286	25,282
At 31 December 2020	1,317	92	3,632	1,162	4,310	28,701	–	286	39,500

Deferred tax liabilities:

	Withholding tax on undistributed profits of the Mainland China subsidiaries	Fair value gains on derivative financial instruments	Unrealised exchange gain in Italy	Depreciation allowance in excess of related depreciation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	11,431	–	–	7,706	19,137
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 8)*	4,824	50	56	4,623	9,553
At 31 December 2019 and 1 January 2020	16,255	50	56	12,329	28,690
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 8)*	(2,526)	(50)	658	9,321	7,403
At 31 December 2020	13,729	–	714	21,650	36,093

Pursuant to the Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

Deferred tax of the Group as at 31 December 2020 and 2019 relates to the following:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Deferred tax assets arising from:		
– Allowance for doubtful debts	**92**	39
– Provision for inventories	**3,632**	5,119
– Elimination of unrealised profits	**1,162**	1,665
– Accrual	**1,317**	1,808
– Loss available for offsetting against future taxable profit	**28,701**	–
– Deductible donation expense	**286**	–
– Depreciation in excess of related depreciation allowance	**4,310**	5,587
	39,500	14,218

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Deferred tax liabilities arising from:		
– Withholding tax on undistributed profits of Mainland China subsidiaries	**(13,729)**	(16,255)
– Depreciation allowance in excess of related depreciation	**(21,650)**	(12,329)
– Fair value gains on derivative financial instruments	**–**	(50)
– Unrealised exchange gain in Italy	**(714)**	(56)
	(36,093)	(28,690)
Deferred tax, net	**3,407**	(14,472)
Reflected in the consolidated statement of financial position:		
– Deferred tax assets	**23,277**	5,680
– Deferred tax liabilities	**(19,870)**	(20,152)

The Group has tax losses arising in Mainland China of RMB112,664,000 (2019: Nil) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have been recognised in respect of these losses as it is considered probable that taxable profits will be available against which the above items can be utilised.

The Group has tax losses arising in Mainland China of RMB1,029,000 (2019: Nil) that will expire in five years for offsetting against future taxable profits and has tax losses arising in Ethiopia of RMB3,612,000 (2019: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the above items can be utilised.

As at 31 December 2020, other than the amount recognised in the consolidated financial statements, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB445,249,000 at 31 December 2020 (2019: RMB444,106,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

13. INVENTORIES

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Raw materials	**346,190**	443,335
Work in progress	**54,503**	59,313
Finished goods	**393,132**	292,944
	793,825	795,592

As at 31 December 2020, inventories with a carrying amount of RMB40,000,000 (2019: RMB40,000,000) were pledged to secure bank loans granted to the Group as set out in note 16(i).

14. TRADE AND NOTES RECEIVABLES

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade receivables	**232,847**	263,102
Notes receivable	**145,399**	85,078
Impairment	**(2,410)**	(2,367)
	375,836	345,813

Customers are normally granted credit terms ranging from 30 days to 150 days depending on the creditworthiness of the individual customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The Group's notes receivable were all aged within six months and were neither past due nor impaired.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Within 1 month	**127,831**	121,065
1 to 2 months	**40,951**	45,908
2 to 3 months	**25,872**	46,354
Over 3 months	**35,783**	47,408
	230,437	260,735

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
At beginning of year	**2,367**	725
Impairment losses, net *(note 7)*	**59**	2,014
Amount written off as uncollectible	**(16)**	(372)
	2,410	2,367

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	0.00%	0.26%	2.30%	11.32%	1.04%
Gross carrying amount (RMB'000)	195,043	4,552	15,149	18,103	232,847
Expected credit losses (RMB'000)	–	12	348	2,050	2,410

As at 31 December 2019

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.00%	0.88%	3.26%	9.29%	0.90%
Gross carrying amount (RMB'000)	213,814	9,675	23,202	16,411	263,102
Expected credit losses (RMB'000)	–	85	757	1,525	2,367

Notes receivable that are not derecognised in their entirety

As at 31 December 2020, the Group endorsed certain notes receivable accepted by banks in the PRC (the "**Endorsed Notes**") with a carrying amount of RMB18,474,000 (31 December 2019: RMB29,323,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to these Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the endorsement, the Group does not retain any rights on the use of the Endorsed Notes, including sale, transfer or pledge of the Endorsed Notes to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Notes to which the suppliers have recourse was RMB18,474,000 as at 31 December 2020 (31 December 2019: RMB29,323,000).

Notes receivable that are derecognised in their entirety

As at 31 December 2020, the Group endorsed certain notes receivable accepted by banks in the PRC (the "**Derecognised Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB69,290,000 (31 December 2019: RMB54,755,000). The Derecognised Notes had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors of the Company, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

The Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes in 2020 (2019: Nil). No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

15. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables as at 31 December 2020, based on the payment due date, is as follows:

	31 December 2020 ***RMB'000***	31 December 2019 *RMB'000*
Due within 1 month or on demand	**56,991**	61,839
Due after 1 month but within 3 months	**141,872**	268,978
Due after 3 months but within 6 months	**–**	28,000
	198,863	358,817

The above balances are unsecured and non-interest-bearing. The carrying amount of trade and notes payables at the end of each reporting period approximates to their fair value due to their short term maturity.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			**31 December 2019**		
	Effective interest rate (%)	**Maturity**	***RMB'000***	**Effective interest rate (%)**	**Maturity**	***RMB'000***
Current						
Secured bank loans	**2.50-4.78**	**2021**	**401,682**	2.60-4.79	2020	304,284
Unsecured bank loans	**1.57-5.00**	**2021**	**488,832**	2.01-5.22	2020	517,155
Other loans – unsecured	**3.73**	**2021**	**69,900**	–	–	–
Lease liabilities *(note 11)*	**4.45**	**2021**	**1,985**	4.41	2020	2,043
			962,399			823,482
Non-current						
Secured bank loans	**–**	**–**	**–**	4.28	2021	25,200
Other loans – unsecured	**4.91**	**2024**	**44,000**	4.91	2024	44,000
Lease liabilities *(note 11)*	**4.45**	**2022-2031**	**9,204**	4.41	2021-2031	9,669
			53,204			78,869
			1,015,603			902,351

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**890,514**	821,439
In the second year	**–**	25,200
	890,514	846,639

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Other borrowings repayable:		
Within one year	**71,885**	2,043
In the second year	**1,680**	1,404
In the third to fifth years, inclusive	**46,675**	46,691
Over five years	**4,849**	5,574
	125,089	55,712

Notes:

(i) As at 31 December 2020, the current interest-bearing bank borrowings with a carrying amount of RMB401,682,000 were secured by certain property, plant and equipment, prepaid land lease payments, and inventories with carrying amounts of RMB252,403,000 (2019: RMB122,816,000), RMB56,029,000 (2019: RMB39,397,000) and RMB40,000,000 (2019: RMB40,000,000), respectively.

(ii) As at 31 December 2019, the non-current interest-bearing bank borrowings with a carrying amount of RMB25,200,000 were secured by certain property, plant and equipment and prepaid land lease payments of the Group with carrying amounts of RMB71,393,000 and RMB14,783,000, respectively.

The carrying amount of the current interest-bearing bank loans of the Group approximates to their fair value due to their short-term maturity.

The fair values of the non-current interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2020 was assessed to be insignificant. Management has assessed that the carrying amount of the non-current interest-bearing bank loans of the Group approximates to their fair value because the fixed interest rate is close to currently available rate.

17. TREASURY SHARES

	31 December 2020			31 December 2019		
	Number of shares	**Amount**		Number of shares	Amount	
		HK$'000	***RMB'000* equivalent**		*HK$'000*	*RMB'000* equivalent
		(Audited)	***(Audited)***		***(Audited)***	***(Audited)***
At the beginning of year	**18,390,000**	**21,006**	**18,493**	19,400,000	22,160	19,508
Vested shares transferred	**(5,159,250)**	**(6,374)**	**(5,188)**	(1,010,000)	(1,154)	(1,015)
At the end of year	**13,230,750**	**14,632**	**13,305**	18,390,000	21,006	18,493

On 26 August 2016, the Company adopted a share award plan, which is not subject to the provisions of Chapter 17 of the Listing Rules (the "**Share Award Plan**"). The board of directors may, at their discretion, grants shares of the Company to eligible participants. The Company has appointed a trustee for administration of the Share Award Plan (the "**Trustee**"). The principal activity of the Trustee is administrating and holding the Company's shares for the Share Award Plan for the benefit of the Company's award holders. The Company's shares will be purchased by the Trustee in the market with cash paid by the Company and held in the trust for relevant award holders until such shares are vested in accordance with the provisions of the Share Award Plan. Upon vesting, the Trustee shall either transfer the vested awarded shares at no cost to such award holders or sell the vested awarded shares at the then prevailing market price by way of market order and remit the net proceeds to the award holders in accordance with the direction given by such award holders. The Trustee purchased 19,400,000 shares of the Company at a total consideration of approximately RMB19,508,000 and 19,370,000 shares were granted to award holders. During the year ended 31 December 2020, 5,159,250 vested shares which amounted to RMB5,188,000 were transferred to award holders.

18. DISPOSAL OF A SUBSIDIARY

	2020
	RMB'000
	(Audited)
Net assets disposed of:	
Property, plant and equipment	14,277
Other intangible assets	1,013
Cash and bank balances	229
Prepayments and other receivables	1,588
Inventories	21,062
Trade payables	(1,892)
Accruals and other payables	(32,400)
	3,877
Gain on disposal of a subsidiary	11,123
	15,000
Satisfied by:	
Cash	15,000

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020
	RMB'000
	(Audited)
Cash consideration	–*
Cash and bank balances disposed of	(229)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(229)

* Cash consideration of RMB15,000,000 was received subsequently in March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The coronavirus disease identified in late 2019 ("**COVID-19**") has severely affected the global economies throughout 2020. There have been over 102 million confirmed cases globally and counting. Different countries adopted different strategies during the early 2020 to tackle this pandemic but the effectiveness varied. Many countries since then have imposed different form of restriction of movement of people and force closure of office, school, restaurants and shopping mall. Many fashion brands had filed bankruptcy petition or announced massive scale down of their outlets and operation. Consumer behaviour also shifted to embrace more about online shopping in order to reduce the risk of being exposed to the virus.

China was the first country to identify the virus and warned the rest of the world through collaboration with the World Health Organisation. It had successfully contained the situation and it was the only major economy reported a positive GDP growth in the year ended 31 December 2020 (the "**Year**"), at a rate of 2.3%. The overall textile industry in China recorded a growth of 29.2% in export during the Year, according to the statistics of the General Administration of Customs of the People's Republic of China (the "**PRC**" or "**China**"). The market price of cotton has increased by 11.9% in 2020 which may exert positive influence to the market demand of linen yarn.

According to the statistics of the General Administration of Customs of the PRC, the total volume of pure linen yarn exports of China in 2020 dropped by approximately 24.0% year-on-year, and Kingdom exported 7,640 tonnes, accounted for 49% of the total export volume from China.

In the trough of the economic cycle, the low level of cotton yarn price may lead to a reduction in demand for pure linen yarn from fashion brands and garment manufacturers, which favours cotton or cotton/linen blended yarn and enables products made of these materials to be more appealing to relatively cost-conscious consumers. However, if the price factor is being put aside, the market has proven that pure linen yarn is a preferred choice over linen mixed yarn. For years, the Group has been focusing on upholding excellent quality and offering tailored customer services. As such, the Group has always been a key partner of major overseas linen fabric and garment manufacturers.

During the Year, the Group's pure linen yarn exports amounted to 7,640 tonnes (2019: 10,900 tonnes). The Group continued to account for more than 40% of the total pure linen yarn export from China, signifying the Group's continuous leading position as the largest pure linen yarn exporter in China for 18 consecutive years.

Revenue of the Group for the Year decreased by approximately 29.5% year-on-year to RMB1,057,426,000 (2019: RMB1,499,560,000). Gross profit dropped by approximately 70.5% year-on-year to RMB107,297,000 (2019: RMB363,267,000) and overall gross margin decreased to 10.1% in 2020 (2019: 24.2%). Loss for the Year was RMB11,141,000, as compared from a net profit of RMB155,765,000 for the year 2019. Basic loss per Share amounted to RMB0.02 during the Year as compared to basic earnings per Share of RMB0.25 in 2019.

In order to preserve resources for further operation, the Board did not recommend the payment of a final dividend for the Year (2019: HK7.0 cents per Share).

Major Markets and Customers

Being the largest linen yarn exporter in China, the Group has a sales network covering over 20 countries and regions around the world. In order to timely seize market opportunity, keep abreast of market trends and deliver comprehensive and efficient services, the Group has established presence in major overseas linen textile and consumer markets. The Group currently has one subsidiary in Italy and agents in Turkey, Portugal, Italy, Lithuania and Korea. The Group's subsidiary in Italy keeps its own inventories so that it can serve the immediate needs and tighten its co-operation with high-end customers in Europe. During the Year, revenue derived from overseas sales amounted to RMB581,049,000, representing approximately 54.9% of the Group's total revenue. In particular, revenue from European Union countries amounted to approximately RMB302,630,000, representing approximately 28.6% of the Group's total revenue, while revenue from non-European Union countries amounted to approximately RMB278,419,000, representing approximately 26.3% of the Group's total revenue.

During the Year, the Group's top five exporting countries are Italy, Portugal, India, Turkey and Korea which accounted for 76.2% of the total export revenue during the Year (2019: 81.5%).

Domestic sales in China decreased by approximately 26.8% during the Year to RMB476,377,000, representing approximately 45.1% of the Group's total revenue. In light of the increasing income level, there have been fundamental changes in the consumption patterns of the general public in China. Consumers' concerns have shifted from pure practicality to quality and the ability to reflect their personal taste. Linen textiles are not only anti-bacterial and comfortable, but also highly environment-friendly in their production process. Therefore, linen textiles perfectly suit the taste of new-generation consumers who may have a stronger preference over environment friendly and sustainable products. Many leading domestic and overseas trend-setting brands and fast-moving fashion brands have now embarked on their own linen selections. For example, a famous Japanese brand has not only launched a linen garment line, but also introduced a tracking system for the use of its raw materials to allow its product quality and environment-friendliness to be monitored by itself together with its consumers.

Sales Analysis by Domestic and Overseas Market

	FY2020		FY2019		Year-on-year change in revenue	Year-on-year change in revenue
	RMB000'	*%*	*RMB000'*	*%*		
China	476,377	45.1%	650,576	43.4%	(174,199)	–26.8%
European Union	302,630	28.6%	349,183	23.3%	(46,553)	–13.3%
Non-European Union	278,419	26.3%	499,801	33.3%	(221,382)	–44.3%
Total Revenue	1,057,426	100.0%	1,499,560	100.0%	(442,134)	–29.5%

Raw Material Procurement and Related Strategies

During the Year, prices of fibre flax, the major raw material of linen yarn, maintained stable. The Group mainly sources its fibre flax from well-established origins such as France and Belgium. Being one of the largest buyers in these regions, the Group enjoys strong bargaining power when dealing with suppliers. Furthermore, the Group has formulated systematic procurement strategies under which the Group will procure raw materials according to the level of fibre flax harvest, the Group's inventory level and the market prices of fibre flax so as to stabilise its raw material costs and overall market demand and supply as well as reducing the price fluctuations of raw materials.

The Group also procured industrial hemp fibre for production of hemp yarn in its factory in Heilongjiang, China. Kingdom collaborated with the local farmers to secure stable supply of hemp fibre in China with the aim to further stabilise the price fluctuations and supply of raw materials. The Group is also building a warehouse in Heilongjiang to manage the storage, logistics and supply chain management of hemp materials with a vision to make it a national trading hub of hemp materials in China.

The Group is also collaborating with CottonConnect, a UK non-profit and social-oriented enterprise with a clear mission to transform the linen industry for good, to develop the REEL Linen Code of Conduct. REEL Linen is a sustainability-driven initiative for brands which are committed for sourcing more sustainable linen, including improving environment, quality and traceability conditions in their supply chain factories and farms worldwide. REEL stands for the idea of "Responsible Environment, Enhanced Livelihood", it implements sustainable development into production practices.

Production Bases and Productivity

As at 31 December 2020, the Group had four production bases in China and one production base in Ethiopia.

The Group's production bases are continuously under improvement. New production bases are equipped with the latest management systems, technologies and equipment, a combination of which has resulted in a smooth operation and reduced unnecessary procedures and wastage of raw materials, which has improved the Group's overall production efficiency. These systems have not only made the production processes more environment-friendly, but also reduced the production costs of the Group and have laid a solid foundation of profit growth for the Group in the long run. For further details of the measures taken by the Group in relation to environmental protection, please refer to the separate Environmental, Social and Governance Report of the Group for the Year, which is expected to be despatched together with the annual report of the Company for the Year before the end of April 2021.

China

The one in Rugao City, Jiangsu Province, the PRC has an annual production capacity of 6,000 tonnes. Another two production bases are located in Haiyan County, Zhejiang Province, the PRC, among which the first Haiyan plant has an annual production capacity of 7,000 tonnes and the second Haiyan plant has an annual production capacity of 5,000 tonnes. The Group has established its fourth facility in Heilongjiang Province in China with an annual capacity of 4,000 tonnes for flax and industrial hemp yarn. Currently, the designed annual linen and industrial hemp yarn production capacity of the Group amounts to 22,000 tonnes based on standardized 24Nm specification. The utilization of each of the production bases was affected by the COVID-19 pandemic during the Year.

The Group owns a 72.72% equity interest in the flax and industrial hemp yarn manufacturing facility in Heilongjiang and it is the Group's maiden attempt to explore the industrial hemp yarn market, as the Company believes industrial hemp yarn market will grow rapidly in the next few years due to the national policy in China to promote the planting of industrial hemp in the Heilongjiang region and the use of the industrial hemp textile products.

Ethiopia

The Group is also committed to investing in Ethiopia for new production facilities and has acquired a parcel of land with a site area of 300,000 square meters located in Adama Industrial Park, Adama, Ethiopia. The phase one development of this land parcel will further boost the annual production capacity of the Group by 5,000 tonnes. The Board believes that the federal government of Ethiopia is keen to develop the Kingdom Linen Yarn Factory constructed and to be further developed on this land parcel into one of the model projects of the "Belt & Road" initiative in Ethiopia. The Chinese government also encouraged manufacturers to expand overseas by facilitating political risk insurance coverage by state-owned insurance company. The Ethiopia project is expected to generate savings on land lease, labour, energy and tax and there are possibly exemptions of quota and custom duty for exports of linen yarn manufactured in Ethiopia to a vast number of countries in the world. Despite there have been on and off ethno-political conflicts since October 2016 leading to the resignation of the Prime Minister of Ethiopia in February 2018, the Government of Ethiopia had reaffirmed their commitment in maintaining the industrialization agenda that has already been initiated. With the new Ethiopian Prime Minister Abiy Ahmed Ali being awarded with the Nobel Peace Prize in 2019, the Board believes that the strategic investment in Ethiopia will have a long-term benefit to the Group. The construction of the factory is completed, and machinery and equipment have been installed. Due to the outbreak of COVID-19 pandemic in Ethiopia and the lack of quarantine facilities to receive confirmed cases locally, in order to protect the health and safety of our local workers and the Chinese operation technicians we sent from China, the trial operation of the Ethiopia factory was temporarily halted. The local workers were sent home with guarantee monthly payment as recommended and approved by the local authorities, while most of the Group's Chinese skilled technicians were sent back to China during the Year. Once the pandemic is controlled and/or effective vaccine became available, the Company will re-commence the trial operation by sending the Chinese skilled technicians back to Ethiopia, tentatively in March 2021.

Existing and planned production bases

No.	Factory	Location	Country	Annual capacity (Tonnes)	Utilisation/Status
1	Haiyan 1st Factory	Zhejiang	China	7,000	Close to 100%
2	Rugao Factory	Jiangsu	China	6,000	Close to 100%
3	Haiyan 2nd Factory	Zhejiang	China	5,000	Close to 100%
4	Qinggang Factory	Heilongjiang	China	4,000	Close to 100%
5	Ethiopia	Adama	Ethiopia	5,000	Expects to re-commence trial production in 2021

Patents, Awards and Recognition

The Group has continued to invest in technology and innovation. As at 31 December 2020, the Group owned 60 registered patents and there were another 31 patents applications pending formal approval by relevant authorities.

FINANCIAL REVIEW

Revenue

For the Year, the Group's revenue decreased by approximately 29.5% to approximately RMB1,057,426,000 (2019: RMB1,499,560,000). The decrease of revenue was mainly attributable to the lower selling price of pure linen yarn sold during the Year. During the Year, sales to China, European Union ("**EU**") and non-EU markets recorded a drop of 26.8%, 13.3% and 44.3%, respectively.

Gross Profit and Gross Profit Margin

For the Year, the Group's gross profit dropped to RMB107,297,000, representing a year-on-year decline of approximately 70.5% (2019: RMB363,267,000). Gross profit margin for the Year decreased by 14.1 percentage points to 10.1% (2019: 24.2%) as a result of lower selling prices of the linen yarn during the Year.

Other Income and Gains

For the Year, other income and gains of RMB23,208,000 (2019: RMB17,364,000) mainly represented by interest income of RMB875,000 (2019: RMB1,051,000), various government grants which amounted to RMB16,598,000 (2019: RMB8,161,000), gain on disposal of non-current assets of approximately RMB2,755,000 (2019: Nil) and insurance income of RMB132,000 (2019: RMB1,068,000).

Selling and Distribution Expenses

For the Year, the Group's selling and distribution expenses amounted to approximately RMB38,879,000 (2019: RMB49,453,000), which accounted for approximately 3.7% (2019: 3.3%) of the Group's revenue. The increase in the selling and distribution expenses as a percentage of revenue in the Year was mainly due to higher percentage of freight and custom clearance expenses incurred, as higher sea freight charge imposed by major shipping companies due to the disruption of the normal freight schedule as a result of the COVID-19 pandemic during the Year.

Administrative Expenses

For the Year, the Group's administrative expenses amounted to approximately RMB76,062,000 (2019: RMB82,061,000), representing a decrease of approximately 7.3% as compared to the year ended 31 December 2019. The decrease of administrative expenses was mainly due to savings on entertainment and travelling expense of approximately RMB735,000, provision of bad debts of approximately RMB1,902,000 and share award plan expense of approximately RMB4,293,000.

Other Expenses

Other expenses of the Group for the Year mainly represent the net exchange loss of approximately RMB14,700,000 due to the United States Dollars depreciated against Chinese Yuan by approximately 6.5% (2019: exchange gain of RMB5,186,000 recorded in other income and gains), donation of approximately RMB1,175,000 (2019: RMB282,000) and impairment provision of approximately RMB124,000 (2019: RMB6,173,000).

Finance Costs

For the Year, finance costs amounted to approximately RMB36,583,000 (2019: RMB22,148,000), which comprises of net finance cost of approximately RMB36,113,000 (2019: RMB21,940,000) and interest on lease liabilities of approximately RMB470,000 (2019: RMB208,000). Net finance costs represent the total interest expense on bank loans of approximately RMB46,881,000 (2019: RMB35,003,000) less amount capitalized attributable to capital assets. An interest expense of approximately RMB10,768,000 was capitalized during the Year (2019: RMB13,063,000).

Income Tax (Credits)/Expenses

Income tax expense for the Year was a credit of approximately RMB15,602,000 (2019: income tax expense of approximately RMB61,112,000). The tax credit mainly represents the tax losses of the Group available for offsetting against future taxable profits.

Loss for the Year

As a result, the Group recorded a net loss for the Year of approximately RMB11,141,000, as compared to a net profit of approximately RMB155,765,000 for the year ended 31 December 2019.

Minority Interests

The minority interests amounted to RMB1,194,000 which represent the share of the net loss of the 27.28% of equity interests of Heilongjiang Kingdom Flax and Hemp Co., Ltd.*（黑龍江金達麻業有限公司）, attributable to the minority shareholders during the Year (2019: share of profit of approximately RMB4,297,000).

Loss Attributable to Owners of the Parent

During the Year, the Group recorded a loss attributable to owners of the parent of approximately RMB9,947,000, as compared to a net profit attributable to owners of the parent of approximately RMB151,468,000 for the year ended 31 December 2019.

Other Intangible Assets

As at 31 December 2020, the Group's intangible assets were mainly certified emission rights in 2012 for a term of 20 years, which amounted to RMB4,158,000 (2019: RMB4,703,000). Intangible assets are subject to amortisation based on their useful lives. For the Year, the amortisation of intangible assets was approximately RMB545,000 (2019: RMB545,000).

* *For identification purpose only*

Inventories

As at 31 December 2020, inventories of the Group decreased by approximately 0.2% to RMB793,825,000 (2019: RMB795,592,000), the average inventory turnover days increased from 217 days as at 31 December 2019 to 305 days as at 31 December 2020. The higher number of inventory turnover days was mainly attributable to lower sales revenue recorded during the Year.

Trade and Notes Receivables

As at 31 December 2020, trade and notes receivables of the Group increased by approximately 8.7% to RMB375,836,000 (2019: RMB345,813,000), the average accounts receivable turnover days increased from 78 days as at 31 December 2019 to 125 days as at 31 December 2020.

Trade and Notes Payables

As at 31 December 2020, trade and notes payables of the Group decreased by approximately 44.6% to approximately RMB198,863,000 (2019: RMB358,817,000). The average accounts payable turnover days increased to 107 days during the Year (2019: 97 days).

Interest-bearing Bank and Other Borrowings

As at 31 December 2020, the Group's interest-bearing bank and other borrowings increased by 12.6% to approximately RMB1,015,603,000 (2019: RMB902,351,000), of which RMB962,399,000 (2019: RMB823,482,000) were classified under current liabilities and RMB53,204,000 (2019: RMB78,869,000) were classified as non-current liabilities.

Liquidity and Financial Resources

As at 31 December 2020, the Group has net current assets of approximately RMB121,545,000 (2019: RMB178,938,000). The Group financed its operations with internally generated resources and bank loans during the Year. As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB166,761,000 (2019: RMB144,798,000).

The liquidity ratio of the Group as at 31 December 2020 was approximately 109.1% (2019: 113.3%). Total equity of the Group as at 31 December 2020 was approximately RMB1,227,235,000 (2019: RMB1,280,895,000).

As at 31 December 2020, the Group had interest bearing bank and other borrowings repayable within 12 months from the statement of financial position date of approximately RMB962,399,000 (2019: RMB823,482,000) and long-term interest bearing bank and other borrowings of approximately RMB53,204,000 (2019: RMB78,869,000). Together these interest bearing bank and other borrowings represented a gross debt gearing (i.e. total borrowings/total equity) of approximately 82.8% (2019: 70.4%).

CAPITAL COMMITMENTS

As at 31 December 2020, outstanding contractual capital commitments of the Group in respect of purchase of property, plant and equipment not provided for in the annual financial statements amounted to approximately RMB100,889,000 (2019: RMB41,370,000).

MATERIAL ACQUISITION AND DISPOSAL

On 29 November 2019, Zhejiang Jinyuan, an indirectly wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Zhejiang Kingdom Creative Co., Ltd.* (浙江金達創業有限公司) ("**Kingdom Creative**"), pursuant to which Zhejiang Jinyuan agreed to acquire and Kingdom Creative agreed to sell a parcel of land located at No. 192, Xinqiao North Road, Wuyuan Town, Haiyan County, Zhejiang Province, the PRC (中國浙江省海鹽縣武原鎮新橋北路192號) with a total area of approximately 15,700 sq.m. and the buildings erected on that land comprising two staff quarters and five other buildings with an aggregate area of approximately 10,000 sq.m (the "**Property**") at a consideration of RMB50,000,000. For further details, please refer to the announcement of the Company dated 29 November 2019.

Zhejiang Jinyuan was subsequently informed by Kingdom Creative that, due to the change in development plan of the land where the Property is located, the Property can no longer be constructed as a production facilities as originally planned. As informed by the relevant PRC local government, the usage of the land where the Property was located would be changed to commercial purpose, and the transfer of title of the Property from Kingdom Creative to Zhejiang Jinyuan pursuant to the Sale and Purchase Agreement would not be processed accordingly. Having considered the interests of the Company and the Shareholders and following further negotiation among the relevant parties, on 23 October 2020, Zhejiang Jinyuan and Kingdom Creative entered into a settlement agreement (the "**Settlement Agreement**"), pursuant to which the parties agreed that (i) the Sale and Purchase Agreement shall be terminated and the acquisition as contemplated under the Sale and Purchase Agreement shall not proceed to completion; and (ii) an amount of RMB48,000,000, being the amount paid by Zhejiang Jinyuan to Kingdom Creative upon the signing of the Sale and Purchase Agreement was refunded in full to Zhejiang Jinyuan within 30 days upon the entering of the Settlement Agreement. The Group received the full refund of RMB48,000,000 in October 2020.

* *For identification purpose only*

Saved as disclosed above, the Group did not have any material acquisitions or disposals during the Year.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments held during the Year.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any contingent liabilities (2019: Nil).

CHARGE OF ASSETS

As at 31 December 2020, the current interest-bearing bank borrowings with a carrying amount of RMB401,682,000 were secured by certain property, plant and equipment, prepaid land lease payments, and inventories with carrying amounts of RMB252,403,000 (2019: RMB122,816,000), RMB56,029,000 (2019: RMB39,397,000) and RMB40,000,000 (2019: RMB40,000,000), respectively.

As at 31 December 2019, the non-current interest-bearing bank borrowings with a carrying amount of RMB25,200,000 were secured by certain property, plant and equipment and prepaid land lease payments of the Group with carrying amounts of RMB71,393,000 and RMB14,783,000, respectively.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save for the ongoing investment in our Ethiopia factory project, various up-keeping and maintenance of existing factory projects and to build a new warehouse in Heilongjiang, the Directors confirmed that as at the date of this announcement, there are no current plan to acquire any material investment or capital assets.

FOREIGN CURRENCY RISK

The Group's transactions are mainly denominated in Renminbi, United States Dollars, Euro and Hong Kong Dollars. The exchange rate changes of such currencies were monitored regularly and managed appropriately. The Group had not entered into certain foreign currency forward contracts and cross-currencies swap contracts by utilising its credit line during the Year and there was no such outstanding contract as at 31 December 2020 (2019: derivative financial instruments of approximately RMB198,000 were recognised by the Group as a current asset).

REMUNERATION POLICY AND SHARE OPTION SCHEME

As at 31 December 2020, the Group had a total of 2,890 employees (2019: 3,099 employees). Total staff costs incurred for the Year decreased by approximately 9.7% to RMB184,224,000 (2019: RMB204,072,000). The decrease in staff costs which stemmed from automation of certain procedures in the factories resulting fewer headcount was required and certain local workers in Ethiopia were dismissed due to temporary halt of the trial operation of the Ethiopia factory, as a result of the COVID-19 pandemic situation in Ethiopia.

The Group offers comprehensive and competitive remuneration, retirement scheme and benefit packages to its employees. The Group is required to make contributions (retirement insurance and unemployment insurance) to a social security scheme in China. The remuneration policy for the employees of the Group is formulated by the Board with reference to the employee's respective qualification, experience, responsibilities and contributions to the Group, as well as the prevailing market rate of remuneration for a similar position. The remuneration of the Directors are determined by the Board and the remuneration committee of the Company with the mandate given by the Shareholders at the annual general meeting having regard to the Group's operating results, individual performance and comparable market statistics. The Group also provides both internal and external training programmes for its employees from time to time.

The Group has also adopted a share option scheme and a share award plan for the purpose of providing incentives and rewards to the Directors, including independent non-executive Directors, and other employees of the Group who have contributed to the success of the Group's operations.

OUTLOOK AND PLANS

The percussion of the COVID-19 pandemic in 2020 is expected to carry forward to at least the first half of 2021. Many countries commenced or will commence administering the COVID-19 vaccination to protect their residents against infection. The COVID-19 situation is expected to significantly improve in the second half of the year 2021. The demand of linen yarn is also expected to recover and grow gradually.

The trend of environment friendliness and the use of natural fibers has been set. Many fashion brands had made commitments to use environmental and sustainable materials for their products. Linen yarn, as one of the most environment-friendly fibers, will surely benefit from this trend. Kingdom also collaborated with CottonConnect, a UK non-profit and social-oriented enterprise with a clear mission to transform the cotton/linen industry for good, to develop the REEL Linen Code of Conduct. REEL Linen is a sustainability-driven initiative for brands which are committed for sourcing more sustainable linen, including improving environment, quality and traceability conditions in their supply chain factories and farms worldwide. REEL stands for the idea of "Responsible Environment, Enhanced Livelihood", it implements sustainable development into production practices. This initiative would help Kingdom to move towards a sustainable operation and ensure its long-term success.

China has become one of the largest consumer markets for linen textile products. The Company is confident in the sustainable demand for linen yarn in the coming years, as the Chinese government encourages domestic consumption for its GDP growth and transformation of its economy to lessen the reliance on exports. Kingdom will continue to leverage on its market leading position to capture the opportunities in the domestic market.

In addition, the first phase of the Group's Ethiopia factory with an annual production capacity of 5,000 tonnes (based on standard 24NM counts) is completed and expected to re-commence the trial production in 2021, once the COVID-19 situation in Ethiopia has been improved and/or effective vaccination became available to our workers. Exemptions of quota and custom duty for exports of linen yarn manufactured in Ethiopia to a vast number of countries in the world will help the Group to remain competitive in the coming years.

We will also leverage on our strength and explore the possibilities of tapping into the linen fabric/garment market in the near future.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the Year.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the Year.

DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 December 2020 (2019: HK$0.07 per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 21 May 2021, the register of members of the Company will be closed from Friday, 14 May 2021 to Friday, 21 May 2021, both days inclusive, during which period no transfer of Shares will be effected. In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 May 2021.

PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.kingdom-china.com. The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules is to be despatched to the Company's Shareholders and made available for review on the same websites in due course.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organisation which is open and accountable to the Company's Shareholders. The Directors believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules.

In the opinion of the Directors, save for the deviation to code provision A.2.1 as disclosed below, the Company has complied with the applicable code provisions as set out in the CG Code throughout the Year.

Code Provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Ren Weiming, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board meets regularly to consider major matters affecting the operations of the Company. Given the nature and extent of the Group's operation and Mr. Ren's extensive experience in the industry, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to operate efficiently. The Board will continuously review this structure from time to time to ensure appropriate and timely action to meet changing circumstances, if necessary.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors and devised its own code of conduct regarding Directors' dealings in the Company's securities on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with all Directors, all the Directors have confirmed that they have complied with the provisions of the Model Code and the Company's code of conduct regarding Directors' securities transactions for the year ended 31 December 2020 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group and to provide advice and comments to the Board. The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Lau Ying Kit, Mr. Lo Kwong Shun Wilson and Mr. Yan Jianmiao. Mr. Lau Ying Kit, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee. The annual results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established by the Company to establish policies, review and determine the remuneration of the Directors and the senior management of the Company. The Remuneration Committee comprises two independent non-executive Directors, Mr. Lo Kwong Shun Wilson and Mr. Yan Jianmiao and an executive Director, Mr. Zhang Hongwen. Mr. Yan Jianmiao is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established by the Company to review the board diversity policy and to make recommendations to the Board on any proposed changes to the Board and senior management to complement the Company's corporate strategy. The Nomination Committee comprises two independent non-executive Directors, Mr. Lau Ying Kit and Mr. Lo Kwong Shun Wilson and an executive Director, Mr. Shen Yueming. Mr. Lo Kwong Shun Wilson is the chairman of the Nomination Committee.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2020, consolidated statement of profit or loss and consolidated statement of comprehensive income for the year then ended and the related notes thereto as set out in this annual results announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this annual results announcement.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting will be held on Friday, 21 May 2021 and notice of the annual general meeting will be published and despatched in the manner as required by the Listing Rules.

APPRECIATION

The chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each and everyone of the staff of the Group for their hard work and loyalty to the Group.

By Order of the Board
Kingdom Holdings Limited
Ren Weiming
Chairman

Hong Kong, 19 March 2021

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*