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 2021

FINANCIAL HIGHLIGHTS

(Comparative figures have been restated for the Group's application of business combination under common control. Details of the restatement are set out in note 18 to this announcement.)

- Revenue of the Group surged by approximately 70.2% to approximately RMB1,799,690,000 for the year ended 31 December 2021 from approximately RMB1,057,426,000 for the year ended 31 December 2020 due to demand of linen yarn picked up and improved selling price.

- Gross profit margin for the year ended 31 December 2021 improved by 8.8 percentage points to approximately 18.9% during the year (2020: 10.1%).

- Profit for the year ended 31 December 2021 amounted to RMB90,500,000 as compared to a loss of approximately RMB12,678,000 for the year ended 31 December 2020.

- Profit attributable to owners of the parent of approximately RMB88,223,000 for the year ended 31 December 2021, compared to a loss attributable to owners of the parent of approximately RMB11,177,000 for the year ended 31 December 2020.

- Basic earnings per share for the year ended 31 December 2021 at approximately RMB0.14 (2020: Basic loss per share of approximately RMB0.02).

- The Board proposed a payment of final dividend of HK$0.06 per ordinary share for the year ended 31 December 2021 (2020: Nil).

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 2021 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000* *(Restated)*
REVENUE	*5*	**1,799,690**	1,057,426
Cost of sales		**(1,460,162)**	(950,129)
Gross profit		**339,528**	107,297
Other income and gains	*5*	**7,136**	23,210
Selling and distribution expenses		**(82,324)**	(38,879)
Administrative expenses		**(98,406)**	(77,601)
Other expenses		**(3,803)**	(16,847)
Finance costs	*6*	**(39,044)**	(36,583)
Gain on disposal of a subsidiary		**–**	11,123
PROFIT/(LOSS) BEFORE TAX	*7*	**123,087**	(28,280)
Income tax (expense)/credit	*8*	**(32,587)**	15,602
PROFIT/(LOSS) FOR THE YEAR		**90,500**	(12,678)
Attributable to:			
Owners of the parent		**88,223**	(11,177)
Non-controlling interests		**2,277**	(1,501)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*10*	**RMB0.14**	RMB(0.02)
Diluted	*10*	**RMB0.14**	RMB(0.02)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
PROFIT/(LOSS) FOR THE YEAR	**90,500**	(12,678)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(9,722)**	334
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**80,778**	(12,344)
Attributable to:		
Owners of the parent	**78,501**	(10,843)
Non-controlling interests	**2,277**	(1,501)
	80,778	(12,344)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,150,775**	1,056,488
Investment properties		**5,132**	5,729
Right-of-use assets	*11*	**87,362**	73,965
Other intangible assets		**5,987**	6,158
Prepayments for equipment		**1,456**	22,570
Deferred tax assets		**7,233**	23,277
Other non-current assets		**3,407**	407
Total non-current assets		**1,261,352**	1,188,594
CURRENT ASSETS			
Inventories	*12*	**629,221**	794,069
Trade and notes receivables	*13*	**512,732**	375,843
Prepayments, deposits and other receivables		**92,219**	88,371
Pledged deposits		**44,730**	32,889
Cash and cash equivalents		**249,213**	166,882
Total current assets		**1,528,115**	1,458,054
CURRENT LIABILITIES			
Trade and notes payables	*14*	**293,920**	198,863
Other payables and accruals		**210,602**	159,727
Interest-bearing bank and other borrowings	*15*	**828,378**	962,399
Derivative financial instruments	*16*	**1,275**	–
Dividend payable		**182**	188
Tax payable		**14,948**	12,762
Total current liabilities		**1,349,305**	1,333,939
NET CURRENT ASSETS		**178,810**	124,115
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,440,162**	1,312,709

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,440,162**	1,312,709
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**32,129**	19,870
Interest-bearing bank and other borrowings	*15*	**57,417**	53,204
Total non-current liabilities		**89,546**	73,074
Net assets		**1,350,616**	1,239,635
EQUITY			
Equity attributable to owners of the parent			
Share capital		**6,329**	6,329
Treasury shares	*17*	**(13,305)**	(13,305)
Reserves		**1,272,702**	1,202,240
		1,265,726	1,195,264
Non-controlling interests		**84,890**	44,371
Total equity		**1,350,616**	1,239,635

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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 and notes receivables 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 2021. 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 following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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

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 Group identifies that there is only one cash-generating unit comprising of all property, plant and equipment, right-of-use assets and other intangible assets as the operation of the Group is managed on a centralised basis with production allocated across all factories based on their available capacity. 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 the Group's assets is the discount rate and growth rate. The pre-tax discount rate applied to the cash flow projections as at 31 December 2021 was 22%. The growth rate is estimated based on historical growth rate and future economic environment. The carrying amounts of non-current assets under impairment testing is RMB1,244 million (2020: RMB1,137 million).

(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. The carrying amount of related deferred tax assets is RMB16,697,000 (2020: RMB28,701,000).

(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 2021 was RMB629,221,000 (2020: RMB794,069,000). Further details are contained in note 12 to the financial statements.

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

The Group uses a provision matrix to calculate 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 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 receivables is disclosed in note 13 to the financial statements.

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 2021 is set out in the following table:

	Revenue from external customers	
	2021	2020
	RMB'000	*RMB'000*
Mainland China	**673,137**	476,377
European Union	**563,110**	302,630
Non-European Union countries	**563,443**	278,419
	1,799,690	1,057,426

(b) Non-current assets

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**861,900**	810,631
Ethiopia	**392,219**	354,686
	1,254,119	1,165,317

The non-current asset information above is based on the locations of the assets and excludes 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 2021 (2020: 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:

	2021	2020
	RMB'000	*RMB'000*
Type of goods		
Sales of linen yarn, hemp yarn and scraps	**1,799,690**	1,057,426
Timing of revenue recognition		
Goods transferred at a point in time	**1,799,690**	1,057,426

Revenue recognised that was included in contract liabilities at the beginning of the reporting period was RMB19,752,000 (2020: RMB14,935,000).

The information about the remaining performance obligations for contracts with original expected duration of one year or less is not disclosed as a practical expedient under IFRS 15.

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Other income		
Government grants	**4,641**	16,598
Bank interest income	**234**	875
Others	**2,261**	2,982
	7,136	20,455
Gains		
Gain from disposal of property, plant and equipment	**–**	2,755
	7,136	23,210

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Interest on bank loans	**42,687**	46,869
Interest on lease liabilities	**489**	482
Total interest expense on financial liabilities not at fair value through profit or loss	**43,176**	47,351
Less: Interest capitalised	**(4,132)**	(10,768)
	39,044	36,583

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2021** ***RMB'000***	2020 *RMB'000* *(Restated)*
Cost of inventories sold		**1,460,162**	950,129
Depreciation of property, plant and equipment and investment properties		**88,934**	74,417
Depreciation of right-of-use asset		**4,460**	4,154
Amortisation of other intangible assets		**580**	545
Research and development ("**R&D**") expenses		**31,723**	16,780
Lease payment not included in the measurement of lease liabilities	*11(c)*	**604**	604
Auditors' remuneration		**1,950**	1,950
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other benefits		**214,670**	175,025
Pension scheme contributions*		**23,866**	13,494
Reversal of equity-settled share award expense		**–**	(4,295)
		238,536	184,224
Foreign exchange differences, net		**162**	14,700
Fair value loss on derivative instruments – transactions not qualifying as hedges		**(1,275)**	–
Loss/(gain) on disposal of items of property, plant and equipment		**470**	(2,755)
Reversal of provision for impairment of inventories		**(3,164)**	(5,602)
(Reversal of)/Provision for impairment of trade receivables	*13*	**(1,423)**	59
Reversal of provision for impairment of property, plant and equipment		**–**	(6,173)
Bank interest income		**(234)**	(875)
Gain on disposal of a subsidiary		**–**	(11,123)

* *There is no forfeited contribution for the Group to offset future contribution.*

8. INCOME TAX

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

	2021	2020
	RMB'000	*RMB'000*
Current – Mainland China		
– Charge for the year	**150**	19
– Overprovision in respect of prior years	**(901)**	(36)
Current – Hong Kong		
– Charge for the year	**3,094**	3,069
– Overprovision in respect of prior years	**–**	(789)
Current – Italy		
– Charge for the year	**153**	14
– Under-provision in respect of prior years	**1,788**	–
Deferred	**28,303**	(17,879)
Total tax charge/(credit) for the year	**32,587**	(15,602)

(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 subsidiaries has been based on a statutory rate of 25% of the assessable profits of these companies 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%.

(v) Pursuant to the rules and regulations of Ethiopia, the Group is subject to tax at an income tax rate of 30%. The Group enjoys a tax holiday of profit tax exemption of 10 years.

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:

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Profit/(loss) before tax	**123,087**	(28,280)
Tax at an applicable tax rate of 25%	**30,772**	(7,070)
Effect of different/beneficial tax rates	**(1,101)**	(2,864)
Under-provision/(Over-provision) in respect of prior years	**887**	(825)
Income not subject to tax	**(1,036)**	(4,233)
Tax losses not recognised	**4,166**	1,160
Expenses not deductible for tax	**2,042**	2,603
Tax credit arising from additional deduction of R&D expenditures of Mainland China subsidiaries	**(6,936)**	(2,498)
Accrual/(reversal of) of withholding tax liability	**3,793**	(1,875)
Total tax charge/(credit) for the year	**32,587**	(15,602)

9. DIVIDEND

	2021	2020
	RMB'000	*RMB'000*
Proposed final – HK6.0 cents (2020: Nil) per ordinary share	**30,889**	–

At the meeting of the board of directors of the Company held on 18 March 2022, the payment of a final dividend of HK6.0 cents per ordinary share totalling approximately RMB30,889,000 was recommended for the year ended 31 December 2021, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS/(LOSS) 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 616,447,000 (2020: 614,569,000) 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 earnings/(loss) per share amounts are based on:

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Earnings/(Loss) attributable to ordinary equity holders of the parent used in the basic earnings/(loss) per share calculation	**88,223**	(11,177)

	Number of shares	
	2021	2020
	RMB'000	*RMB'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**616,447**	614,569
Effect of dilution – weighted average number of ordinary shares:		
Share award plan*	**–**	15,079
	616,447	629,648

* *The share award is subject to profit target which is contingently issuable and as the condition is not met by the end of the year, it is not included in the calculation of diluted earnings/(loss) per share calculation.*

11. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and buildings, motor vehicles and leasehold 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 2020 (Restated)	66,330	10,478	1,259	78,067
Additions	1,056	1,557	–	2,613
Decrease	(1,548)	–	–	(1,548)
Depreciation charge (Restated)	(1,954)	(2,011)	(189)	(4,154)
Disposal of a subsidiary	(1,013)	–	–	(1,013)
As at 31 December 2020 and 1 January 2021 (Restated)	62,871	10,024	1,070	73,965
Additions	18,086	1,461	–	19,547
Decrease	(940)	–	–	(940)
Depreciation charge	(1,934)	(2,337)	(189)	(4,460)
Exchange realignment	–	(750)	–	(750)
As at 31 December 2021	78,083	8,398	881	87,362

(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:

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Carrying amount at 1 January	**11,189**	11,712
New leases	**1,461**	1,557
Accretion of interest recognised during the year	**489**	482
Payments	**(2,893)**	(2,562)
Exchange realignment	**(750)**	–
Carrying amount at 31 December	**9,496**	11,189
Analysed into:		
Current portion *(note 15)*	**2,079**	1,985
Non-current portion *(note 15)*	**7,417**	9,204

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

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Interest on lease liabilities	**489**	482
Depreciation charge of right-of-use assets	**4,460**	4,154
Expense relating to short-term leases (included in administrative expenses)	**604**	604
Total amount recognised in profit or loss	**5,553**	5,240

The Group as a lessor

The Group leases its investment properties consisting of two commercial properties in Shanghai 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 RMB449,000 (2020: RMB606,000).

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021	2020
	RMB'000	*RMB'000*
Within one year	**435**	422

12. INVENTORIES

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
		(Restated)
Raw materials	**322,234**	346,434
Work in progress	**58,796**	54,503
Finished goods	**248,191**	393,132
	629,221	794,069

As at 31 December 2021, inventories with a carrying amount of RMB40,000,000 (2020: RMB40,000,000) were pledged to secure bank loans granted to the Group as set out in note 15.

13. TRADE AND NOTES RECEIVABLES

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000* *(Restated)*
Trade receivables	**399,627**	232,854
Notes receivable	**114,017**	145,399
Impairment	**(912)**	(2,410)
	512,732	375,843

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. The expected credit losses for notes receivable are assessed to be minimal.

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 2021 *RMB'000*	31 December 2020 *RMB'000* *(Restated)*
Within 1 month	**274,160**	127,838
1 to 2 months	**60,851**	40,951
2 to 3 months	**35,114**	25,872
Over 3 months	**28,590**	35,783
	398,715	230,444

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

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
At beginning of year	**2,410**	2,367
Impairment losses, net *(note 7)*	**(1,423)**	59
Amount written off as uncollectible	**(75)**	(16)
	912	2,410

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by 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 2021

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	0.00%	0.25%	2.21%	11.72%	0.23%
Gross carrying amount (RMB'000)	367,774	11,771	15,458	4,624	399,627
Expected credit losses (RMB'000)	–	29	341	542	912

As at 31 December 2020 (restated)

		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)	195,050	4,552	15,149	18,103	232,854
Expected credit losses (RMB'000)	–	12	348	2,050	2,410

Notes receivable that are not derecognised in their entirety

As at 31 December 2021, the Group endorsed certain notes receivable accepted by banks in the PRC (the "**Endorsed Notes**") with a carrying amount of RMB33,674,000 (31 December 2020: RMB18,474,000) 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 RMB33,674,000 as at 31 December 2021 (31 December 2020: RMB18,474,000).

Notes receivable that are derecognised in their entirety

As at 31 December 2021, 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 RMB23,373,000 (31 December 2020: RMB69,290,000). 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 2021 (2020: 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.

14. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables as at 31 December 2021, based on the invoice due date, is as follows:

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Within 1 month	**26,092**	56,991
1 month to 3 months	**207,178**	141,872
Over 3 months	**60,650**	–
	293,920	198,863

The above balances are unsecured and non-interest-bearing with credit terms of 90 days. 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.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			**31 December 2020**		
	Effective interest rate (%)	**Maturity**	***RMB'000***	**Effective interest rate (%)**	**Maturity**	***RMB'000***
Current						
Secured bank loans	**0.47-4.6**	**2022**	**443,521**	2.50-4.78	2021	401,682
Unsecured bank loans	**1.67-5.00**	**2022**	**376,827**	1.57-5.00	2021	488,832
Other loans – unsecured	**3.85**	**2022**	**5,951**	3.73	2021	69,900
Lease liabilities *(note 11(b))*	**4.35**	**2022**	**2,079**	4.45	2021	1,985
			828,378			962,399
Non-current						
Other loans – unsecured	**4.91**	**2024**	**50,000**	4.91	2024	44,000
Lease liabilities *(note 11(b))*	**4.35**	**2023-2031**	**7,417**	4.45	2022-2031	9,204
			57,417			53,204
			885,795			1,015,603

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**820,348**	890,514

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Other borrowings repayable:		
Within one year	**8,030**	71,885
In the second year	**1,493**	1,680
In the third to fifth years, inclusive	**51,726**	46,675
Over five years	**4,198**	4,849
	65,447	125,089

Notes:

As at 31 December 2021, the current interest-bearing bank borrowings with a carrying amount of RMB443,521,000 (2020: RMB401,682,000) were secured by certain property, plant and equipment, leasehold land, pledged deposits, and inventories with carrying amounts of RMB322,481,000 (2020: RMB252,403,000), nil (2020: RMB56,029,000), nil (2020: RMB2,722,000) and RMB40,000,000 (2020: RMB40,000,000), respectively.

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

The fair values of the non-current interest-bearing other loans 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 other borrowings as at 31 December 2021 was assessed to be insignificant. Management has assessed that the carrying amount of the non-current interest-bearing other loans of the Group approximates to their fair value because the fixed interest rate is close to currently available rate.

The Group's borrowings are denominated in Renminbi, United States Dollars and Euros.

16. DERIVATIVE FINANCIAL INSTRUMENTS

		31 December 2021 RMB'000	31 December 2020 RMB'000
Liabilities:			
Foreign currency forward contracts – current	(i)	**1,275**	–

(i) The Group uses forward currency contracts to manage some of its foreign currency transaction exposures. These currency forward contracts are not designated as cash flows, fair value or net investment hedges and are entered into for periods consistent with foreign currency transaction exposures, generally from one to twelve months.

17. TREASURY SHARES

	31 December 2021			31 December 2020		
	Number of shares	**Amount** *HK$'000*	***RMB'000 equivalent***	Number of shares	Amount *HK$'000*	*RMB'000 equivalent*
At the beginning of year	**13,230,750**	**14,632**	**13,305**	18,390,000	21,006	18,493
Vested shares transferred	**–**	**–**	**–**	(5,159,250)	(6,374)	(5,188)
At the end of year	**13,230,750**	**14,632**	**13,305**	13,230,750	14,632	13,305

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 2021, no shares were vested and transferred to award holders.

18. BUSINESS COMBINATION UNDER COMMON CONTROL

On 1 November 2021, Heilongjiang Jinda Flax Hemp Co., Ltd.*（黑龍江金達麻業有限公司）(“**Heilongjiang Jinda**”), an indirect non-wholly owned subsidiary of the Group, entered into the equity transfer agreement with Heilongjiang Kangyuan Biological Technology Co., Ltd. (“**Kangyuan Bio-Tech**”), pursuant to which Heilongjiang Jinda agreed to acquire and Kangyuan Bio-Tech agreed to dispose of 80% equity interest in Heilongjiang Kangyuan Flax and Hemp Seed Co., Ltd.*（黑龍江康源種業有限公司）(“**Kangyuan Seed**”) (“**the Acquisition**”) at a consideration of RMB8,800,000.

The Acquisition was completed on 1 November 2021.

Since the Company and Kangyuan Seed are controlled by Mr. Ren Weiming, one director of the Company, before and after the business combination, and the control is not transitory, the Acquisition is dealt with as business combination under common control.

The operating results previously reported by the Group for the year ended 31 December 2020 have been restated to include the operating results of Kangyuan Seed as set out below:

	The Group	**Acquired business under common control**	**The Group**
	RMB'000	*RMB'000*	*RMB'000*
	(as previously reported)		*(as restated)*
Operating profit:			
Revenue	1,057,426	–	1,057,426
Loss before tax	(26,743)	(1,537)	(28,280)
Loss for the year	(11,141)	(1,537)	(12,678)
Total comprehensive loss for the year	(10,807)	(1,537)	(12,344)

The financial positions previously reported by the Group at 31 December 2020 and 1 January 2020 have been restated to include the assets and liabilities of Kangyuan Seed as set out below:

As 31 December 2020

	The Group	**Acquired business under common control**	**The Group**
	RMB'000	*RMB'000*	*RMB'000*
	(as previously reported)		*(as restated)*
Total non-current assets	1,178,764	9,830	1,188,594
Total current assets	1,455,258	2,796	1,458,054
Total current liabilities	1,333,713	226	1,333,939
NET CURRENT ASSETS	121,545	2,570	124,115
TOTAL ASSETS LESS CURRENT LIABILITIES	1,300,309	12,400	1,312,709
Total non-current liabilities	73,074	–	73,074
Total equity:			
Share capital	6,329	–	6,329
Treasury shares	(13,305)	–	(13,305)
Reserves	1,192,320	9,920	1,202,240
Non-controlling interests	41,891	2,480	44,371

As 1 January 2020

	The Group	**Acquired business under common control**	**The Group**
	RMB'000	*RMB'000*	*RMB'000*
	(as previously reported)		*(as restated)*
Total non-current assets	1,200,978	9,307	1,210,285
Total current assets	1,524,807	6,659	1,531,466
Total current liabilities	1,345,869	2,029	1,347,898
NET CURRENT ASSETS	178,938	4,630	183,568
TOTAL ASSETS LESS CURRENT LIABILITIES	1,379,916	13,937	1,393,853
Total non-current liabilities	99,021	–	99,021
Total equity:			
Share capital	6,329	–	6,329
Treasury shares	(18,493)	–	(18,493)
Reserves	1,249,974	11,150	1,261,124
Non-controlling interests	43,085	2,787	45,872

The cash flow previously reported by the Group for the year ended 31 December 2020 have been restated to include the operating results of Kangyuan Seed as set out below:

	The Group	**Acquired business under common control**	**The Group**
	RMB'000	*RMB'000*	*RMB'000*
	(as previously reported)		*(as restated)*
Net cash used in operating activities	(44,271)	(772)	(45,043)
Net cash used in financing activities	(33,941)	(1,348)	(35,289)
Net cash generated from investing activities	99,845	–	99,845
Net decrease in cash and cash equivalents	21,633	(2,120)	19,513

MANAGEMENT DISCUSSION AND ANALYSIS (NOTE)

BUSINESS REVIEW

Despite the coronavirus disease identified in late 2019 ("**COVID-19**") continued to affect many countries in terms of travel restrictions, economic activities of many countries have gradually rebounded from the trough of 2020.

China successfully contained the situation and reported an enviable GDP growth in the year ended 31 December 2021 (the "**Year**"), at a rate of 8.1%. The total export of textile yarns, fabrics and related products from China recorded a reduction of 5.6% in value in US dollars term 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 increased by 47.7% in 2021 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 from China in 2021 surged by approximately 52.3% year-on-year, and Kingdom exported 14,138 tonnes, accounting for 60.4% of the total export volume of pure linen yarn 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 may favour cotton or cotton/linen blended yarn at such times to enable 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.

Note: (Comparative figures have been restated for the Group's application of business combination under common control. Details of the restatement are set out in note 18 to this announcement.)

During the Year, the Group's pure linen yarn exports amounted to 14,138 tonnes (2020: 7,640 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 19 consecutive years.

Revenue of the Group for the Year surged by approximately 70.2% year-on-year to RMB1,799,690,000 (2020: RMB1,057,426,000). Gross profit increased by approximately 216.4% year-on-year to RMB339,528,000 (2020: RMB107,297,000) and overall gross margin increased to 18.9% in 2021 (2020: 10.1%). Profit for the Year was RMB90,500,000, as compared to a net loss of RMB12,678,000 for the year 2020. Basic earnings per share of the Company (the "**Share**") amounted to RMB0.14 during the Year as compared to basic loss per Share of RMB0.02 in 2020.

To reciprocate the shareholders of the Company (the "**Shareholders**") for their continuous support for the Group while reserving resources for further expansions, the Board has recommended the payment of a final dividend of HK$0.06 per Share for the Year (2020: Nil).

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 opportunities, keep abreast of the 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 of and tighten its co-operation with high-end customers in Europe. During the Year, revenue derived from overseas sales amounted to RMB1,126,553,000, representing approximately 62.6% of the Group's total revenue. In particular, revenue from European Union ("**EU**") countries amounted to approximately RMB563,110,000, representing approximately 31.3% of the Group's total revenue, while revenue from non-EU countries amounted to approximately RMB563,443,000, representing approximately 31.3% 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 80.5% of the Group's total export revenue during the Year (2020: 76.2%).

Domestic sales in China increased by approximately 41.3% during the Year to RMB673,137,000, representing approximately 37.4% 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 for 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 not only has launched a linen garment line, but has 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 Markets

	For the year ended 31 December 2021		**For the year ended 31 December 2020**		**Year-on-year change in revenue**	**Year-on-year change in revenue**
	RMB '000	*%*	*RMB '000*	*%*	*RMB '000*	*%*
China	**673,137**	**37.4%**	476,377	45.1%	196,760	41.3%
EU	**563,110**	**31.3%**	302,630	28.6%	260,480	86.1%
Non-EU	**563,443**	**31.3%**	278,419	26.3%	285,024	102.4%
Total Revenue	**1,799,690**	**100.0%**	1,057,426	100.0%	742,264	70.2%

Raw Material Procurement and Related Strategies

During the Year, market 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 reduce the price fluctuations of raw materials.

The Group also procures industrial hemp fibre for production of hemp yarn in its factory in Heilongjiang, China. Kingdom collaborates 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 transforming Heilongjiang into a national trading hub of hemp materials in China.

The Group is also collaborating with CottonConnect, a UK nonprofit 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 2021, 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, improving the Group's overall production efficiency. These systems not only have made the production processes more environment-friendly, but have 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 2022.

China

The Group's production base in Rugao City, Jiangsu Province, the PRC has an annual production capacity of 6,000 tonnes. Two other production bases are located in Haiyan County, Zhejiang Province, the PRC. 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 a fourth production facility in Heilongjiang Province in China with an annual capacity of 4,000 tonnes for flax and industrial hemp yarn. Currently, the designated annual linen and industrial hemp yarn production capacity of the Group amounts to 22,000 tonnes based on standardized 24Nm specification. During the Year, the utilization of the four production bases in China were high with them operating at near full capacity.

The Group owns a 75.34% 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 has further boosted 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 generate savings on land lease, labour, energy, tax and custom duty for exports of linen yarn manufactured in Ethiopia to a vast number of countries in the world. Despite there having been on and off ethno-political conflicts since October 2016 leading to the resignation of the former Prime Minister of Ethiopia in February 2018, the Government of Ethiopia has 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 factory in Ethiopia commenced production in the second half of 2021 and has been gradually ramping up the production to its designed capacity.

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	Commenced production in second half of 2021

Patents, Awards and Recognition

The Group has continued to invest in technology and innovation. As at 31 December 2021, the Group owned 56 registered patents and there were another 37 patents applications pending formal approval by relevant authorities.

FINANCIAL REVIEW

Revenue

For the Year, the Group's revenue grew by approximately 70.2% to approximately RMB1,799,690,000 (2020: RMB1,057,426,000). The surge of revenue was mainly attributable to the demand of linen yarn picked up and the improved selling price of pure linen yarn during the Year. During the Year, sales to China, EU and non-EU markets grew 41.3%, 86.1% and 102.4%, respectively.

Gross Profit and Gross Profit Margin

For the Year, the Group's gross profit reached RMB339,528,000, representing a year-on-year increase of approximately 216.4% (2020: RMB107,297,000). Gross profit margin for the Year improved by 8.8 percentage points to 18.9% (2020: 10.1%) as a result of improved selling prices of pure linen yarn during the Year.

Other Income and Gains

For the Year, the Group's other income and gains recorded a net gain of RMB7,136,000 (2020: RMB23,210,000), mainly comprising interest income of RMB234,000 (2020: RMB875,000), various government grants which amounted to RMB4,641,000 (2020: RMB16,598,000) and insurance compensation of RMB402,000 (2020: RMB132,000).

Selling and Distribution Expenses

For the Year, the Group's selling and distribution expenses amounted to approximately RMB82,324,000 (2020: RMB38,879,000), which accounted for approximately 4.6% (2020: 3.7%) of the Group's revenue. The increase in the selling and distribution expenses as a percentage of revenue for the Year was mainly due to the higher percentage of freight and custom clearance expenses incurred, as higher sea freight charge was 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. In addition, more commission was paid as commission related sales to total revenue increased from 39.7% in 2020 to 49.5% during the Year.

Administrative Expenses

For the Year, the Group's administrative expenses amounted to approximately RMB98,406,000 (2020: RMB77,601,000), representing an increase of approximately 26.8% as compared to the year ended 31 December 2020. The increase of administrative expenses was mainly due to the additional research and development expense of approximately RMB14.9 million and the additional staff costs of RMB5.7 million incurred during the Year.

Other Expenses

Other expenses of the Group for the Year mainly comprised the loss on derivative financial instrument of approximately RMB1,275,000 (2020: Nil), net exchange loss of approximately RMB162,000 due to the United States Dollars having depreciated against Chinese Yuan by approximately 2.3% while Euros having depreciated against Chinese Yuan by approximately 10% during the Year (2020: RMB14,700,000), and an asset disposal loss of RMB470,000 (2020: Nil).

Finance Costs

For the Year, finance costs amounted to approximately RMB39,044,000 (2020: RMB36,583,000), which comprised net finance cost of approximately RMB38,555,000 (2020: RMB36,113,000) and interest on lease liabilities of approximately RMB489,000 (2020: RMB470,000). Net finance costs represented the total interest expense on bank loans of approximately RMB42,678,000 (2020: RMB46,881,000) less amount capitalized attributable to capital assets. An interest expense of approximately RMB4,132,000 was capitalized during the Year (2020: RMB10,768,000).

Income Tax Expenses/(Credits)

Income tax expense for the Year was approximately RMB32,587,000 (2020: income tax credit of approximately RMB15,602,000). The tax credit in 2020 mainly represented the tax losses of the Group available for offsetting against future taxable profits. The effective tax rate of the Year was 26.5%.

Profit/(Loss) for the Year

As a result, the Group recorded a net profit for the Year of approximately RMB90,500,000, as compared to a net loss of approximately RMB12,678,000 for the year ended 31 December 2020.

Minority Interests

The minority interests amounted to RMB2,277,000 which mainly represented the share of the net profit of the 24.66% of equity interests of Heilongjiang Jinda Flax Hemp Co., Ltd.*（黑龍江金達麻業有限公司）(“**Heilongjiang Jinda**”), attributable to the minority shareholders during the Year (2020: share of loss of approximately RMB1,501,000).

Profit/(Loss) Attributable to Owners of the Parent

During the Year, the Group recorded a profit attributable to owners of the parent of approximately RMB88,223,000, as compared to a net loss attributable to owners of the parent of approximately RMB11,177,000 for the year ended 31 December 2020.

Other Intangible Assets

As at 31 December 2021, the Group's intangible assets were mainly patents and licences amounted to RMB2,000,000 (2020: RMB2,000,000) and certified emission rights obtained in 2012 for a term of 20 years, which amounted to RMB5,987,000 (2020: RMB6,158,000). Intangible assets are subject to amortisation based on their useful lives. For the Year, the amortisation of intangible assets was approximately RMB580,000 (2020: RMB545,000).

Inventories

As at 31 December 2021, inventories of the Group decreased by approximately 20.8% to RMB629,221,000 (2020: RMB794,069,000), the average inventory turnover days decreased from 305 days as at 31 December 2020 to 178 days as at 31 December 2021. The improvement in number of inventory turnover days was mainly attributable to robust sales revenue recorded during the Year.

Trade and Notes Receivables

As at 31 December 2021, trade and notes receivables of the Group increased by approximately 36.4% to RMB512,732,000 (2020: RMB375,843,000), the average trade receivable turnover days decreased from 125 days as at 31 December 2020 to 90 days as at 31 December 2021.

Trade and Notes Payables

As at 31 December 2021, trade and notes payables of the Group increased by approximately 47.8% to approximately RMB293,920,000 (2020: RMB198,863,000). The average trade payable turnover days decreased to 62 days during the Year (2020: 107 days).

Interest-bearing Bank and Other Borrowings

As at 31 December 2021, the Group's interest-bearing bank and other borrowings decreased by 12.8% to approximately RMB885,795,000 (2020: RMB1,015,603,000), of which RMB828,378,000 (2020: RMB962,399,000) were classified as current liabilities and RMB57,417,000 (2020: RMB53,204,000) were classified as non-current liabilities. The Group's borrowings are denominated in Renminbi, United States Dollars and Euros.

Liquidity and Financial Resources

As at 31 December 2021, the Group had net current assets of approximately RMB178,810,000 (2020: RMB124,115,000). The Group financed its operations with internally generated resources and bank loans during the Year. As at 31 December 2021, the Group had total cash and deposits of approximately RMB293,943,000 (2020: RMB199,771,000) which consisted of cash and cash equivalents of approximately RMB249,213,000 (2020: RMB166,882,000) and pledged deposits of approximately RMB44,730,000 (2020: RMB32,889,000). The Group's cash and cash equivalents were denominated in Renminbi, United States Dollars, Hong Kong Dollars, Euros and Ethiopian Birrs.

The liquidity ratio of the Group as at 31 December 2021 was approximately 113.3% (2020: 109.3%). Total equity of the Group as at 31 December 2021 was approximately RMB1,350,616,000 (2020: RMB1,239,635,000).

As at 31 December 2021, the Group had interest-bearing bank and other borrowings repayable within 12 months therefrom of approximately RMB828,378,000 (2020: RMB962,399,000) and long-term interest-bearing other borrowings of approximately RMB57,417,000 (2020: RMB53,204,000). Together these interest-bearing bank and other borrowings represented a gross debt gearing (i.e. total borrowings divided by total equity) of approximately 65.6% (2020: 81.9%).

CAPITAL COMMITMENTS

As at 31 December 2021, 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 RMB259,247,000 (2020: RMB100,889,000).

MATERIAL ACQUISITION AND DISPOSAL

Acquisition of additional 2.61% equity interest in Heilongjiang Jinda by way of capital injection

On 21 October 2021, (i) Zhejiang Jinda Flax Co., Ltd*（浙江金達亞麻有限公司）（"**Zhejiang Jinda**"）, an indirect wholly-owned subsidiary of the Company, (ii) Heilongjiang Kailai Investment Co., Ltd.*（黑龍江省凱來投資有限公司）("**Heilongjiang Kailai**"), a company established in the PRC with limited liability, (iii) Ms. Shen Chunyan and (iv) Shenzhen Boyang Textile Industrial Co., Ltd.*（深圳市泊洋紡織實業有限公司）, all being shareholders of Heilongjiang Jinda, a company established in the PRC with limited liability and a then indirect 72.73%-owned subsidiary of the Company, passed a shareholders' resolution, pursuant to which it was resolved that Zhejiang Jinda and Heilongjiang Kailai would make additional cash contribution of RMB146,000,000 and RMB44,000,000, respectively, as new registered capital into Heilongjiang Jinda. Completion of the capital injection took place in October 2021, upon which, the Group's effective equity interest in Heilongjiang Jinda increased from 72.73% to 75.34%, representing an increase of 2.61%. Heilongjiang Jinda has remained as a subsidiary of the Company and its financial results will continue to be consolidated in the Group's accounts. Please refer to the announcement of the Company dated 21 October 2021 for details of this acquisition.

Saved as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the Year.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any contingent liabilities (2020: Nil).

CHARGE ON ASSETS

As at 31 December 2021, the current interest-bearing bank borrowings with a carrying amount of RMB443,521,000 (2020: RMB401,682,000) were secured by certain property, plant and equipment, prepaid land lease payments, pledged deposits, and inventories with carrying amounts of RMB322,481,000 (2020: RMB252,403,000), nil (2020: RMB56,029,000), nil (2020: RMB2,722,000) and RMB40,000,000 (2020: RMB40,000,000), respectively.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save for the various up-keeping and maintenance of existing factory projects, possible vertical expansion to weaving and to build a new warehouse in Heilongjiang, the Directors confirmed that as at the date of this announcement, there is 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 entered into certain foreign currency forward contracts by utilising its credit line during the Year and there were RMB1,275,000 derivative financial liabilities recorded in the current liabilities as at 31 December 2021 (2020: Nil).

REMUNERATION POLICY AND SHARE OPTION SCHEME

As at 31 December 2021, the Group had a total of 3,808 employees (2020: 2,890 employees). Total staff costs incurred for the Year increased by approximately 29.5% to RMB238,536,000 (2020: RMB184,224,000). The increase in staff costs stemmed from additional headcounts to cope with the expanded operation and the commencement of the factory operation in Ethiopia during the Year.

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 based on the recommendation of the remuneration committee of the Company (the "**Remuneration Committee**") and 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 Group will leverage on the success of the production of its factory in Ethiopia to expand its coverage to different customers and markets.

The trend of environment-friendliness and the use of natural fibers have been set. Many fashion brands have 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 has been collaborating 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.

The Group will also leverage on its strength and explore the possibilities of tapping into the linen fabric production in the near future. We will also expand and promote the use of hemp yarn, to extend our product offerings.

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.

IMPORTANT EVENTS AFFECTING THE COMPANY THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR

There was no important event affecting the Company that have occurred since the end of the Year and up to the date of this announcement.

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

The Company and 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the Year.

DIVIDEND

The Board proposed a payment of final dividend of HK$0.06 per Share for the Year (2020: Nil).

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, the register of members of the Company will be closed from Friday, 20 May 2022 to Friday, 27 May 2022, 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, 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, 19 May 2022.

In order to determine who are entitled to the proposed final dividend (subject to approval by the Shareholders at the forthcoming annual general meeting), the register of members of the Company will be closed from Wednesday, 22 June 2022 to Friday, 24 June 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to determine who are entitled to the proposed final dividend (subject to approval by the Shareholders at the annual general meeting), 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 above address for registration not later than 4:30 p.m. on Tuesday, 21 June 2022. The proposed final dividend, subject to Shareholders' approval at the forthcoming annual general meeting, will be paid to Shareholders on or before Friday, 15 July 2022 whose names appear on the register of members of the Company at the close of business on Friday, 24 June 2022.

PUBLICATION OF ANNUAL REPORT

This 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 2021 containing all the information required by the Listing Rules will be despatched to the 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 of the Corporate Governance Code *(Note)* (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

In the opinion of the Directors, save for the deviation from 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.

Note: A new CG Code came into effect on 1 January 2022. As the period under review in this announcement is for the year ended 31 December 2021, the CG Code described in this announcement is the CG Code in effect during the year ended 31 December 2021.

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 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 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Company to establish policies, review and recommend to the Board 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 2021, 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 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 announcement.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting will be held on Friday, 27 May 2022 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, 18 March 2022

As at the date of this announcement, the executive Directors are Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong; the non-executive Director is Mr. Ngan Kam Wai Albert; and the independent non-executive Directors are Mr. Lau Ying Kit, Mr. Lo Kwong Shun Wilson and Mr. Yan Jianmiao.

* *For identification purpose only*