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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

- Revenue increased by approximately 26.5% to approximately RMB957,058,000 for the six months ended 30 June 2022 from approximately RMB756,724,000 for the six months ended 30 June 2021.

- Gross profit margin improved by approximately 8.7 percentage points to approximately 22.4% for the six months ended 30 June 2022 from approximately 13.7% for the six months ended 30 June 2021 as a result of higher average selling price of linen yarn, in particular, organic and REEL linen yarn and the appreciation of the United States Dollars against Renminbi during the Review Period.

- Profit for the Review Period surged by 5.9 times to approximately RMB84,439,000 for the six months ended 30 June 2022 from approximately RMB12,289,000 for the six months ended 30 June 2021.

- Profit attributable to the owners of the parent surged by approximately 4.8 times to approximately RMB82,494,000 for the six months ended 30 June 2022 from approximately RMB14,280,000 for the six months ended 30 June 2021.

- Basic earnings per share increased by 5.5 times to approximately RMB0.13 for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB0.02).

The board of directors (the "**Board**") of Kingdom Holdings Limited (the "**Company**") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022 (the "**Review Period**") together with the comparative figures for the corresponding period in 2021:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 (unaudited)

		For the six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
REVENUE FROM CONTRACTS WITH CUSTOMERS	*4*	**957,058**	756,724
Cost of sales		**(742,929)**	(652,824)
Gross profit		**214,129**	103,900
Other income and gains	*4*	**37,842**	3,696
Selling and distribution expenses		**(51,257)**	(32,281)
Administrative expenses		**(60,087)**	(37,354)
Other expenses		**(5,998)**	(546)
Finance costs	*5*	**(17,624)**	(19,428)
PROFIT BEFORE TAX	*6*	**117,005**	17,987
Income tax expense	*7*	**(32,566)**	(5,698)
PROFIT FOR THE PERIOD		**84,439**	12,289
Attributable to:			
Owners of the parent		**82,494**	14,280
Non-controlling interests		**1,945**	(1,991)
		84,439	12,289
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB0.13**	RMB0.02
Diluted	*9*	**RMB0.13**	RMB0.02

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022 (unaudited)

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**84,439**	12,289
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,527)**	(493)
TOTAL COMPREHENSIVE INCOME, FOR THE PERIOD	**82,912**	11,796
Attributable to:		
Owners of the parent	**80,967**	13,787
Non-controlling interests	**1,945**	(1,991)
	82,912	11,796

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 (unaudited)

	Notes	**30 June 2022** ***RMB'000*** **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,116,429**	1,150,775
Investment property		**4,832**	5,132
Right-of-use assets		**85,088**	87,362
Other intangible assets		**6,513**	5,987
Prepayments for equipment		**3,424**	1,456
Deferred tax assets		**2,886**	7,233
Other non-current assets		**3,407**	3,407
Total non-current assets		**1,222,579**	1,261,352
CURRENT ASSETS			
Inventories		**703,153**	629,221
Trade and notes receivables	*10*	**487,248**	512,732
Prepayments, deposits and other receivables		**105,075**	92,219
Pledged deposits		**182,798**	44,730
Cash and cash equivalents		**345,072**	249,213
Total current assets		**1,823,346**	1,528,115
CURRENT LIABILITIES			
Trade and notes payables	*11*	**455,580**	293,920
Other payables and accruals		**209,203**	210,602
Interest-bearing bank and other borrowings		**819,243**	828,378
Derivative financial instruments		**6,150**	1,275
Dividend payable		**32,501**	182
Tax payable		**26,262**	14,948
Total current liabilities		**1,548,939**	1,349,305
NET CURRENT ASSETS		**274,407**	178,810
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,496,986**	1,440,162

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2022 (unaudited)

	Notes	**30 June 2022** ***RMB'000*** **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,496,986**	1,440,162
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**37,815**	32,129
Interest-bearing bank and other borrowings		**56,532**	57,417
Total non-current liabilities		**94,347**	89,546
Net assets		**1,402,639**	1,350,616
EQUITY			
Equity attributable to owners of the parent			
Share capital		**6,329**	6,329
Treasury shares		**(13,305)**	(13,305)
Reserves		**1,322,780**	1,272,702
		1,315,804	1,265,726
Non-controlling interests		**86,835**	84,890
Total equity		**1,402,639**	1,350,616

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (unaudited)

1. CORPORATE AND GROUP INFORMATION

Kingdom Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 21 July 2006. The Company's shares (the "**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 yarns.

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 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has adopted the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group was not affected by these amendments on the date of transition.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT

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

Geographical information

(a) Revenue from contracts with customers

An analysis of the Group's geographical information on revenue attributed to the regions on the basis of the customers' locations for the six months ended 30 June 2022 is set out in the following table:

	Revenue from contracts with customers For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**312,827**	303,921
European Union	**339,165**	224,482
Non-European Union	**305,066**	228,321
Total	**957,058**	756,724

(b) ***Non-current assets***

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Mainland China	**839,437**	861,900
Ethiopia	**380,256**	392,219
	1,219,693	1,254,119

The non-current asset information of continuing operations 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 six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

4. REVENUE FROM CONTRACTS WITH CUSTOMERS, 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.

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods or services		
Sales of linen yarn, hemp yarn and scraps	**957,058**	756,724
Timing of revenue recognition		
Goods transferred at a point in time	**957,058**	756,724

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Foreign exchange gains, net	**28,238**	1,295
Government grants	**8,117**	1,001
Bank interest income	**529**	180
Fair value gains on derivative financial instruments	**–**	431
Others	**958**	789
	37,842	3,696

5. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**20,751**	21,900
Interest on lease liabilities	**363**	234
Total interest expense on financial liabilities not at fair value through profit or loss	**21,114**	22,134
Less: interest capitalised	**(3,490)**	(2,706)
	17,624	19,428

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**742,929**	652,824
Depreciation	**51,420**	38,308
Depreciation of right-of-use asset	**2,346**	2,341
Amortisation of intangible assets	**362**	272
Research and development ("**R&D**") expenses	**15,699**	7,099
Auditors' remuneration	**1,025**	1,025
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**91,649**	62,966
Pension scheme contributions	**5,769**	3,479
	97,418	66,445
Foreign exchange gains, net	**(28,238)**	(1,295)
Fair value loss/(gains) on derivative financial instruments – transactions not qualifying as hedges	**4,875**	(431)
Write-down of inventories to net realisable value	**2,884**	716
Provision for impairment of trade and notes receivables	**3,841**	1,783
Finance costs	**17,624**	19,428
Bank interest income	**(529)**	(180)

7. INCOME TAX

Major components of the Group's income tax expense for the period are as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current charge for the period	**22,533**	1,414
Deferred	**10,033**	4,284
Total tax charge for the period	**32,566**	5,698

(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 Group for the year, except for Zhejiang Jinda Flax Co., Ltd. ("**Zhejiang Jinda**"), an indirect 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. The 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.

8. DIVIDEND

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 616,447,000 (six months ended 30 June 2021: 616,447,000) in issue during the reporting period.

The calculation of the diluted earnings per share amount is based on the profit for the reporting period 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 reporting period, as used in the basic earnings 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 per share are based on:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**82,494**	14,280

	Number of shares	
	2022	2021
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**616,447**	616,447
Effect of dilution – weighted average number of ordinary shares:		
Share award plan*	**–**	–
	616,447	616,447

* 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 per share calculation.

10. TRADE AND NOTES RECEIVABLES

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**389,653**	399,627
Notes receivable	**102,348**	114,017
Impairment	**(4,753)**	(912)
	487,248	512,732

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 receivables were all aged within six months and were neither past due nor impaired.

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**123,528**	274,160
1 to 2 months	**33,270**	60,851
2 to 3 months	**135,097**	35,114
Over 3 months	**93,005**	28,590
	384,900	398,715

11. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at 30 June 2022, based on the invoice date, is as follows:

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Due within 1 month or on demand	**101,046**	26,092
Due after 1 month but within 3 months	**272,094**	207,178
Over 3 months	**82,440**	60,650
	455,580	293,920

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Navigating the COVID-19 pandemic has become the new norm for many businesses. Some countries have partially or fully relaxed travel restrictions and businesses have started to operate as in the pre-COVID-19 era. China has adopted a different approach and remained vigilant on mandating quarantine for any positive cases, and implemented partial lockdown measures to curb the spreading of the virus to ensure the health and safety of the general public.

During the Review Period, revenue of the Group surged by approximately 26.5% on a year-on-year basis from RMB756,724,000 to RMB957,058,000. There were 10,572 tonnes of linen yarn sold during the Review Period, which was 7% fewer than the 11,370 tonnes of linen yarn sold during the six months ended 30 June 2021. The increase in revenue was mainly attributable to the higher average selling price of linen yarn, in particular, organic and REEL linen yarn, that benefited from the market recovery, additional production capacity from the Group's factory in Ethiopia, as well as the appreciation of the United States Dollars against Renminbi during the Review Period.

Major Markets and Customers

By implementing an international sales strategy, the Group has a sales network covering approximately 20 countries and regions around the world. During the Review Period, the Group's domestic sales of RMB312,827,000, which contributed to approximately 32.7% of the Group's total revenue, recorded an increase of approximately 2.9% as compared with the corresponding period last year, while the Group's overseas sales of RMB644,231,000, which contributed to approximately 67.3% of the Group's total revenue, recorded an increase of approximately 42.3% on a year-on-year basis. In particular, total sales to European Union countries and non-European Union countries reported an increase of 51.1% and 33.6% on a year-on-year basis respectively, as a result of the business activities resumption from COVID-19 pandemic during the Review Period. Key European Union countries that the Group sold its products to include Italy, Portugal, Belgium and Lithuania. Meanwhile, the Group continues to develop the domestic market with an objective to secure more cooperation with target customers in China.

Raw Material Procurement

The Group mainly sources its fibre flax, the major raw material of linen yarn, from well-established suppliers such as those in France, Belgium and the Netherlands. Being one of the largest buyers in these regions, the Group has developed long term business relationships with its suppliers. During the Review Period, the Group procured approximately 22,426 tonnes (six months ended 30 June 2021: 13,955 tonnes) of raw materials abroad, representing a year-on-year increase of approximately 60.7%. The average procurement unit price was approximately RMB27,177 per tonne, representing an increase of approximately 27.6% from approximately RMB21,291 for the corresponding period last year. The Group is optimistic about the future of the linen textile industry. It is the corporate procurement strategy of the Group to maintain its production scale and to secure a steady volume of production going forward. The Group will continue to closely monitor the international market development and plan its procurement cautiously at the same time.

Production Capacity

As at 30 June 2022, the Group had five productions bases as follows:

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 2021, capacity ramped up during the Review Period

The Group is equipped with advanced equipment for its unique spinning technique, namely wet spinning and long and short spinning, and can manufacture products with multiple specifications from 3nm to 75nm, thereby broadening its customers' choices and achieving higher satisfaction from them at the same time.

A total of 11,189 tonnes of linen and hemp yarn under various specifications were produced during the Review Period. The Group owns 75.34% of the equity interest in the Heilongjiang venture, namely Heilongjiang Kingdom Enterprise Co., Ltd.*（黑龍江金達麻業有限公司）(“**Heilongjiang Kingdom**”), and this is the Group’s maiden attempt to explore the hemp yarn market. The Group believes that the hemp yarn market will grow rapidly in the next few years due to the national policy in China to promote the planting of hemp in the Heilongjiang region and the use of the hemp textile products. There were 371 tonnes of hemp yarn produced during the Review Period.

Apart from China, the Group has also committed to investing in Ethiopia. The investment is expected to help the Group outperform its competitors not only by helping the Group save land cost, labour cost, energy cost and tax expenses, but also by allowing the Group to benefit from the Everything but Arms (EBA) initiative of the European Union for least developed countries (LDCs), which grants duty-free and quota-free access to all products made in LDCs into European Union countries, except for arms and ammunitions.

In order to ensure the well-being of the Group’s employees in the Adama factory in Ethiopia, the factory operation in Ethiopia was halted in 2020 but has since re-commenced the recruitment of workers and started trial production in the second quarter of the year 2021.

FINANCIAL REVIEW

Revenue

For the Review Period, the Group’s revenue surged by approximately 26.5% to approximately RMB957,058,000 (six months ended 30 June 2021: RMB756,724,000). The increase in revenue was mainly attributable to the recovery in demand of linen yarn due to business activities resumption from the COVID-19 pandemic, higher average selling price of linen yarn, additional production capacity from Ethiopia and appreciation of United States Dollars against Renminbi during the Review Period. Sales to all regions had a year-on-year growth, in particular, sales to each of the domestic, European Union and non–European Union regions increased by approximately 2.9%, 51.1% and 33.6%, respectively, during the Review Period.

* *For identification only*

The breakdown of revenue by sales regions is as follows:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021		Year-on-year change in revenue	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
China	**312,827**	**32.7%**	303,921	40.2%	8,906	2.9%
European Union	**339,165**	**35.4%**	224,482	29.7%	114,683	51.1%
Non-European Union	**305,066**	**31.9%**	228,321	30.1%	76,745	33.6%
Total Revenue	**957,058**	**100.0%**	756,724	100.0%	200,334	26.5%

Gross Profit and Gross Profit Margin

The Group's gross profit for the Review Period increased by approximately 106.1% to approximately RMB214,129,000 (six months ended 30 June 2021: approximately RMB103,900,000). Gross profit margin for the Review Period improved by approximately 8.7 percentage points to approximately 22.4% (six months ended 30 June 2021: approximately 13.7%) mainly due to higher average selling price of linen yarn, in particular, organic and REEL linen yarn and the appreciation of the United States Dollars against Renminbi during the Review Period.

Other Income and Gains

Other income and gains for the Review Period mainly comprises government grants and subsidies of approximately RMB8,117,000 (six months ended 30 June 2021: approximately RMB1,001,000), interest income of approximately RMB529,000 (six months ended 30 June 2021: approximately RMB180,000) and a net exchange gain of RMB28,238,000 (six months ended 30 June 2021: RMB1,295,000). The net exchange gain was mainly contributable the appreciation of United States Dollars against Renminbi during the Review Period, as all overseas invoices were billed in United States Dollars. There were more government grants and subsidies provided by the Chinese government during the Review Period, targeted to alleviate the negative financial impacts to corporations during the lockdown to curb the spread of the COVID-19 in China.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Review Period amounted to approximately RMB51,257,000 (six months ended 30 June 2021: approximately RMB32,281,000), which accounted for approximately 5.4% (six months ended 30 June 2021: approximately 4.3%) of the Group's total revenue. The increase in selling costs as a percentage of revenue was mainly due to the significant increase in sea freight costs, as well as additional commission paid to overseas sales agents during the Review Period.

Administrative Expenses

The Group's administrative expenses for the Review Period amounted to approximately RMB60,087,000 (six months ended 30 June 2021: approximately RMB37,354,000), representing an increase of approximately 60.9% as compared with the corresponding period last year. The increase in the Group's administrative expenses was mainly due to additional staff costs of RMB6.0 million arising from the increase in headcount and bonuses, additional research and development expenses of RMB8.6 million, additional consulting fee of RMB2.6 million and additional provision of bad debts of RMB2.2 million during the Review Period.

Other expenses

The Group's other expenses for the Review Period amounted to approximately RMB5,998,000 (six months ended 30 June 2021: approximately RMB546,000), which mainly represented the fair value loss on derivative instruments of RMB4,875,000 (six months ended 30 June 2021: Nil) and assets disposal loss of RMB621,000 (six months ended 30 June 2021: approximately RMB15,000) during the Review Period.

Finance Costs

Finance costs include net borrowing interest expense and interest on lease liabilities.

Net borrowing interests for the Review Period amounted to approximately RMB17,261,000 (six months ended 30 June 2021: approximately RMB19,194,000). Net borrowing interests represent the total interest expense on bank loans less amount capitalized attributable to capital assets.

An interest expense of approximately RMB3,490,000 was capitalized during the Review Period (six months ended 30 June 2021: approximately RMB2,706,000).

Interest on lease liabilities for the Review Period amounted to approximately RMB363,000 (six months ended 30 June 2021: RMB234,000).

Total finance costs for the Review Period amounted to approximately RMB17,624,000 (six months ended 30 June 2021: approximately RMB19,428,000).

Income Tax Expense

Income tax expense for the Review Period amounted to approximately RMB32,566,000 (six months ended 30 June 2021: RMB5,698,000). The effective tax rate for the Review Period and the corresponding period last year was approximately 27.8% and 31.7% respectively. The high effective tax rate in previous year was due to tax losses resulting from deferred tax assets of certain subsidiaries not being recognised.

Profit for the period

The Group recorded a profit for the Review Period of approximately RMB84,439,000 (six months ended 30 June 2021: RMB12,289,000), representing a surge of approximately 5.9 times as compared with the corresponding period last year.

Minority interests

The minority interests of approximately RMB1,945,000 represented the share of the net profit of certain subsidiaries of the Group attributable to the minority shareholders during the Review Period (six months ended 30 June 2021: share of net loss of approximately RMB1,991,000).

Profit Attributable to Owners of the Parent

As a result of the aforesaid, the Group recorded a profit attributable to owners of the parent for the Review Period of approximately RMB82,494,000 (six months ended 30 June 2021: RMB14,280,000), representing a surge of approximately 4.8 times as compared with the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2022, the Group had net current assets of approximately RMB274,407,000 (as at 31 December 2021: approximately RMB178,810,000). The Group financed its operations with internally generated resources and bank loans during the Review Period.

As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB345,072,000 (as at 31 December 2021: approximately RMB249,213,000). The liquidity ratio of the Group as at 30 June 2022 was approximately 117.7% (as at 31 December 2021: approximately 113.3%).

Total equity of the Group as at 30 June 2022 was approximately RMB1,402,639,000 (as at 31 December 2021: approximately RMB1,350,616,000). As at 30 June 2022, the Group had interest bearing bank and other borrowings repayable within 12 months from the date of the statement of financial position of approximately RMB819,243,000 (as at 31 December 2021: approximately RMB828,378,000) and long-term interest bearing bank and other borrowings of approximately RMB56,532,000 (as at 31 December 2021: approximately RMB57,417,000). Together they represented a gross debt gearing ratio (i.e. total borrowings divided by total equity) amounted to approximately 62.4% (as at 31 December 2021: approximately 65.6%).

The Board believes that the Group's existing financial resources are relatively sufficient. In the event that additional financing is required, the Group may consider all possible financing options, including capital raising in the capital market as and when appropriate, with an objective to maintain the Group's gearing ratio at a healthy level.

The Group's cash and cash equivalents are mainly denominated in Renminbi, United States Dollars, Euros, Hong Kong Dollars and Ethiopian Birrs. Borrowings are mainly denominated in Renminbi and Euros.

CAPITAL COMMITMENTS

As at 30 June 2022, outstanding contractual capital commitments of the Group in respect of the purchase of property, plant and equipment not provided for in the interim condensed consolidated financial statements amounted to approximately RMB224,387,000 (as at 31 December 2021: approximately RMB259,247,000). As at 30 June 2022, there was no capital commitment authorised but not contracted for (as at 31 December 2021: Nil).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2022, the current interest-bearing bank loans with a carrying amount of RMB474,000,000 (31 December 2021: RMB443,521,000) were secured by certain property, plant and equipment with carrying amounts of approximately RMB302,669,000 (31 December 2021: RMB322,481,000), and by inventories with carrying amounts of approximately RMB40,000,000 (31 December 2021: RMB40,000,000), respectively.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the Review Period.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investment held during the Review Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the ongoing investment in the Group's Ethiopia factory project, various up-keeping and maintenance of existing factory projects and expansion plan to build a new warehouse in Heilongjiang, the Directors confirmed that as at the date of this announcement, there is no future plan for any material investments or capital assets.

FOREIGN CURRENCY EXPOSURE

The Group's transactions are mainly denominated in Renminbi, United States Dollars, Euros, Hong Kong Dollars and Ethiopian Birrs. The exchange rate fluctuations of such currencies are monitored regularly and managed appropriately. Currently, the Company has also entered into certain foreign currency forward contracts and derivative financial instruments by utilising its credit line. There were derivative financial instruments liabilities of RMB6,150,000 as at 30 June 2022 (as at 31 December 2021: RMB1,275,000).

REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 4,342 employees (30 June 2021: 3,254 employees). Total staff costs incurred for the Review Period amounted to approximately RMB97,418,000 (six months ended 30 June 2021: RMB66,445,000).

The Group offers comprehensive and competitive remuneration, retirement scheme and benefit packages to its employees. The Group is required to make contributions to a social security scheme in China. Moreover, each of the Group and its employees in China is required to make contributions to fund pension insurance and unemployment insurance at rates specified in the relevant laws and regulations 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 is determined by the Board and the remuneration committee of the Company with the mandate given by the shareholders of the Company (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. The Board will constantly review and determine at its absolute discretion such number of awarded Shares to be awarded to the selected persons under the share award plan with such vesting conditions as the Board may deem appropriate.

CHANGE IN CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the Shareholders at the annual general meeting of the Company held on 27 May 2022, the Memorandum of Association of the Company (the "**Memorandum**") and the Articles of Association of the Company (the "**Articles**") were amended and restated with effect from 27 May 2022. For details of the amendments to the Memorandum and Articles and the adoption of the amended and restated Memorandum and Articles, please refer to the circular of the Company dated 21 April 2022 and the poll results announcement of the Company dated 27 May 2022.

An updated copy of the Memorandum and Articles is available on the websites of the Company and the Stock Exchange.

MISCELLANEOUS

The Board is of the opinion that there have been no material changes to the information published in the Company's annual report for the year ended 31 December 2021, other than those disclosed in this announcement.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Group is principally engaged in the manufacturing of linen yarn and the sale of the products to over 20 countries. Overseas sales are invoiced in United States Dollars. Domestic sales in China are invoiced in Renminbi. Raw materials (fiber flax) are imported from Europe. The principal risks and uncertainties facing the Group include the demand for linen yarn, protectionism of certain countries and possible punitive tariffs imposed on products made in China, stable supplies of raw materials, depreciation of United States Dollars against Renminbi, the implementation risks of the new expansion project in Ethiopia, and outbreak of epidemic causing disruption of production.

OUTLOOK AND PLANS

Business operation is getting back to normal after 2 whole years of COVID-19 pandemic. However, the trade tension between the United States and China is expected to continue in the foreseeable future.

The Group's factory in Ethiopia has been in operation since 2021 and would contribute extra production capacity to the Group.

The Group has partnered with COTTONCONNECT from the United Kingdom for the development of REEL Linen Code of Conduct in last year. REEL stands for "Responsible Environment, Enhanced Livelihoods". REEL Linen Code of Conduct is a social responsibility initiative committed to the improvement and promotion of environmental safety, quality responsibility and traceability of the global flax industry from farm to yarn, and to promote the sustainable development of the whole industry chain from planting to end user. The Company will continue to promote the REEL Linen Code of Conduct for the sustainability of the linen industry.

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

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

CORPORATE STRATEGY AND LONG TERM BUSINESS MODEL

The primary objective of the Group is to enhance long-term total return for Shareholders. The strategy of the Group is to deliver sustainable returns with solid financial fundamentals. To achieve this objective, the Company strives to be one of the largest linen yarn manufacturers in the world through implementation of strategic global production layout, its commitment to sustainable development and technical innovation, developing proprietary intellectual property rights, branding of products and pursuing advanced management for lean management and excellent performance to generate or preserve value over a longer term. The management discussion and analysis contains discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objective of the Group.

INTERIM DIVIDEND

The Board has resolved not to recommend any interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Scheme**") on 30 May 2016, for the purpose of providing rewards and incentives to any Director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group who have contributed to the success of the Group's operations. No option has been granted under the Scheme since its adoption on 30 May 2016.

SHARE AWARD PLAN

The Company has adopted a share award plan (the "**Share Award Plan**") on 26 August 2016. The purpose of the Share Award Plan is to incentivise, recognize and reward eligible persons for their contribution to the Group, attract and retain personnel, and align the interests of award holders with that of the Shareholders to promote the long-term development and financial performance of the Company.

The Board may, from time to time and at its sole discretion, select any eligible person to participate in the Share Award Plan and determine the number of Shares to be awarded and the terms and conditions of the awards. Awards shall be satisfied by Shares acquired in the market at the prevailing market price and no new Shares will be allotted and issued under the Share Award Plan. The trustee of the Share Award Plan (the "**Trustee**") shall hold the awarded Shares on trust for the award holders until the awarded Shares are vested in the relevant award holders according to the Share Award Plan rules. 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 had purchased an aggregate of 19,400,000 Shares on the market in 2017 to hold on trust for the selected persons pursuant to the terms and conditions of the rules of the Share Award Plan and the trust deed. No Share was purchased by the Trustee during the Review Period.

On 25 May 2018, 19,400,000 Shares have been awarded to selected persons of which 19,370,000 Shares have been accepted pursuant to the Share Award Plan.

On 25 May 2019, 1,010,000 of the awarded Shares have been vested and transferred from the Trustee to the names of 29 awardees.

On 29 April 2020, 5,159,250 of the awarded Shares have been vested and transferred from the Trustee to the names of 51 awardees.

No awarded Shares were vested during the Review Period as the vesting condition on performance target for the year 2021 was not satisfied. As at 30 June 2022, 1,605,000 Shares currently held by the Trustee remain available for granting to employees in the future under the Share Award Scheme.

EVENTS AFTER THE REVIEW PERIOD

The Group has no material events after the Review Period that is required to be disclosed subsequent to 30 June 2022 and up to the date of this announcement.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions for the Review Period and up to the publication date of this announcement.

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 Shareholders. The Directors believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. In the opinion of the Directors, save for the deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules as disclosed below, the Company has complied with the code provisions set out in Part 2 of the Code throughout the Review Period.

Code Provision C.2.1

Under code provision C.2.1 of Part 2 of the Code, the roles of the chairman and chief executive officer of the Company should be separated 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 Group. 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.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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 Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system 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. Yan Jianmiao and Mr. Lo Kwong Shun Wilson. Mr. Lau Ying Kit, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee. The interim results of the Group for the Review Period have been reviewed with no disagreement by the Audit Committee.

APPRECIATION

The chairman of the Company would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each and every one 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

19 August 2022
Hong Kong

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.