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 2022

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by approximately 12.3% to approximately RMB2,021,055,000 for the year ended 31 December 2022 from approximately RMB1,799,690,000 for the year ended 31 December 2021 due to improved selling price of linen yarn.

- Gross profit margin for the year ended 31 December 2022 improved by 2.9 percentage points to approximately 19.1% during the year (2021: 16.2%).

- Profit for the year ended 31 December 2022 surged by 89.8% to RMB171,808,000 as compared to approximately RMB90,500,000 for the year ended 31 December 2021.

- Profit attributable to owners of the parent surged by 99.1% to approximately RMB175,696,000 for the year ended 31 December 2022, compared to approximately RMB88,223,000 for the year ended 31 December 2021.

- Basic earnings per share for the year ended 31 December 2022 surged by 107.1% at approximately RMB0.29 (2021: approximately RMB0.14).

- The Board proposed a payment of final dividend of HK$0.09 per ordinary share for the year ended 31 December 2022 (2021: HK$0.06).

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 2022 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	*5*	**2,021,055**	1,799,690
Cost of sales		**(1,634,155)**	(1,508,105)
Gross profit		**386,900**	291,585
Other income and gains	*5*	**54,431**	7,136
Selling and distribution expenses		**(41,532)**	(34,381)
Administrative expenses		**(118,427)**	(98,406)
Other expenses		**(13,192)**	(3,803)
Finance costs	*6*	**(33,852)**	(39,044)
Gain on disposal of a subsidiary		**500**	–
PROFIT BEFORE TAX	*7*	**234,828**	123,087
Income tax expense	*8*	**(63,020)**	(32,587)
PROFIT FOR THE YEAR		**171,808**	90,500
Attributable to:			
Owners of the parent		**175,696**	88,223
Non-controlling interests		**(3,888)**	2,277
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*10*	**RMB0.29**	RMB0.14
Diluted	*10*	**RMB0.29**	RMB0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**171,808**	90,500
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,081)**	(9,722)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**168,727**	80,778
Attributable to:		
Owners of the parent	**172,615**	78,501
Non-controlling interests	**(3,888)**	2,277
	168,727	80,778

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,075,398**	1,150,775
Investment properties		**4,533**	5,132
Right-of-use assets	*11*	**68,815**	87,362
Other intangible assets		**6,173**	5,987
Prepayments for equipment		**1,082**	1,456
Deferred tax assets		**8,473**	7,233
Other non-current assets		**3,407**	3,407
Total non-current assets		**1,167,881**	1,261,352
CURRENT ASSETS			
Inventories	*12*	**685,180**	629,221
Trade and notes receivables	*13*	**426,267**	512,732
Prepayments, deposits and other receivables		**96,225**	92,219
Pledged deposits		**61,900**	44,730
Cash and cash equivalents		**467,469**	249,213
Total current assets		**1,737,041**	1,528,115
CURRENT LIABILITIES			
Trade and notes payables	*14*	**367,096**	293,920
Other payables and accruals		**228,094**	210,602
Interest-bearing bank and other borrowings	*15*	**696,344**	828,378
Derivative financial instruments		**–**	1,275
Dividends payable		**307**	182
Tax payable		**27,866**	14,948
Total current liabilities		**1,319,707**	1,349,305
NET CURRENT ASSETS		**417,334**	178,810
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,585,215**	1,440,162

	Notes	**2022** *RMB'000*	2021 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,585,215**	1,440,162
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**40,666**	32,129
Interest-bearing bank and other borrowings	*15*	**56,559**	57,417
Total non-current liabilities		**97,225**	89,546
Net assets		**1,487,990**	1,350,616
EQUITY			
Equity attributable to owners of the parent			
Share capital		**6,329**	6,329
Treasury shares	*16*	**(13,305)**	(13,305)
Reserves		**1,412,964**	1,272,702
		1,405,988	1,265,726
Non-controlling interests		**82,002**	84,890
Total equity		**1,487,990**	1,350,616

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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 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.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of company	Place and date of establishment and nature of legal entity	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Overseas Kingdom Limited	British Virgin Islands ("BVI") 26 July 2006	HK $0.01/ HK $500	100%	–	Investment holding
Kingdom Group Holdings Limited ("Hong Kong Kingdom")	Hong Kong, China 10 September 2004	HK $1,250,000	–	100%	Investment holding and trading
Zhejiang Jinyuan Flax Co., Ltd.	PRC 18 March 2003 W holly foreign owned enterprise	US$70,000,000	–	100%	Manufacture and sale of linen yarn
Jiangsu Jinyuan Flax Co., Lt d.	PRC 17 October 2003 Limited liability company	US$18,500,000	–	100%	Manufactur e and sale of linen yarn
Zhejiang Kingdom Linen Co., Ltd.	PRC 28 May 2012 L imited liability company	RMB100,000,000	–	100%	Manufacture and sale of linen yarn

Name of company	Place and date of establishment and nature of legal entity	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kingdom Europe S.R.L.	Italy 7 September 2007	EUR502,646	–	100%	Trading
Kingdom (Ethiopia) Linen PLC	Ethiopia 16 July 2014	ETB1,859,676,000	–	100%	Manufacture and sale of linen yarn
Heilongjiang Kingdom Enterprise Co., Ltd.	PRC 11 March 2016 Limited liability company	RMB300,000,000	–	75.33%	Manufacture and sale of linen yarn
Kingdom T Sun (Shanghai) Co., Ltd.	PRC 11 October 2019 Limited liability company	RMB15,000,000	–	80%	Trading
Zhejiang Kingdom REEL Textile Co., Ltd.	PRC 15 June 2020 Limited liability company	RMB20,000,000	–	100%	Trading
Heilongjiang Kingdom Hemp Co., Ltd.	PRC 12 June 2020 Limited liability company	RMB65,000,000	–	81.03%	Sale of industrial hemp
Heilongjiang Kangyuan Seeds Industry Co., Ltd.	PRC 8 August 2017 Limited liability company	RMB10,000,000	–	60.26%	R&D and sale of hemp seeds
Jiangxi Kingdom Fabric Co., Ltd.	PRC 15 December 2021 Limited liability company	RMB70,000,000	–	100%	Manufacture and sale of fabric

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Stand- ards ("**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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 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 the impact of the revised IFRSs that are applicable to the Group 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 (the "**Conceptual Framework**") issued in June 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 applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As the Group has no business combination that occurred in 2022, the amendments did not have any impact on the financial position and performance of the Group.

(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 as determined by IAS 2 *Inventories*, in profit or loss. Since there was no sale of items produced prior to the property, plant and equipment being available for use, 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 amendment that 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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Estimation uncertainty

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

(a) Impairment of non-current assets

The Group assesses whether there are any indicators of impairment for all non-current assets at the end of each reporting period. Non-current 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 2022 was 22%. The growth rate is estimated based on historical growth rate and future economic environment. The carrying amount of non-current assets under impairment testing is RMB1,150 million (2021: RMB1,244 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 RMB7,895,000 (2021: RMB16,697,000).

(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 2022 was RMB685,180,000 (2021: RMB629,221,000). Further details are contained in note 12 to the financial statements.

(d) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade 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 product) 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 yarn. 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 2022 is set out in the following table:

	Revenue from external customers	
	2022	2021
	RMB'000	*RMB'000*
Mainland China	**774,455**	673,137
European Union	**552,726**	563,110
Non-European Union countries	**693,874**	563,443
	2,021,055	1,799,690

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**790,849**	861,900
Ethiopia	**368,559**	392,219
	1,159,408	1,254,119

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 2022 (2021: 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:

	2022	2021
	RMB'000	*RMB'000*
Type of goods or services		
Sale of linen yarn, hemp yarn and scraps	**1,966,803**	1,751,747
Other services	**54,252**	47,943
	2,021,055	1,799,690
Timing of revenue recognition		
Goods transferred at a point in time	**1,966,803**	1,751,747
Services provided over time	**54,252**	47,943
	2,021,055	1,799,690

Revenue recognised that was included in contract liabilities at the beginning of the reporting period was RMB16,955,000 (2021: RMB19,752,000).

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.

	2022	2021
	RMB'000	*RMB'000*
Other income		
Foreign exchange differences, net	**37,087**	–
Government grants	**12,863**	4,641
Bank interest income	**2,173**	234
Others	**2,308**	2,261
	54,431	7,136

6. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**38,419**	42,687
Interest on lease liabilities	**386**	489
Total interest expense on financial liabilities not at fair value through profit or loss	**38,805**	43,176
Less: Interest capitalised	**(4,953)**	(4,132)
	33,852	39,044

7. PROFIT BEFORE TAX

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

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Cost of inventories sold		**1,634,155**	1,460,162
Depreciation of property, plant and equipment and investment properties		**104,772**	88,934
Depreciation of right-of-use assets	*11(a)*	**4,226**	4,460
Amortisation of other intangible assets		**703**	580
Research and development ("**R&D**") expenses		**33,856**	31,723
Lease payment not included in the measurement of lease liabilities	*11(c)*	**604**	604
Auditors' remuneration		**2,200**	1,950
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other benefits		**225,404**	214,670
Pension scheme contributions*		**36,360**	23,866
		261,764	238,536
Foreign exchange differences, net		**(37,087)**	162
Fair value gain/(loss) on derivative instruments – transactions not qualifying as hedges		**1,275**	(1,275)
Loss on disposal of items of property, plant and equipment		**11,110**	470
Provision/(Reversal of provision) for impairment of inventories		**29,144**	(3,164)
Reversal of impairment of trade receivables	*13*	**(586)**	(1,423)
Bank interest income		**(2,173)**	(234)
Gain on disposal of a subsidiary		**(500)**	–

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

8. INCOME TAX

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

	2022	2021
	RMB'000	*RMB'000*
Current – Mainland China		
– Charge for the year	**47,485**	150
– Overprovision in respect of prior years	**(2,138)**	(901)
Current – Hong Kong		
– Charge for the year	**8,861**	3,094
– Under provision in respect of prior years	**459**	–
Current – Italy		
– Charge for the year	**1,056**	153
– Under-provision in respect of prior years	**–**	1,788
Deferred	**7,297**	28,303
Total tax charge for the year	**63,020**	32,587

(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 subsidiaries in Mainland China has been based on a statutory rate of 25% of the assessable profits of these companies for the year, except for Zhejiang Kingdom Linen Co., Ltd. ("**Zhejiang Kingdom**"), an indirectly wholly-owned subsidiary of the Group. Zhejiang Kingdom obtained the High-new Technology Certificate for the years from 2019 to 2022 and is 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 5 years since 2020.

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:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**234,828**	123,087
Tax at an applicable tax rate of 25%	**58,707**	30,772
Effect of different/beneficial tax rates	**(6,683)**	(1,101)
(Over-provision)/Under-provision in respect of prior years	**(1,679)**	887
Income not subject to tax	**(3,112)**	(1,036)
Tax losses not recognised	**3,931**	4,166
Expenses not deductible for tax	**1,723**	2,042
Tax credit arising from additional deduction of R&D expenditures of subsidiaries in Mainland China	**(4,408)**	(6,936)
Accrual of a withholding tax liability	**7,454**	3,793
Tax effect of deductible temporary differences not recognised	**7,087**	–
Total tax charge for the year	**63,020**	32,587

9. DIVIDEND

	2022	2021
	RMB'000	*RMB'000*
Proposed final – HK9.0 cents (2021: HK6.0 cents) per ordinary share	**50,623**	30,889

At the meeting of the board of directors of the Company held on 28 March 2023, the payment of a final dividend of HK9.0 cents per ordinary share totalling approximately RMB50,623,000 was recommended for the year ended 31 December 2022, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. 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 year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 616,447,000 (2021: 616,447,000) in issue during the year, as adjusted to reflect the treasury shares held during the year.

The calculation of the diluted earnings per share amount is based on the profit 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 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 amounts are based on:

	2022	2021
	RMB'000	*RMB'000*
Earnings attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**175,696**	88,223

	Number of shares	
	2022	2021
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year 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.*

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	Plant and buildings	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	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 and 1 January 2022	78,083	8,398	881	87,362
Additions	2,393	1,130	–	3,523
Depreciation charge	(1,979)	(2,043)	(204)	(4,226)
Disposal of a subsidiary	(18,047)	–	–	(18,047)
Exchange realignment	–	203	–	203
As at 31 December 2022	60,450	7,688	677	68,815

(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:

	2022	2021
	RMB'000	*RMB'000*
Carrying amount at 1 January	**9,496**	11,189
New leases	**1,130**	1,461
Accretion of interest recognised during the year	**386**	489
Payments	**(2,496)**	(2,893)
Exchange realignment	**203**	(750)
Carrying amount at 31 December	**8,719**	9,496
Analysed into:		
Current portion	**2,160**	2,079
Non-current portion	**6,559**	7,417

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

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**386**	489
Depreciation charge of right-of-use assets	**4,226**	4,460
Expense relating to short-term leases (included in administrative expenses)	**604**	604
Total amount recognised in profit or loss	**5,216**	5,553

The Group as a lessor

The Group leases its investment properties consisting of two commercial properties in Shanghai and part of the commercial property in Jiaxing under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB323,000 (2021: RMB449,000).

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022	2021
	RMB'000	*RMB'000*
Within one year	**174**	435
Within second to fifth year	**522**	–
Total	**696**	435

12. INVENTORIES

	31 December	31 December
	2022	2021
	RMB'000	*RMB'000*
Raw materials	**333,258**	322,234
Work in progress	**66,869**	58,796
Finished goods	**285,053**	248,191
	685,180	629,221

As at 31 December 2022, inventories with a carrying amount of RMB40,000,000 (2021: RMB40,000,000) were pledged to secure loans granted to the Group as set out in note 15 to the financial statements.

13. TRADE AND NOTES RECEIVABLES

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Trade receivables	**273,073**	399,627
Notes receivable	**153,520**	114,017
Impairment	**(326)**	(912)
	426,267	512,732

Customers are normally granted credit terms ranging from 30 days to 150 days depending on the credit-worthiness 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 2022 *RMB'000*	31 December 2021 *RMB'000*
Within 1 month	**148,389**	274,160
1 to 2 months	**49,438**	60,851
2 to 3 months	**37,250**	35,114
Over 3 months	**37,670**	28,590
	272,747	398,715

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

	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
At beginning of year	**912**	2,410
Impairment losses, net *(note 7)*	**(586)**	(1,423)
Amount written off as uncollectible	**–**	(75)
	326	912

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 2022

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.00%**	**0.22%**	**1.91%**	**15.91%**	**0.12%**
Gross carrying amount (RMB'000)	**261,230**	**7,829**	**2,355**	**1,659**	**273,073**
Expected credit losses (RMB'000)	**–**	**17**	**45**	**264**	**326**

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

Notes receivable that are not derecognised in their entirety

As at 31 December 2022, the Group endorsed certain notes receivable accepted by banks in the PRC (the "**Endorsed Notes**") with a carrying amount of RMB59,843,000 (31 December 2021: RMB33,674,000) 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 en- dorsement, 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 RMB59,843,000 as at 31 December 2022 (31 December 2021: RMB33,674,000).

Notes receivable that are derecognised in their entirety

As at 31 December 2022, 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 RMB34,897,000 (31 December 2021: RMB23,373,000). 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 Derecognised 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 2022 (2021: 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 2022, based on the invoice date, is as follows:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Within 1 month	**65,609**	26,092
1 month to 3 months	**252,383**	207,178
Over 3 months	**49,104**	60,650
	367,096	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.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022			31 December 2021		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Secured bank loans	**3.70-5.00**	**2023**	**408,000**	0.47-4.6	2022	443,521
Unsecured bank loans	**2.00-5.00**	**2023**	**280,233**	1.67-5.00	2022	376,827
Other loans – unsecured	**3.65**	**2023**	**5,951**	3.85	2022	5,951
Lease liabilities *(note 11)*	**4.41**	**2023**	**2,160**	4.35	2022	2,079
			696,344			828,378
Non-current						
Other loans – unsecured	**4.91**	**2024**	**50,000**	4.91	2024	50,000
Lease liabilities *(note 11)*	**4.41**	**2024-2031**	**6,559**	4.35	2023-2031	7,417
			56,559			57,417
			752,903			885,795

	31 December 2022 RMB'000	31 December 2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**688,233**	820,348

	31 December 2022 RMB'000	31 December 2021 RMB'000
Other borrowings repayable:		
Within one year	**8,111**	8,030
In the second year	**51,251**	1,493
In the third to fifth years, inclusive	**2,308**	51,726
Over five years	**3,000**	4,198
	64,670	65,447

Note:

As at 31 December 2022, the current interest-bearing bank borrowings with a carrying amount of RMB408,000,000 (2021: RMB443,521,000) were secured by certain property, plant and equipment, and inventories with carrying amounts of RMB298,487,000 (2021: RMB322,481,000), and RMB40,000,000 (2021: 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 loans as at 31 December 2022 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 the currently available rate.

16. TREASURY SHARES

	31 December 2022			31 December 2021		
	Number of shares	**Amount** *HK$'000*	***RMB'000 equivalent***	Number of shares	Amount *HK$'000*	*RMB'000 equivalent*
At the beginning and end of the 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, grant 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 2022, no shares were vested and transferred to award holders.

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Year 2022 is an exceptional year with both the effect of coronavirus disease occurred in late 2019 ("**COVID-19**") and geo-political tension among different countries intertwined together. As the Chinese old saying goes: Opportunities always come with threats.

China has been criticized for having locked down for too long, which harmed the recovery of the economy and resulted in only 3% GDP growth for the year ended 31 December 2022 (the "**Year**"). The total export of textile yarns, fabrics and related products from China recorded a 2% increase in value in U.S. dollar 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 dropped by 31.9% in 2022 while the selling price of linen yarn has recorded over 20% increase during the same period.

According to the statistics of the General Administration of Customs of the PRC, the total volume of pure linen yarn exports from China in 2022 has recorded a year-on-year decrease of approximately 8.0%, and Kingdom exported 11,477 tonnes of pure linen in 2022, accounting for 53.3% of the total export volume of pure linen yarn from China in 2022. 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, setting aside the price factor, the market has proven that pure linen yarn is a preferred fabric over linen mixed yarn. For years, the Group has been focusing on upholding excellent product 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: Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

During the Year, the Group's pure linen yarn exports amounted to 11,477 tonnes (2021: 14,138 tonnes). The Group's pure linen yarn export 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 20 consecutive years.

Revenue of the Group for the Year recorded a year-on-year increase of approximately 12.3% to RMB2,021,055,000 (2021: RMB1,799,690,000). Gross profit increased by approximately 32.7% year-on-year to RMB386,900,000 (2021: RMB291,585,000) and overall gross margin increased to 19.1% in 2022 (2021: 16.2%). Profit for the Year was RMB171,808,000, as compared to RMB90,500,000 for the year of 2021. Basic earnings per Share amounted to RMB0.29 during the Year as compared to RMB0.14 in 2021.

To reciprocate the Shareholders for their continuous support of the Group while reserving resources for further expansions, the Board has recommended the payment of a final dividend of HK$0.09 per Share for the Year (2021: HK$0.06).

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 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 RMB1,246,600,000, representing approximately 61.7% of the Group's total revenue. In particular, revenue from European Union ("**EU**") countries amounted to approximately RMB552,726,000, representing approximately 27.3% of the Group's total revenue, while revenue from non-EU countries amounted to approximately RMB693,874,000, representing approximately 34.4% 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 80.6% of the Group's total export revenue during the Year (2021: 80.5%).

Domestic sales in China increased by approximately 15.1% during the Year to RMB774,455,000, representing approximately 38.3% 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 purely satisfying practical needs to product quality and the ability of the product to reflect their personal taste. Linen textiles are not only anti-bacterial and comfortable, but also highly environmentally friendly in their production process. Therefore, linen textiles perfectly suit the taste of new-generation consumers who may have a stronger preference for environmentally friendly and sustainable products. Many leading domestic and overseas trend-setting brands and fast-moving fashion brands have now embarked on their own linen selection. For example, a famous Japanese brand has not only launched a linen garment line, but has also introduced a tracking system for the use of its raw materials to allow it and its consumers to monitor the quality and environmental-friendliness of its products.

Sales Analysis by Domestic and Overseas Markets

	For the year ended 31 December 2022		For the year ended 31 December 2021		Year-on-year change in revenue	Year-on-year change in revenue
	RMB '000	***%***	*RMB '000*	*%*	*RMB '000*	*%*
China	**774,455**	**38.3%**	673,137	37.4%	101,318	15.1%
European Union	**552,726**	**27.3%**	563,110	31.3%	(10,384)	–1.8%
Non-European Union	**693,874**	**34.4%**	563,443	31.3%	130,431	23.1%
Total Revenue	**2,021,055**	**100.0%**	1,799,690	100.0%	221,365	12.3%

Raw Material Procurement and Related Strategies

During the Year, market prices of fibre flax, the major raw material in producing linen yarn, remained 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 and the market prices of fibre flax so as to stabilise its raw material costs, the 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 local farmers to secure stable supply of hemp fibre in China with the aim to further stabilise the price and supply of raw materials. The Group is also building a warehouse in Heilongjiang to manage the storage, logistics and supply chain 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 non-profit and social-oriented enterprise with a clear mission to transform the linen industry for good, to develop the REEL Linen Code of Conduct. REEL Linen is a sustainability-driven initiative for brands which are committed to sourcing more sustainable linen, and contents of the initiative includes improving the environment, product 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 2022, 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 smooth operation and reduced unnecessary procedures and wastage of raw materials, improving the Group's overall production efficiency. These systems have not only made the production processes more environmentally 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 2023.

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 5,000 tonnes for flax and industrial hemp yarn. Currently, the designated annual linen and industrial hemp yarn production capacity of the Group amounts to 23,000 tonnes based on standardized 24Nm specification. During the Year, the utilization of the four production bases in China were high and they were operated at near full capacity.

The Group owns 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 on this land parcel and develop it into one of the model projects of the "Belt & Road" initiative in Ethiopia. The Chinese government also encouraged manufacturers to expand overseas by expanding the scope of political risk insurance coverage of insurances offered by state-owned insurance companies. The Ethiopia project will 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 being on and off ethno-political conflicts since October 2016, which has led 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 its scale of 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	5,000	Close to 100%
5	Ethiopia	Adama	Ethiopia	5,000	Ramping up, about 40%

Patents, Awards and Recognition

The Group has continued to invest in technology and innovation. As at 31 December 2022, the Group owned 64 registered patents and there were another 41 patent applications pending formal approval by relevant authorities.

FINANCIAL REVIEW

Revenue

For the Year, the Group's revenue grew by approximately 12.3% to approximately RMB2,021,055,000 (2021: RMB1,799,690,000). The growth of revenue was mainly attributable to the increased selling price of pure linen yarn during the Year. During the Year, sales to China and non-EU markets grew by 15.1% and 23.1% respectively, while sales to EU market slightly dropped by 1.8% on a year-on-year basis.

Gross Profit and Gross Profit Margin

For the Year, the Group's gross profit reached RMB386,900,000, representing a year-on-year increase of approximately 32.7% (2021: RMB291,585,000). Gross profit margin for the Year increased by 2.9 percentage points to 19.1% (2021: 16.2%) as a result of increased selling prices of pure linen yarn during the Year.

Other Income and Gains

For the Year, the Group recorded a net gain of RMB54,431,000 (2021: RMB7,136,000) for its other income and gains, which mainly comprises of interest income of RMB2,173,000 (2021: RMB234,000), various government grants which amounted to RMB12,863,000 (2021: RMB4,641,000) and a net exchange gain of RMB37,087,000 mainly due to United States Dollars having appreciated by 9.2% against Renminbi during the year (2021: an exchange loss of RMB162,000).

Selling and Distribution Expenses

For the Year, the Group's selling and distribution expenses amounted to approximately RMB41,532,000 (2021: RMB34,381,000), which accounted for approximately 2.1% (2021: 1.9%) of the Group's revenue. The increase in the selling and distribution expenses as a percentage of the Group's revenue for the Year was attributable to the higher promotion expenses incurred during the Year.

Administrative Expenses

For the Year, the Group's administrative expenses amounted to approximately RMB118,427,000 (2021: RMB98,406,000), representing an increase of approximately 20.3% as compared to the year ended 31 December 2021. The increase in administrative expenses was mainly due to additional staff costs of RMB3.9 million, additional consulting fees of RMB2.5 million, additional research and development expenses of approximately RMB2.1 million and additional office expense of RMB2.1 million as well as additional bank charges incurred during the Year.

Other Expenses

Other expenses of the Group for the Year amounted to approximately RMB13,192,000 (2021: RMB3,803,000), mainly comprised of asset disposal loss of RMB11,110,000 in relation to obsolete IT equipment (2021: RMB471,000), and provision of inventory loss on accident of RMB966,000 (2021: Nil).

Finance Costs

For the Year, finance costs amounted to approximately RMB33,852,000 (2021: RMB39,044,000), which comprised net finance cost of approximately RMB33,466,000 (2021: RMB38,555,000) and interest on lease liabilities of approximately RMB386,000 (2021: RMB489,000). Net finance costs represented the total interest expense on bank loans of approximately RMB38,419,000 (2021: RMB42,687,000) less amount capitalized attributable to capital assets. An interest expense of approximately RMB4,953,000 was capitalized during the Year (2021: RMB4,132,000).

Income Tax Expenses

Income tax expense for the Year was approximately RMB63,020,000 (2021: RMB32,587,000). The effective tax rate of the Year was 26.8%.

Profit for the Year

As a result, the Group recorded a net profit for the Year of approximately RMB171,808,000, as compared to approximately RMB90,500,000 for the year ended 31 December 2021.

Minority Interests

The Group's minority interests amounted to RMB3,888,000, which mainly represented the Group's share of results of its 24.66% of equity interests in Heilongjiang Kingdom Enterprise Co., Ltd.* (黑龍江金達麻業有限公司)("Heilongjiang Kingdom"), attributable to the minority shareholdings during the Year (2021: profit of RMB2,277,000).

Profit Attributable to Owners of the Parent

During the Year, the Group recorded a profit attributable to owners of the parent of approximately RMB175,696,000, as compared to approximately RMB88,223,000 for the year ended 31 December 2021.

Other Intangible Assets

As at 31 December 2022, the Group's intangible assets were mainly patents and licences amounted to RMB1,800,000 (2021: RMB2,000,000) and certified emission rights obtained in 2012 for a term of 20 years, which amounted to RMB4,373,000 (2021: RMB3,987,000). Intangible assets are subject to amortisation based on their useful lives. For the Year, the amortisation of intangible assets was approximately RMB703,000 (2021: RMB580,000).

Inventories

As at 31 December 2022, inventories of the Group increased by approximately 8.9% to RMB685,180,000 (2021: RMB629,221,000), the average inventory turnover days decreased from 173 days as at 31 December 2021 to 147 days as at 31 December 2022. The decrease in number of inventory turnover days was mainly attributable to the robust sales revenue recorded during the Year.

Trade and Notes Receivables

As at 31 December 2022, trade and notes receivables of the Group decreased by approximately 16.9% to RMB426,267,000 (2021: RMB512,732,000), and the average trade receivable turnover days decreased from 90 days as at 31 December 2021 to 85 days as at 31 December 2022.

Trade and Notes Payables

As at 31 December 2022, trade and notes payables of the Group increased by approximately 24.9% to approximately RMB367,096,000 (2021: RMB293,920,000). The average trade payable turnover days increased to 74 days during the Year (2021: 64 days).

Interest-bearing Bank and Other Borrowings

As at 31 December 2022, the Group's interest-bearing bank and other borrowings decreased by 15.0% to approximately RMB752,903,000 (2021: RMB885,795,000), of which RMB696,344,000 (2021: RMB828,378,000) were classified as current liabilities and RMB56,559,000 (2021: RMB57,417,000) were classified as non-current liabilities. The Group's borrowings were denominated in Renminbi, United States Dollars and Euros, of which approximately RMB423,000,000 (2021: RMB485,348,000) were at fixed interest rates.

Liquidity and Financial Resources

As at 31 December 2022, the Group had net current assets of approximately RMB417,334,000 (2021: RMB178,810,000). The Group financed its operations with internally generated resources and bank loans during the Year. As at 31 December 2022, the Group had total cash and deposits of approximately RMB529,369,000 (2021: RMB293,943,000) which consisted of cash and cash equivalents of approximately RMB467,469,000 (2021: RMB249,213,000) and pledged deposits of approximately RMB61,900,000 (2021: RMB44,730,000). 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 2022 was approximately 131.6% (2021: 113.3%). Total equity of the Group as at 31 December 2022 was approximately RMB1,487,990,000 (2020: RMB1,350,616,000).

As at 31 December 2022, the Group had interest-bearing bank and other borrowings repayable within 12 months therefrom of approximately RMB696,344,000 (2021: RMB828,378,000) and long-term interest-bearing other borrowings of approximately RMB56,559,000 (2021: RMB57,417,000). Together these interest-bearing bank and other borrowings represented a gross debt gearing ratio (i.e. total borrowings divided by total equity) of approximately 50.6% (2021: 65.6%).

CAPITAL COMMITMENTS

As at 31 December 2022, 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 RMB208,855,000 (2021: RMB259,247,000).

MATERIAL ACQUISITION AND DISPOSAL

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 2022, the Group did not have any contingent liabilities (2021: Nil).

CHARGE ON ASSETS

As at 31 December 2022, the current interest-bearing bank borrowings with a carrying amount of RMB408,000,000 (2021: RMB443,521,000) were secured by certain property, plant and equipment, and inventories with carrying amounts of RMB298,487,000 (2021: RMB322,481,000), and RMB40,000,000 (2021: RMB40,000,000), respectively.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save for the various up-keeping and maintenance of existing factory projects, vertical expansion into weaving and fabric business, the Directors confirmed that as at the date of this annual report, there is no current plan to acquire any material investment or capital assets.

FOREIGN CURRENCY RISK

The Group's transactions were 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 was no derivative financial asset or liability recorded as at 31 December 2022 (2021: liabilities of RMB1,275,000).

REMUNERATION POLICY AND SHARE OPTION SCHEME

As at 31 December 2022, the Group had a total of 4,087 employees (2021: 3,808 employees). Total staff costs incurred for the Year increased by approximately 9.7% to RMB261,764,000 (2021: RMB238,536,000). The increase in staff costs stemmed from additional headcounts to cope with the expanded operation and the commencement of the operation of the factory 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 operation of its factory in Ethiopia to expand its coverage to different customers and markets.

In addition, the Group will leverage on local government incentives to commence our own weaving and fabric project in China in 2023, which is our maiden attempt to expand into linen weaving and fabric business. By expanding into weaving and fabric business with a view to explore different applications of linen fabric, such move will eventually provide business supports to Kingdom's customers and further drive the demand of linen yarn in long term.

Being the first company in the linen industry obtained carbon-neutrality certification, we will continue to cultivate the growth of the hemp fiber base in China. We target to establish a scaled hemp yarn production within three years to satisfy the market demand.

Kingdom has been collaborating with CottonConnect, a UK non-profit and social-oriented enterprise with a clear mission to transform the linen industry for good, to develop the REEL Linen Code of Conduct. REEL Linen is a sustainability-driven initiative for brands which are committed to sourcing more sustainable linen, and contents of the initiative includes including improving environment, product 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. REEL Linen Code of Conduct version 2.0 was issued in May 2022. This initiative would help Kingdom to move towards a sustainable operation and ensure its long-term success.

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIVIDEND

The Board proposed a payment of final dividend of HK$0.09 per ordinary share for the year ended 31 December 2022 (2021: HK$0.06).

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 Monday, 29 May 2023 to Friday, 2 June 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 May 2023.

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, 21 June 2023 to Friday, 23 June 2023, 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), unregistered holders of Shares of the Company shall ensure that, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at above address for registration not later than 4:30 p.m. on Tuesday, 20 June 2023. The proposed final dividend, subject to Shareholders' approval at the forthcoming annual general meeting, will be paid to Shareholders on or before Friday, 14 July 2023 whose names appear on the register of members of the Company at the close of business on Friday, 23 June 2023.

PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.kingdom-china.com. The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules is to be despatched to the Company's Shareholders and made available for review on the same websites in due course.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

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

In the opinion of the Directors, save for the deviations to code provisions C.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 C.2.1

Under code provision C.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". However, Mr. Ren Weiming, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board meets regularly to consider major matters affecting the operations of the Company. Given the nature and extent of the Group's operation and Mr. Ren's extensive experience in the industry, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to operate efficiently. The Board will continuously review this structure from time to time to ensure appropriate and timely action to meet changing circumstances, if necessary.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors and devised its own code of conduct regarding Directors' dealings in the Company's securities on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with all Directors, all the Directors have confirmed that they have complied with the provisions of the Model Code and the Company's code of conduct regarding Directors' securities transactions for the year ended 31 December 2022 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 is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;

- to review and monitor the training and continuous professional development of the Directors and senior management;

- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and

- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Lau Ying Kit, Mr. Lo Kwong Shun Wilson and Mr. Yan Jianmiao. Mr. Lau Ying Kit, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee. The annual results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") has adopted written terms of reference prepared by reference to the requirements under the code provision E.1.2 of the CG Code. The primary functions of the Remuneration Committee are to consider and recommend to the Board the remuneration and other benefits paid by the Company to the Directors and senior management. The remuneration of all Directors and senior management is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

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.

The Remuneration Committee shall meet at least once every year to review the remuneration policy and structure and determine the annual remuneration packages of the executive Directors and the senior executives and other related matters. The Remuneration Committee shall make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration.

Two Remuneration Committee meetings were held during the Year. At the meetings, the Remuneration Committee reviewed and approved the remuneration of the Directors, after comparing with that of the directors of similar textile companies listed on the Stock Exchange. The terms of reference of the Remuneration Committee were also reviewed and amended during the Year.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") has adopted written terms of reference prepared by reference to the requirements under the code provision B.3.1 of the CG Code which is available on the websites of the Company and the Stock Exchange. The primary functions of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; assess the independence of independent non-executive Directors and review the Board's diversity policy and to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, based on skills, knowledge and experience, to complement the Company's corporate strategy. The Nomination Committee also determined the policy for the nomination of Directors and the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship.

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.

One meeting was held during the Year. At the meeting, the NC reviewed the structure, size and composition of the Board and the Board's diversity policy.

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 2022, consolidated statement of profit or loss and consolidated statement of comprehensive income for the year then ended and the related notes thereto as set out in this annual results announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this annual results announcement.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting will be held on Friday, 2 June 2023 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, 28 March 2023

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

* *For illustration purpose only*