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# **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 2023**

### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group increased by approximately 21.0% to approximately RMB2,445,428,000 for the year ended 31 December 2023 from approximately RMB2,021,055,000 for the year ended 31 December 2022 due to improved selling price of pure linen yarn.
- Gross profit margin for the year ended 31 December 2023 dropped by 2.3 percentage points to approximately 16.8% as a result of rising raw material costs which increased at a more rapid rate than the increase in selling prices of pure linen yarn in 2023 (2022: 19.1%).
- Profit for the year ended 31 December 2023 dropped 5.2% to approximately RMB162,790,000 as compared to approximately RMB171,808,000 for the year ended 31 December 2022.
- Profit attributable to owners of the parent of approximately RMB163,611,000 for the year ended 31 December 2023, compared to approximately RMB175,696,000 for the year ended 31 December 2022.
- Basic earnings per share for the year ended 31 December 2023 dropped by 6.9% at approximately RMB0.27 (2022: approximately RMB0.29).
- The Board proposed a payment of final dividend of HK\$0.09 per ordinary share for the year ended 31 December 2023 (2022: HK\$0.09).

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 2023 together with the comparative figures for the corresponding year as follows:

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
REVENUE	<i>5</i>	<b>2,445,428</b>	2,021,055
Cost of sales		<u><b>(2,033,940)</b></u>	<u>(1,634,155)</u>
Gross profit		<b>411,488</b>	386,900
Other income and gains	<i>5</i>	<b>18,927</b>	54,431
Selling and distribution expenses		<b>(42,229)</b>	(41,532)
Administrative expenses		<b>(116,078)</b>	(119,013)
(Impairment losses)/Reversal of impairment losses on financial assets		<b>(4,568)</b>	586
Other expenses		<b>(9,549)</b>	(13,192)
Finance costs	<i>6</i>	<b>(36,800)</b>	(33,852)
Gain on disposal of a subsidiary		<u>–</u>	<u>500</u>
PROFIT BEFORE TAX	<i>7</i>	<b>221,191</b>	234,828
Income tax expense	<i>8</i>	<u><b>(58,401)</b></u>	<u>(63,020)</u>
PROFIT FOR THE YEAR		<u><b>162,790</b></u>	<u>171,808</u>
Attributable to:			
Owners of the parent		<b>163,611</b>	175,696
Non-controlling interests		<u><b>(821)</b></u>	<u>(3,888)</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	<i>10</i>	<u><b>RMB0.27</b></u>	<u>RMB0.29</u>
Diluted	<i>10</i>	<u><b>RMB0.27</b></u>	<u>RMB0.29</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
PROFIT FOR THE YEAR	<b><u>162,790</u></b>	<u>171,808</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>250</u>	<u>(3,081)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<b><u>163,040</u></b>	<u>168,727</u>
Attributable to:		
Owners of the parent	<b>163,861</b>	172,615
Non-controlling interests	<u>(821)</u>	<u>(3,888)</u>
	<b><u>163,040</u></b>	<u>168,727</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>971,977</b>	1,075,398
Investment properties		<b>3,933</b>	4,533
Right-of-use assets	<i>11</i>	<b>65,378</b>	68,815
Other intangible assets		<b>5,316</b>	6,173
Investments in an associate	<i>12</i>	<b>25,000</b>	–
Prepayments for equipment		<b>1,715</b>	1,082
Deferred tax assets		<b>3,303</b>	8,473
Other non-current assets		<b>17,338</b>	3,407
		<hr/>	<hr/>
Total non-current assets		<b>1,093,960</b>	1,167,881
<b>CURRENT ASSETS</b>			
Inventories	<i>13</i>	<b>1,019,545</b>	685,180
Trade and notes receivables	<i>14</i>	<b>558,356</b>	426,267
Prepayments, deposits and other receivables		<b>90,059</b>	96,225
Pledged deposits		<b>66,444</b>	61,900
Cash and cash equivalents		<b>454,812</b>	467,469
		<hr/>	<hr/>
Total current assets		<b>2,189,216</b>	1,737,041
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	<i>15</i>	<b>587,651</b>	367,096
Other payables and accruals		<b>183,019</b>	228,094
Interest-bearing bank and other borrowings	<i>16</i>	<b>833,806</b>	696,344
Dividends payable		<b>476</b>	307
Tax payable		<b>21,400</b>	27,866
		<hr/>	<hr/>
Total current liabilities		<b>1,626,352</b>	1,319,707
<b>NET CURRENT ASSETS</b>			
		<hr/> <b>562,864</b> <hr/>	<hr/> 417,334 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/> <b>1,656,824</b> <hr/>	<hr/> 1,585,215 <hr/>

	<i>Notes</i>	<b>2023</b> <b><i>RMB'000</i></b>	2022 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,656,824</b>	1,585,215
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<b>33,892</b>	40,666
Interest-bearing bank and other borrowings	<i>16</i>	<b>35,720</b>	56,559
Total non-current liabilities		<b>69,612</b>	97,225
Net assets		<b>1,587,212</b>	1,487,990
EQUITY			
Equity attributable to owners of the parent			
Share capital		<b>6,329</b>	6,329
Treasury shares	<i>17</i>	<b>(13,305)</b>	(13,305)
Reserves		<b>1,522,981</b>	1,412,964
		<b>1,516,005</b>	1,405,988
Non-controlling interests		<b>71,207</b>	82,002
Total equity		<b>1,587,212</b>	1,487,990

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

## 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 Limited liability company	HK\$0.01/ HK\$500	100%	–	Investment holding
Kingdom Group Holdings Limited ("Hong Kong Kingdom")	Hong Kong, China 10 September 2004 Limited liability company	HK\$1,250,000	–	100%	Investment holding and trading
Zhejiang Jinyuan Flax Co., Ltd.	PRC 18 March 2003 Wholly foreign owned enterprise	US\$70,000,000	–	100%	Manufacture and sale of linen yarn
Jiangsu Jinyuan Flax Co., Ltd.	PRC 17 October 2003 Limited liability company	US\$18,500,000	–	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		Principal activities
			Direct	Indirect	
Zhejiang Kingdom Linen Co., Ltd.	PRC 28 May 2012 Limited liability company	RMB100,000,000	–	100%	Manufacture and sale of linen yarn
Kingdom Europe S.R.L.	Italy 7 September 2007 Limited liability company	EUR502,646	–	100%	Trading
Kingdom (Ethiopia) Linen PLC	Ethiopia 16 July 2014 Limited liability company	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	–	78.67%	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	–	83.59%	Sale of industrial hemp
Heilongjiang Kangyuan Seeds Industry Co., Ltd.	PRC 8 August 2017 Limited liability company	RMB10,000,000	–	62.94%	R&D and sale of hemp seeds

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

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

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023. 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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 2023 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 RMB1,043 million (2022: RMB1,150 million).

**(b) *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 2023 was RMB1,019,545,000 (2022: RMB685,180,000). Further details are contained in note 13 to the financial statements.

**(c) *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 14 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 2023 is set out in the following table:

	Revenue from external customers	
	2023	2022
	RMB'000	RMB'000
Mainland China	1,194,237	774,455
European Union	468,957	552,726
Other countries/regions	782,234	693,874
Total revenue	<u>2,445,428</u>	<u>2,021,055</u>

###### (b) Non-current assets

	2023	2022
	RMB'000	RMB'000
Mainland China	733,987	790,849
Ethiopia	344,870	368,559
Total non-current assets	<u>1,078,857</u>	<u>1,159,408</u>

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

##### Information about a major customer

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 2023 (2022: 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 is as follows:

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<u>Type of goods or services</u>		
Sale of linen yarn, hemp yarn and scraps	<b>2,415,036</b>	1,966,803
Other services	<b>30,392</b>	54,252
	<hr/>	<hr/>
Total revenue from contracts with customers	<b><u>2,445,428</u></b>	<u>2,021,055</u>
<u>Timing of revenue recognition</u>		
Goods transferred at a point in time	<b>2,415,036</b>	1,966,803
Services provided over time	<b>30,392</b>	54,252
	<hr/>	<hr/>
Total revenue from contracts with customers	<b><u>2,445,428</u></b>	<u>2,021,055</u>

Revenue recognised that was included in contract liabilities at the beginning of the reporting period was RMB49,377,000 (2022: RMB16,955,000).

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.

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<u>Other income and gains</u>		
Foreign exchange differences, net	–	37,087
Government grants*	<b>11,833</b>	12,863
Bank interest income	<b>4,526</b>	2,173
Others	<b>2,568</b>	2,308
	<hr/>	<hr/>
Total other income	<b>18,927</b>	54,431
	<hr/> <hr/>	<hr/> <hr/>

\* Various government grants have been received from the local governments. There are no unfulfilled conditions or contingencies relating to these grants.

## 6. FINANCE COSTS

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest on bank loans	<b>37,708</b>	38,419
Interest on lease liabilities	<b>355</b>	386
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	<b>38,063</b>	38,805
<i>Less: Interest capitalised</i>	<b>(1,263)</b>	(4,953)
	<hr/>	<hr/>
Total	<b>36,800</b>	33,852
	<hr/> <hr/>	<hr/> <hr/>

## 7. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Cost of inventories sold		<b>2,033,940</b>	1,634,155
Depreciation of property, plant and equipment and investment properties		<b>101,853</b>	104,772
Depreciation of right-of-use assets	<i>11(a)</i>	<b>3,949</b>	4,226
Amortisation of other intangible assets		<b>857</b>	703
Research and development (“R&D”) expenses		<b>35,808</b>	33,856
Lease payment not included in the measurement of lease liabilities	<i>11(c)</i>	<b>225</b>	604
Auditors' remuneration		<b>2,200</b>	2,200
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other benefits		<b>223,462</b>	225,404
Pension scheme contributions*		<b>39,034</b>	36,360
<b>Total</b>		<b>262,496</b>	261,764
Foreign exchange differences, net		<b>5,432</b>	(37,087)
Fair value gain on derivative instruments – transactions not qualifying as hedges		–	(1,275)
Loss on disposal of items of property, plant and equipment		<b>2,757</b>	11,110
Provision for impairment of inventories		<b>14,983</b>	29,144
Impairment/(Reversal of impairment) of trade receivables	<i>14</i>	<b>4,568</b>	(586)
Bank interest income		<b>(4,526)</b>	(2,173)
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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current – Mainland China		
– Charge for the year	56,243	47,485
– Under/(Over) provision in respect of prior years	2,657	(2,138)
Current – Hong Kong		
– Charge for the year	–	8,861
– Under provision in respect of prior years	668	459
Current – Italy		
– Charge for the year	437	1,056
Deferred	<u>(1,604)</u>	<u>7,297</u>
Total tax charge for the year	<u><u>58,401</u></u>	<u><u>63,020</u></u>

- (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 2022 to 2025 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:

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit before tax	<b><u>221,191</u></b>	<u>234,828</u>
Tax at an applicable tax rate of 25%	<b>55,298</b>	58,707
Effect of different/beneficial tax rates	<b>(1,323)</b>	(6,683)
Under/(Over) provision in respect of prior years	<b>3,325</b>	(1,679)
Income not subject to tax	<b>(1,576)</b>	(3,112)
Tax losses utilised from prior years	<b>(946)</b>	–
Expenses not deductible for tax	<b>1,070</b>	1,723
Tax credit arising from additional deduction of R&D expenditures of subsidiaries in Mainland China	<b>(2,765)</b>	(4,408)
(Reversal)/accrual of a withholding tax liability	<b>(4,412)</b>	7,454
Tax effect of deductible temporary differences not recognised	<b><u>9,730</u></b>	<u>11,018</u>
Total tax charge for the year	<b><u>58,401</u></b>	<u>63,020</u>

## 9. DIVIDEND

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Proposed final – HK9.0 cents (2022: HK9.0 cents) per ordinary share	<b><u>51,356</u></b>	<u>50,623</u>

At the meeting of the board of directors of the Company held on 28 March 2024, the payment of a final dividend of HK9.0 cents per ordinary share totalling approximately RMB51,356,000 was recommended for the year ended 31 December 2023, which is subject to the approval of the shareholders of the Company (the “**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 (2022: 616,447,000) in issue during the year, as adjusted to reflect the treasury shares held during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Earnings attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<b><u>163,611</u></b>	<u>175,696</u>
	<b>Number of shares</b>	
	<b>2023</b>	2022
	<b>'000</b>	<b>'000</b>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b><u>616,447</u></b>	<u>616,447</u>

## 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 <i>RMB'000</i>	Plant and buildings <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
As at 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
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2022 and 1 January 2023	60,450	7,688	677	68,815
Additions	–	700	–	700
Depreciation charge	(1,692)	(2,068)	(189)	(3,949)
Exchange realignment	–	(188)	–	(188)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2023	<u>58,758</u>	<u>6,132</u>	<u>488</u>	<u>65,378</u>

As at 31 December 2023, the Group's right-of-use assets with a net carrying amount of approximately RMB25,083,000 (2022:Nil) were pledged to secure bank loans granted to the Group as set out in note 16 to the financial statements.

**(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:

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Carrying amount at 1 January	<b>8,719</b>	9,496
New leases	<b>700</b>	1,130
Accretion of interest recognised during the year	<b>355</b>	386
Payments	<b>(2,540)</b>	(2,496)
Exchange realignment	<b>(188)</b>	203
	<hr/>	<hr/>
Carrying amount at 31 December	<b>7,046</b>	8,719
	<hr/> <hr/>	<hr/> <hr/>
Analysed into:		
Current portion	<b>1,326</b>	2,160
Non-current portion	<b>5,720</b>	6,559
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest on lease liabilities	<b>355</b>	386
Depreciation charge of right-of-use assets	<b>3,949</b>	4,226
Expense relating to short-term leases (included in administrative expenses)	<b>225</b>	604
	<hr/>	<hr/>
Total amount recognised in profit or loss	<b>4,529</b>	5,216
	<hr/> <hr/>	<hr/> <hr/>

### 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 Jiaying 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 RMB166,000 (2022: RMB323,000).

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year	<b>174</b>	174
Within second to fifth year	<b>449</b>	<u>522</u>
Total	<b><u>623</u></b>	<b><u>696</u></b>

### 12. INVESTMENT IN AN ASSOCIATE

	<b>2023</b> <i>RMB'000</i>
Share of net assets	<b><u>25,000</u></b>

Particulars of the associate are as follows:

Name	Registered capital <i>RMB'000</i>	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Jiangxi Kingdom Boyang Linen Textile Co., Ltd	86,300	PRC	28.97%	Manufacture of fabric products

The Group's shareholdings in the associate comprise equity shares held by a subsidiary of the Company.

Jiangxi Kingdom Boyang Linen Textile Co., Ltd is a strategic partner of the Group principally engaged in the manufacture of fabric products and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Jiangxi Kingdom Boyang Linen Textile Co., Ltd adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	<b>2023</b> <b><i>RMB'000</i></b>
Current assets	4,416
Non-current assets	<u>38,684</u>
Net assets	<u>43,100</u>
The controlling shareholder's capital contribution to be paid-in Total	<b>43,200</b> <b><u>86,300</u></b>
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	28.97%
Carrying amount of the investment	<b><u>25,000</u></b>
Revenue	-
Profit for the year	-
Total comprehensive income for the year	<b><u>-</u></b>

### 13. INVENTORIES

	<b>31 December 2023 RMB'000</b>	31 December 2022 <i>RMB'000</i>
Raw materials	<b>691,039</b>	333,258
Work in progress	<b>121,635</b>	66,869
Finished goods	<b>206,871</b>	285,053
	<hr/>	<hr/>
Total	<b><u>1,019,545</u></b>	<b><u>685,180</u></b>

As at 31 December 2023, inventories with a carrying amount of RMB40,000,000 (2022: RMB40,000,000) were pledged to secure loans granted to the Group as set out in note 16 to the financial statements.

### 14. TRADE AND NOTES RECEIVABLES

	<b>31 December 2023 RMB'000</b>	31 December 2022 <i>RMB'000</i>
Trade receivables	<b>373,476</b>	273,073
Notes receivable	<b>189,671</b>	153,520
Impairment	<b>(4,791)</b>	(326)
	<hr/>	<hr/>
Net carrying amount	<b><u>558,356</u></b>	<b><u>426,267</u></b>

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

The Group's notes receivable 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:

	<b>31 December 2023 RMB'000</b>	31 December 2022 RMB'000
Within 1 month	217,334	148,389
1 to 2 months	91,535	49,438
2 to 3 months	49,666	37,250
Over 3 months	<u>10,150</u>	<u>37,670</u>
Total	<u><b>368,685</b></u>	<u><b>272,747</b></u>

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

	<b>31 December 2023 RMB'000</b>	31 December 2022 RMB'000
At beginning of year	326	912
Impairment losses, net ( <i>note 7</i> )	4,568	(586)
Amount written off as uncollectible	<u>(103)</u>	<u>–</u>
At end of year	<u><b>4,791</b></u>	<u><b>326</b></u>

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. 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 2023**

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	0.00%	0.95%	3.13%	43.92%	1.28%
Gross carrying amount (RMB'000)	358,534	2,636	1,543	10,763	373,476
Expected credit losses (RMB'000)	<u>-</u>	<u>15</u>	<u>49</u>	<u>4,727</u>	<u>4,791</u>

**As at 31 December 2022**

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
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)	<u>-</u>	<u>17</u>	<u>45</u>	<u>264</u>	<u>326</u>

**Notes receivable that are not derecognised in their entirety**

As at 31 December 2023, the Group endorsed certain notes receivable accepted by banks in the PRC (the “**Endorsed Notes**”) with a carrying amount of RMB33,183,000 (2022: RMB59,843,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”). In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to these Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the endorsement, the Group does not retain any rights on the use of the Endorsed Notes, including sale, transfer or pledge of the Endorsed Notes to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Notes to which the suppliers have recourse was RMB33,183,000 as at 31 December 2023 (2022: RMB59,843,000).

## Notes receivable that are derecognised in their entirety

As at 31 December 2023, 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 RMB21,479,000 (2022: RMB34,897,000). 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 2023 (2022: Nil). No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

## 15. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables as at 31 December 2023, based on the invoice date, is as follows:

	<b>31 December 2023 RMB’000</b>	31 December 2022 RMB’000
Within 1 month	<b>149,146</b>	65,609
1 month to 3 months	<b>403,504</b>	252,383
Over 3 months	<b>35,001</b>	49,104
Total	<b><u>587,651</u></b>	<u>367,096</u>

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.

## 16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
	<b>Current</b>					
Secured bank loans	3.10-6.10	2024	339,817	3.70-5.00	2023	408,000
Unsecured bank loans	1.80-5.00	2024	442,663	2.00-5.00	2023	280,233
Other loans – unsecured	4.91	2024	50,000	3.65	2023	5,951
Lease liabilities ( <i>note 11</i> )	4.20	2024	<u>1,326</u>	4.41	2023	<u>2,160</u>
Subtotal – current			<u>833,806</u>			<u>696,344</u>
<b>Non-current</b>						
Secured bank loan	4.35	2026	30,000	–	–	–
Other loans – unsecured	–	–	–	4.91	2024	50,000
Lease liabilities ( <i>note 11</i> )	4.20	2025-2031	<u>5,720</u>	4.41	2024-2031	<u>6,559</u>
Subtotal – non-current			<u>35,720</u>			<u>56,559</u>
Total			<u><u>869,526</u></u>			<u><u>752,903</u></u>

	<b>31 December 2023 RMB'000</b>	31 December 2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	<b>782,480</b>	688,233
In the third to fifth years, inclusive	<b>30,000</b>	–
Subtotal	<b>812,480</b>	688,233
Other borrowings repayable:		
Within one year	<b>51,326</b>	8,111
In the second year	<b>713</b>	51,251
In the third to fifth years, inclusive	<b>2,145</b>	2,308
Over five years	<b>2,862</b>	3,000
Subtotal	<b>57,046</b>	64,670
Total	<b>869,526</b>	752,903

*Note:*

As at 31 December 2023, the current interest-bearing bank borrowings with a carrying amount of RMB339,817,000 (2022: RMB408,000,000) were secured by certain property, plant and equipment, right-of-use assets and inventories with carrying amounts of RMB219,609,000 (2022: RMB298,487,000), RMB9,991,000 (2022: Nil) and RMB40,000,000 (2022: RMB40,000,000), respectively.

As at 31 December 2023, the non-current interest-bearing bank borrowings with a carrying amount of RMB30,000,000 (2022: Nil) were secured by certain right-of-use assets with carrying amounts of RMB15,092,000 (2022: Nil).

As at 31 December 2023, the current interest-bearing bank borrowings with a carrying amount of RMB11,495,000 (2022: Nil) were guaranteed by the directors of the Company.

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 bank and 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 bank and other loans as at 31 December 2023 was assessed to be insignificant. Management has assessed that the carrying amount of the non-current interest-bearing bank and other loans of the Group approximates to their fair values because the fixed interest rate is close to the currently available rate.

## 17. TREASURY SHARES

	31 December 2023			31 December 2022		
	Number of shares	Amount		Number of shares	Amount	
		<i>HK\$'000</i>	<i>RMB'000 equivalent</i>		<i>HK\$'000</i>	<i>RMB'000 equivalent</i>
At the beginning and end of the year	<u>13,230,750</u>	<u>14,632</u>	<u>13,305</u>	<u>13,230,750</u>	<u>14,632</u>	<u>13,305</u>

On 26 August 2016, the Company adopted a share award plan (the “**Share Award Plan**”), which is now subject to the provisions of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) after the amendments of the Listing Rules with effect from 1 January 2023. The Board 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. In January, April and September 2017, the Trustee purchased in aggregate 19,400,000 shares of the Company at a total consideration of approximately RMB19,508,000 and on 25 May 2018, 19,370,000 shares were granted to eligible persons under the Share Award Plan of which a total of 1,010,000 awarded shares were vested in 2019 and 5,159,250 awarded shares were vested in 2020 and transferred to award holders. During the year ended 31 December 2023, no share award was granted under the Share Award Plan. As of 31 December 2023, all of the remaining 13,230,750 shares held by the Trustee had not been granted to any eligible persons under the Share Award Plan.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Year 2023 is a recovery year for the People's Republic of China (the "PRC" or "China") from the coronavirus disease occurred in late 2019 ("COVID-19"). However, geo-political tension among different countries continued and further intertwined. As the Chinese old saying goes: opportunities always come with threats.

China has cancelled all lock-down restrictions and focused on economic growth in 2023. According to the National Bureau of Statistics of China, the gross domestic product (GDP) growth in China amounted to 5.2% for the year ended 31 December 2023 (the "Year"). The total export of textile yarns, fabrics and related products from China recorded a drop of 8.3% in value in U.S. dollars during the Year, according to the statistics of the General Administration of Customs of the PRC. The market price of cotton increased by 9.4% in 2023 while the selling price of linen yarn has recorded an 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 2023 was 17,201 tonnes, which recorded a year-on-year decrease of approximately 20.1%. Kingdom exported 7,955 tonnes of pure linen in 2023, accounting for 46.2% of the total export volume of pure linen yarn from China in 2023. 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.

During the Year, the Group's pure linen yarn exports amounted to 7,955 tonnes (2022: 11,477 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 21 consecutive years.

Revenue of the Group for the Year recorded a year-on-year increase of approximately 21.0% to RMB2,445,428,000 (2022: RMB2,021,055,000). Gross profit increased by approximately 6.4% year-on-year to RMB411,488,000 (2022: RMB386,900,000) and overall gross profit margin dropped by 2.3 percentage points to 16.8% in 2023 (2022: 19.1%). Profit for the Year was RMB162,790,000, as compared to RMB171,808,000 for the year ended 31 December 2022. Basic earnings per Share amounted to RMB0.27 during the Year as compared to RMB0.29 in 2022.

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 (2022: HK\$0.09).

### **Major Markets and Customers**

Being the largest pure 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 RMB1,251,191,000, representing approximately 51.2% of the Group's total revenue. In particular, revenue from the European Union ("EU") countries amounted to approximately RMB468,957,000, representing approximately 19.2% of the Group's total revenue, while revenue from non-EU countries amounted to approximately RMB782,234,000, representing approximately 32.0% of the Group's total revenue.

During the Year, the Group's top five exporting countries are Italy, India, Turkey, Portugal and Bangladesh, which accounted for 79.1% of the Group's total export revenue during the Year (2022: 80.6%).

Domestic sales in China increased by approximately 54.2% during the Year to RMB1,194,237,000 representing approximately 48.8% 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 fastmoving 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 2023		For the year ended 31 December 2022		Year-on-year change in revenue	Year-on-year change in revenue
	<i>RMB '000</i>	%	<i>RMB '000</i>	%	<i>RMB '000</i>	%
China	1,194,237	48.8%	774,455	38.3%	419,782	+54.2%
European Union	468,957	19.2%	552,726	27.3%	(83,769)	-15.2%
Non-European Union	782,234	32.0%	693,874	34.3%	88,360	+12.7%
<b>Total Revenue</b>	<b>2,445,428</b>	<b>100.0%</b>	<b>2,021,055</b>	<b>100.0%</b>	<b>424,373</b>	<b>+21.0%</b>

#### Raw Material Procurement and Related Strategies

During the Year, market prices of fibre flax, the major raw material in producing linen yarn surged and reaching historical high level. 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 based on 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, taking into consideration the overall market demand and supply and to minimize the impact of 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 transform 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 include 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 2023, 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 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 2024.

## **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 was high and the four production bases operated at near full capacity.

The Group owns 78.67% 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 ethnopolitical 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 60%

The Group has conducted feasibility studies of setting up a new factory in Egypt, to further expand the production capacity of the Group to meet different customers' needs in the coming years.

### **Patents, Awards and Recognition**

The Group has continued to invest in technology and innovation. As at 31 December 2023, the Group owned 69 registered patents and there were another 25 patent applications pending formal approval by relevant authorities.

## **FINANCIAL REVIEW**

### **Revenue**

For the Year, the Group's revenue grew by approximately 21.0% to approximately RMB2,445,428,000 (2022: RMB2,021,055,000). 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 54.2% and 12.7% respectively, while sales to EU market dropped by 15.2% on a year-on-year basis.

### **Gross Profit and Gross Profit Margin**

For the Year, the Group's gross profit reached RMB411,488,000, representing a year-on-year increase of approximately 6.4% (2022: RMB386,900,000). Gross profit margin for the Year decreased by 2.3 percentage points to 16.8% (2022: 19.1%) as a result of rising raw material costs which increased at a more rapid rate than the increase in selling prices of pure linen yarn during the Year.

### **Other Income and Gains**

For the Year, the Group recorded a net gain of RMB18,927,000 (2022: RMB54,431,000) for its other income and gains, which mainly comprises of interest income of RMB4,526,000 (2022: RMB2,173,000), various government grants which amounted to RMB11,833,000 (2022: RMB12,863,000) and an insurance income of RMB2,019,000 during the Year (2022: RMB196,000).

### **Selling and Distribution Expenses**

For the Year, the Group's selling and distribution expenses amounted to approximately RMB42,229,000 (2022: RMB41,532,000), which accounted for approximately 1.7% of the Group's revenue (2022: 2.1%). The decrease in the selling and distribution expenses as a percentage of the Group's revenue for the Year was due to fewer promotion expenses incurred during the Year.

## **Administrative Expenses**

For the Year, the Group's administrative expenses amounted to approximately RMB116,078,000 (2022: RMB119,013,000), representing a slight decrease of approximately 2.5% as compared to the year ended 31 December 2022. The decrease in administrative expenses was mainly due to savings of general office expenses during the Year.

## **Impairment Loss on Financial Assets**

The impairment loss on financial assets are provision of bad debts for accounts receivable during the Year.

## **Other Expenses**

Other expenses of the Group for the Year amounted to approximately RMB9,549,000 (2022: RMB13,192,000), mainly comprised asset disposal loss of RMB2,757,000 (2022: RMB11,110,000) and an exchange loss of RMB5,432,000 (2022: an exchange gain of RMB37,087,000).

## **Finance Costs**

For the Year, finance costs amounted to approximately RMB36,800,000 (2022: RMB33,852,000), which comprised net finance cost of approximately RMB36,445,000 (2022: RMB33,466,000) and interest on lease liabilities of approximately RMB355,000 (2022: RMB386,000). Net finance costs represented the total interest expense on bank loans of approximately RMB37,708,000 (2022: RMB38,419,000) less amount capitalized attributable to capital assets. An interest expense of approximately RMB1,263,000 was capitalized during the Year (2022: RMB4,953,000).

## **Income Tax Expenses**

Income tax expense for the Year was approximately RMB58,401,000 (2022: RMB63,020,000). The effective tax rate of the Year was 26.4%.

## **Profit for the Year**

As a result, the Group recorded a net profit of approximately RMB162,790,000 for the Year, as compared to approximately RMB171,808,000 for the year ended 31 December 2022.

## **Minority Interests**

The Group's minority interests amounted to RMB821,000, which mainly represented the share of the results of those non-wholly owned subsidiaries, attributable to the minority shareholdings during the Year (2022: RMB3,888,000).

## **Profit Attributable to Owners of the Parent**

During the Year, the Group recorded a profit attributable to owners of the parent of approximately RMB163,611,000, as compared to approximately RMB175,696,000 for the year ended 31 December 2022.

## **Other Intangible Assets**

As at 31 December 2023, the Group's intangible assets mainly comprise patents and licences which amounted to RMB1,600,000 (2022: RMB1,800,000) and certified emission rights obtained in 2012 for a term of 20 years, which amounted to RMB3,716,000 (2022: RMB4,373,000). Intangible assets are subject to amortisation based on their useful lives. For the Year, the amortisation of intangible assets was approximately RMB857,000 (2022: RMB703,000).

## **Inventories**

As at 31 December 2023, inventories of the Group increased by approximately 48.8% to RMB1,019,545,000 (2022: RMB685,180,000), the average inventory turnover days increased from 147 days as at 31 December 2022 to 153 days as at 31 December 2023. The increase in number of inventory turnover days was mainly attributable to high volume purchase of raw materials at the end of 2023, with RMB238,639,000 of raw materials still in the status of goods of transit due to the disruption of shipment routes near the Red Sea at the end of the Year.

## **Trade and Notes Receivables**

As at 31 December 2023, trade and notes receivables of the Group increased by approximately 31.0% to RMB558,356,000 (2022: RMB426,267,000), and the average trade receivable turnover days decreased from 85 days as at 31 December 2022 to 73 days as at 31 December 2023.

## **Trade and Notes Payables**

As at 31 December 2023, trade and notes payables of the Group increased by approximately 60.1% to approximately RMB587,651,000 (2022: RMB367,096,000). The average trade payable turnover days increased to 86 days during the Year (2022: 74 days).

## **Interest-bearing Bank and Other Borrowings**

As at 31 December 2023, the Group's interest-bearing bank and other borrowings increased by 15.5% to approximately RMB869,526,000 (2022: RMB752,903,000), of which RMB833,806,000 (2022: RMB696,344,000) were classified as current liabilities and RMB35,720,000 (2022: RMB56,559,000) were classified as non-current liabilities. The Group's borrowings were denominated in Renminbi, United States Dollars and Euros, of which approximately RMB715,500,000 (2022: RMB423,000,000) were at fixed interest rates.

## **Liquidity and Financial Resources**

As at 31 December 2023, the Group had net current assets of approximately RMB562,864,000 (2022: RMB417,334,000). The Group financed its operations with internally generated resources and bank loans during the Year. As at 31 December 2023, the Group had total cash and deposits of approximately RMB521,256,000 (2022: RMB529,369,000) which consisted of cash and cash equivalents of approximately RMB454,812,000 (2022: RMB467,469,000) and pledged deposits of approximately RMB66,444,000 (2022: RMB61,900,000). 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 2023 was approximately 134.6% (2022: 131.6%). Total equity of the Group as at 31 December 2023 was approximately RMB1,587,212,000 (2022: RMB1,487,990,000).

As at 31 December 2023, the Group had interest-bearing bank and other borrowings repayable within 12 months therefrom of approximately RMB833,806,000 (2022: RMB696,344,000) and long-term interest-bearing other borrowings of approximately RMB35,720,000 (2022: RMB56,559,000). Together these interest-bearing bank and other borrowings represented a gross debt gearing ratio (i.e. total borrowings divided by total equity) of approximately 54.8% (2022: 50.6%).

## **CAPITAL COMMITMENTS**

As at 31 December 2023, 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 RMB24,422,000 (2022: RMB208,855,000).

## **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 2023, the Group did not have any material contingent liabilities (2022: Nil).

## **CHARGE ON ASSETS**

As at 31 December 2023, the interest-bearing bank borrowings with a carrying amount of RMB339,817,000 (2022: RMB408,000,000) were secured by certain property, plant and equipment, prepaid land lease payments and inventories with carrying amounts of RMB219,609,000 (2022: RMB298,487,000), RMB9,991,000 (2022: Nil) and RMB40,000,000 (2022: RMB40,000,000), respectively.

As at 31 December 2023, the non-current interest-bearing bank borrowings with a carrying amount of RMB30,000,000 (2022: Nil) were secured by certain right-of-use assets with carrying amounts of RMB15,092,000 (2022: Nil).

As at 31 December 2023, the current interest-bearing bank borrowings with a carrying amount of RMB11,495,000 (2022: Nil) were guaranteed by the directors of the Company.

## **FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

In order to diversify the supply chain of the Group and to cater for the demand of different customers, the Group has conducted a feasibility study of setting up a new factory in Egypt in 2023 and plans to proceed with registering a company in Egypt for the factory in 2024. The Group intends to finance such investment by the Group's internal resources and/or external financing. Save as disclosed above and the various up-keeping and maintenance of existing factory projects, the Directors confirmed that as at the date of this announcement, there is no current plan to acquire any material investment or capital assets.

## **FOREIGN CURRENCY RISK**

The Group's transactions 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 during the Year and there was no material derivative financial asset or liability recorded as at 31 December 2023 (2022: Nil).

## **REMUNERATION POLICY AND SHARE OPTION SCHEME**

As at 31 December 2023, the Group had a total of 3,700 employees (2022: 4,087 employees). Total staff costs incurred for the Year was roughly the same and only increased by approximately 0.3% to RMB262,496,000 (2022: RMB261,764,000).

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 is 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**

With the backdrop of the over-a-year-long military conflict between Russia and Ukraine, and Israel's military action in Palestine, causing the disruption of shipment routes near the Red Sea and heightened shipment costs, as well as the political divergence of superpowers of the world, the year of 2024 and beyond are still full of challenges.

With the aging population in China and surging operating costs in Asia, and in order to meet the demand of various customers, the diversification of supply chain is imminent.

In addition to the Ethiopia factory which commenced operation in 2021, the Group has conducted feasibility studies of setting up a new factory in Egypt and in Northern Africa, which could benefit from reduced or zero import duties to EU member states. We will move forward with this project cautiously in 2024.

Kingdom collaborated with 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 the contents of the initiative include improving environment, product quality and traceability conditions in the supply chain factories and farms worldwide. REEL stands for the idea of "Responsible Environment, Enhanced Livelihood" and it implements sustainable development into production practices. Kingdom will continue to promote the REEL Linen Code 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 has 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 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 2023 (2022: HK\$0.09).

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Friday, 7 June 2024 to Friday, 14 June 2024, 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, 6 June 2024.

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 Tuesday, 25 June 2024 to Wednesday, 26 June 2024, 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 Monday, 24 June 2024. The proposed final dividend, subject to Shareholders' approval at the forthcoming annual general meeting, will be paid to Shareholders on or before Wednesday, 24 July 2024 whose names appear on the register of members of the Company at the close of business on Wednesday, 26 June 2024.

## **PUBLICATION OF ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.kingdom-china.com](http://www.kingdom-china.com). The annual report of the Company for the year ended 31 December 2023 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 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 Part 2 of Appendix C1 of the 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 C3 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 2023 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 2023 have been reviewed by the Audit Committee.

## **REMUNERATION COMMITTEE**

The Remuneration Committee has adopted written terms of reference prepared with 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.

One Remuneration Committee meeting was held during the Year. At the meeting, 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.

## **NOMINATION COMMITTEE**

The nomination committee of the Company (the “**Nomination Committee**”) has adopted written terms of reference prepared with 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 Nomination Committee 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 2023, 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, 14 June 2024 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 2024

*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.*