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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

- Revenue increased by approximately 37.5% to approximately RMB1,129,916,000 for the Review Period from approximately RMB821,476,000 for the Previous Period. The surge in revenue was mainly attributable to the higher average selling price of linen yarn sold during the Review Period.
- Gross profit margin slightly decreased by approximately 1.2 percentage point to approximately 17.6% for the Review Period from approximately 18.8% for the Previous Period as a result of higher raw material costs, countered by higher selling price of linen yarn during the Review Period.
- Profit for the Review Period increased by approximately 16.3% to RMB78,508,000 from approximately RMB67,500,000 for the Previous Period.
- Profit attributable to the owners of the parent increased by approximately 9.5% to RMB73,961,000 for the Review Period from approximately RMB67,549,000 for the Previous Period.
- Basic earnings per share increased by 9.1% at approximately RMB0.12 for the Review Period (for the Previous Period: RMB0.11).

The board of directors (the “**Board**”) of Kingdom Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Review Period**”) together with the comparative figures for the six months ended 30 June 2023 (the “**Previous Period**”):

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 (unaudited)

		For the six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
REVENUE	4	1,129,916	821,476
Cost of sales		<u>(931,071)</u>	<u>(666,775)</u>
Gross profit		198,845	154,701
Other income and gains	4	4,204	13,100
Selling and distribution expenses		(16,163)	(13,957)
Administrative expenses		(53,273)	(49,287)
Reversal of/(impairment losses) on financial assets		601	(74)
Other expenses		(7,294)	(673)
Finance costs	5	<u>(18,660)</u>	<u>(15,326)</u>
PROFIT BEFORE TAX	6	108,260	88,484
Income tax expense	7	<u>(29,752)</u>	<u>(20,984)</u>
PROFIT FOR THE PERIOD		<u>78,508</u>	<u>67,500</u>
Attributable to:			
Owners of the parent		73,961	67,549
Non-controlling interests		<u>4,547</u>	<u>(49)</u>
		<u>78,508</u>	<u>67,500</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	<u>RMB0.12</u>	<u>RMB0.11</u>
Diluted	9	<u>RMB0.12</u>	<u>RMB0.11</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 (unaudited)

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>78,508</u>	<u>67,500</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(7,722)</u>	<u>(620)</u>
TOTAL COMPREHENSIVE INCOME, FOR THE PERIOD	<u>70,786</u>	<u>66,880</u>
Attributable to:		
Owners of the parent	66,239	66,929
Non-controlling interests	<u>4,547</u>	<u>(49)</u>
	<u>70,786</u>	<u>66,880</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (unaudited)

		30 June 2024	31 December 2023
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		943,502	971,977
Investment property		–	3,933
Right-of-use assets		63,777	65,378
Other intangible assets		4,887	5,316
Investment in an associate		25,000	25,000
Prepayments for equipment		3,289	1,715
Deferred tax assets		2,997	3,303
Other non-current assets		17,338	17,338
		<hr/>	<hr/>
Total non-current assets		1,060,790	1,093,960
CURRENT ASSETS			
Inventories		1,358,278	1,019,545
Trade and bills receivables	<i>10</i>	508,406	558,356
Prepayments, deposits and other receivables		88,547	90,059
Pledged deposits		113,092	66,444
Cash and cash equivalents		314,153	454,812
		<hr/>	<hr/>
Total current assets		2,382,476	2,189,216
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	488,255	587,651
Other payables and accruals		186,180	183,019
Interest-bearing bank and other borrowings		1,029,651	833,806
Dividend payable		52,203	476
Tax payable		11,280	21,400
		<hr/>	<hr/>
Total current liabilities		1,767,569	1,626,352
NET CURRENT ASSETS			
		<hr/>	<hr/>
		614,907	562,864
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		1,675,697	1,656,824

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024 (unaudited)

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Notes</i>	(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,675,697	1,656,824
NON-CURRENT LIABILITIES		
Deferred tax liabilities	33,910	33,892
Interest-bearing bank and other borrowings	35,145	35,720
Total non-current liabilities	69,055	69,612
Net assets	1,606,642	1,587,212
EQUITY		
Equity attributable to owners of the parent		
Share capital	6,329	6,329
Treasury shares	(13,305)	(13,305)
Reserves	1,537,864	1,522,981
	1,530,888	1,516,005
Non-controlling interests	75,754	71,207
Total equity	1,606,642	1,587,212

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024 (unaudited)

1. CORPORATE AND GROUP INFORMATION

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

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

The Company’s registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman KY1-1111, Cayman Islands; and the principal place of business is located at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following new and revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”)
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”)
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT

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

Geographical information

(a) Revenue

An analysis of the Group's geographical information on revenue attributed to the regions on the basis of the customers' locations for the six months ended 30 June 2024 is set out in the following table:

	Revenue	
	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China	538,944	344,603
European Union	253,008	240,230
Non-European Union	337,964	236,643
Total	<u>1,129,916</u>	<u>821,476</u>

(b) Non-current assets

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Mainland China	689,124	733,987
Ethiopia	356,869	344,870
Total	<u>1,045,993</u>	<u>1,078,857</u>

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

Information about major customers

No revenue amounting to 10 percent or more of the Group's total revenue was derived from sales to a single customer for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the sales value of linen yarn, hemp yarn and scraps, net of sales tax and deduction of any sales discounts and returns.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Type of goods or services		
Sales of linen yarn, hemp yarn and scraps	1,106,745	802,256
Other services	23,171	19,220
	<hr/>	<hr/>
Total	1,129,916	821,476
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
Goods transferred at a point in time	1,106,745	802,256
Services provided over time	23,171	19,220
	<hr/>	<hr/>
Total	1,129,916	821,476
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	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income		
Government grants	3,084	2,889
Bank interest income	567	1,958
Foreign exchange gains, net	–	4,223
Gain on disposal of items of property, plant and equipment	–	1,982
Others	553	2,048
	<hr/>	<hr/>
Total	4,204	13,100
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans	18,512	16,235
Interest on lease liabilities	148	196
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	18,660	16,431
Less: interest capitalised	–	(1,105)
	<hr/>	<hr/>
Total	18,660	15,326
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6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	907,900	647,555
Cost of service	23,171	19,220
Depreciation	50,846	50,869
Depreciation of right-of-use asset	1,896	1,987
Amortisation of intangible assets	429	430
Research and development ("R&D") expenses	8,746	12,656
Auditors' remuneration	1,100	1,100
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other benefits	71,214	73,511
Pension scheme contributions	7,887	6,750
	<u>79,101</u>	<u>80,261</u>
Foreign exchange difference, net	4,268	(4,223)
Provision/(Reversal of provision) for impairment of inventories	5,092	(3,296)
(Reversal of provision)/Provision for impairment of trade and bills receivables	(601)	74
Finance costs	18,660	15,326
Bank interest income	567	(1,958)
	<u>567</u>	<u>(1,958)</u>

7. INCOME TAX

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

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current charge for the period	29,428	23,511
Deferred	324	(2,527)
Total tax charge for the period	<u>29,752</u>	<u>20,984</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 Mainland China has been based on a statutory rate of 25% of the assessable profits of the Group 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. The assessable profits over HK\$2 million are subject to a tax rate of 16.5%.
- (iv) Pursuant to the rules and regulations of Italy, the Group is subject to tax at an income tax rate of 28.82%, which comprises the Italy Corporate Income Tax at 24% and the Italy Regional Income Tax at 4.82%.
- (v) Pursuant to the rules and regulations of Ethiopia, the Group is subject to tax at an income tax rate of 30%. The Group enjoys a tax holiday of profit tax exemption of 5 years since 2020.

8. DIVIDEND

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 616,447,000 (six months ended 30 June 2023: 616,447,000) in issue during the reporting period.

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

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u><u>73,961</u></u>	<u><u>67,549</u></u>
	Number of shares	
	2024	2023
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u><u>616,447</u></u>	<u><u>616,447</u></u>

10. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	439,664	373,476
Bills receivable	72,932	189,671
Impairment	(4,190)	(4,791)
	<hr/>	<hr/>
Total	508,406	558,356
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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 bills receivable were all aged within six months and were neither past due nor impaired.

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

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 month	208,323	217,334
1 to 2 months	79,241	91,535
2 to 3 months	108,457	49,666
Over 3 months	39,453	10,150
	<hr/>	<hr/>
Total	435,474	368,685
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at 30 June 2024, based on the invoice date, is as follows:

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Due within 1 month or on demand	144,580	149,146
Due after 1 month but within 3 months	313,676	403,504
Over 3 months	29,999	35,001
	<hr/>	<hr/>
Total	<u>488,255</u>	<u>587,651</u>

The above balances are unsecured and non-interest-bearing with credit terms of 90 days. The carrying amount of trade and bills payables at the end of each reporting period approximates to their fair value due to their short-term maturity.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The 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, continued throughout the Review Period.

During the Review Period, revenue of the Group increased by approximately 37.5% on a year-on-year basis from RMB821,476,000 to RMB1,129,916,000. There were 7,179 tonnes of linen yarn sold during the Review Period, which was 1.3% fewer than the 7,275 tonnes of linen yarn sold during the Previous Period. The increase in revenue was mainly attributable to the higher average selling price of linen yarn sold during the Review Period.

Major Markets and Customers

By implementing an international sales strategy, the Group has a sales network covering approximately 20 countries and regions around the world. During the Review Period, the Group's domestic sales of RMB538,944,000, which contributed to approximately 47.7% of the Group's total revenue, recorded an increase of approximately 56.4% as compared with the corresponding period last year, while the Group's overseas sales of RMB590,972,000, which contributed to approximately 52.3% of the Group's total revenue, recorded an increase of approximately 23.9% on a year-on-year basis. In particular, total sales to European Union countries and non-European Union countries reported an increase of 5.3% and 42.8% on a year-on-year basis respectively, as a result of the higher selling price of linen yarn during the Review Period. Key European Union countries that the Group sold its products to include Italy, Portugal, Belgium and Lithuania. Meanwhile, the Group continues to develop the domestic market with an objective to secure more cooperation with target customers in China.

Raw Material Procurement

The Group mainly sources its fibre flax, the major raw material of linen yarn, from well-established suppliers such as those in France, Belgium and the Netherlands. Being one of the largest buyers in these regions, the Group has developed long term business relationships with its suppliers. During the Review Period, the Group procured approximately 16,583 tonnes (six months ended 30 June 2023: 19,419 tonnes) of raw materials abroad, representing a year-on-year decrease of approximately 14.6%. The average procurement unit price was approximately RMB73,999 per tonne, representing an increase of approximately 65.7% from approximately RMB44,658 for the corresponding period last year, due to shortage of supplies as a result of poor harvest yield. The Group is optimistic about the future of the linen textile industry. It is the corporate procurement strategy of the Group to maintain its production scale and to secure a steady volume of production going forward. The Group will continue to closely monitor the international market development and plan its procurement cautiously at the same time.

Production Capacity

As at 30 June 2024, the Group had five productions bases as follows:

No.	Factory	Location	Country	Annual capacity (Tonnes)	Utilisation/Status
1	Haiyan 1st Factory	Zhejiang	China	7,000	Approximately 85%
2	Rugao Factory	Jiangsu	China	6,000	Approximately 85%
3	Haiyan 2nd Factory	Zhejiang	China	5,000	Approximately 85%
4	Qinggang Factory	Heilongjiang	China	4,000	Approximately 85%
5	Ethiopia	Adama	Ethiopia	5,000	Approximately 65%

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

Due to shortage of raw materials in Europe and heightened raw material costs, we had strategically slowed down our production.

A total of 220 tonnes of hemp yarn under various specifications were produced during the Review Period. The Group owns 78.67% of the equity interest in the Heilongjiang venture, namely Heilongjiang Kingdom Enterprise Co., Ltd.# (黑龍江金達麻業有限公司), and this is the Group's maiden attempt to explore the hemp yarn market.

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

FINANCIAL REVIEW

Revenue

For the Review Period, the Group's revenue increased by approximately 37.5% to approximately RMB1,129,916,000 (the Previous Period: RMB821,476,000). The surge in revenue was mainly attributable to the higher average selling price of linen yarn sold during the Review Period. Domestic sales in China grew by 56.4% while export sales to European Union and non-European Union regions recorded an increase of approximately 5.3% and 42.8% respectively during the Review Period.

The breakdown of revenue by sales regions is as follows:

	For the six months ended 30 June 2024		For the six months ended 30 June 2023		Year-on-year change in revenue	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
China	538,944	47.7%	344,603	41.9 %	194,341	56.4%
European Union	253,008	22.4%	240,230	29.3 %	12,778	5.3%
Non-European Union	337,964	29.9%	236,643	28.8 %	101,321	42.8%
Total Revenue	<u>1,129,916</u>	<u>100.0%</u>	<u>821,476</u>	<u>100.0 %</u>	<u>308,440</u>	<u>37.5%</u>

Gross Profit and Gross Profit Margin

The Group's gross profit for the Review Period increased by approximately 28.5% to approximately RMB198,845,000 (the Previous Period: approximately RMB154,701,000). Gross profit margin for the Review Period dropped by approximately 1.2 percentage points to approximately 17.6% (the Previous Period: approximately 18.8%) as a result of higher raw material costs, countered by higher selling price of linen yarn and the appreciation of the United States Dollars against Renminbi during the Review Period.

Other Income and Gains

Other income and gains for the Review Period mainly comprises government grants and subsidies of approximately RMB3,084,000 (the Previous Period: approximately RMB2,889,000) and interest income of approximately RMB567,000 (the Previous Period: approximately RMB1,958,000).

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Review Period amounted to approximately RMB16,164,000 (the Previous Period: approximately RMB13,957,000), which accounted for approximately 1.4% (the Previous Period: approximately 1.7%) of the Group's total revenue. The decrease in selling costs as a percentage of revenue was mainly due to lower commission expenses a percentage of total revenue during the Review Period.

Administrative Expenses

The Group's administrative expenses for the Review Period amounted to approximately RMB53,271,000 (the Previous Period: approximately RMB49,361,000), representing an increase of approximately 7.9% as compared with the corresponding period last year. The increase in the Group's administrative expenses was mainly due to higher staff costs, consulting fees and miscellaneous taxes paid during the Review Period.

Other Expenses

The Group's other expenses for the Review Period amounted to approximately RMB7,293,000 (the Previous Period: approximately RMB673,000), which mainly represented the net exchange loss of RMB4,268,000 during the Review Period (the Previous Period: net exchange gain of RMB4,223,000 recorded in Other Income and Gains) and an asset disposal loss of RMB773,000 (the Previous Period: Nil).

Finance Costs

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

Net borrowing interests for the Review Period amounted to approximately RMB18,512,000 (the Previous Period: approximately RMB15,130,000). Net borrowing interests represent the total interest expense on bank loans less amount capitalized attributable to capital assets.

There was no interest expense capitalized during the Review Period (the Previous Period: approximately RMB1,105,000).

Interest on lease liabilities for the Review Period amounted to approximately RMB148,000 (the Previous Period: RMB196,000).

Total finance costs for the Review Period amounted to approximately RMB18,660,000 (the Previous Period: approximately RMB15,326,000).

Income Tax Expense

Income tax expense for the Review Period amounted to approximately RMB29,752,000 (the Previous Period: RMB20,984,000). The effective tax rate for the Review Period and the corresponding period last year was approximately 27.5% and 23.7% respectively.

Profit for the Review Period

The Group recorded a profit for the Review Period of approximately RMB78,508,000 (the Previous Period: RMB67,500,000), representing an improvement of 16.3% as compared with the corresponding period last year.

Minority Interests

The minority interests of approximately RMB4,547,000 represented the share of profits of certain subsidiaries of the Group attributable to the minority shareholders during the Review Period (the Previous Period: share of loss of RMB49,000).

Profit Attributable to Owners of the Parent

As a result of the aforesaid, the Group recorded a profit attributable to owners of the parent for the Review Period of approximately RMB73,961,000 (the Previous Period: RMB67,549,000), representing an increase of approximately 9.5% as compared with the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2024, the Group had net current assets of approximately RMB614,907,000 (as at 31 December 2023: approximately RMB562,864,000). The Group financed its operations with internally generated resources and bank loans during the Review Period.

As at 30 June 2024, the Group had cash and cash equivalents of approximately RMB314,153,000 (as at 31 December 2023: approximately RMB454,812,000). The liquidity ratio of the Group as at 30 June 2024 was approximately 134.8% (as at 31 December 2023: approximately 134.6%).

Total assets of the Group as at 30 June 2024 were approximately RMB3,443,266,000 (as at 31 December 2023: RMB3,283,176,000).

Total equity of the Group as at 30 June 2024 was approximately RMB1,606,642,000 (as at 31 December 2023: approximately RMB1,587,212,000). As at 30 June 2024, the Group had interest-bearing bank and other borrowings repayable within 12 months from the date of the statement of financial position of approximately RMB1,029,651,000 (as at 31 December 2023: approximately RMB833,806,000) and long-term interest-bearing bank and other borrowings of approximately RMB35,145,000 (as at 31 December 2023: approximately RMB35,720,000). Together they represented a gross debt gearing ratio (i.e. total borrowings divided by total equity) amounted to approximately 66.3% (as at 31 December 2023: approximately 54.8%).

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

The Group's cash and cash equivalents are mainly denominated in Renminbi, United States Dollars, Euros, Hong Kong Dollars and Ethiopian Birrs. Borrowings are 87% denominated in Renminbi, 11% in Euros and 2% in United States Dollars.

CAPITAL COMMITMENTS

As at 30 June 2024, outstanding contractual capital commitments of the Group in respect of the purchase of property, plant and equipment not provided for in the interim condensed consolidated financial statements amounted to approximately RMB13,554,000 (as at 31 December 2023: approximately RMB24,422,000). As at 30 June 2024, there was no capital commitment authorised but not contracted for (as at 31 December 2023: Nil).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities (as at 31 December 2023: Nil).

CHARGE ON ASSETS

As at 30 June 2024, the current interest-bearing bank loans with a carrying amount of RMB391,380,000 (31 December 2023: RMB339,817,000) were secured by certain property, plant and equipment, right-of-use assets and inventories with carrying amounts of approximately RMB204,337,000 (31 December 2023: RMB219,609,000), approximately RMB9,795,000 (31 December 2023: RMB9,991,000) and approximately RMB40,000,000 (31 December 2023: RMB40,000,000), respectively.

As at 30 June 2024, the non-current interest-bearing bank borrowings with a carrying amount of RMB30,000,000 (31 December 2023: RMB30,000,000) were secured by certain right-of-use assets with carrying amounts of RMB14,903,000 (31 December 2023: RMB15,092,000).

MATERIAL ACQUISITION AND DISPOSAL

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the various up-keeping and maintenance of existing factory projects, and a potential set up of a factory in Egypt or northern Africa, 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 EXPOSURE

The Group's transactions are mainly denominated in Renminbi, United States Dollars, Euros, Hong Kong Dollars and Ethiopian Birrs. The exchange rate fluctuations of such currencies are monitored regularly and managed appropriately. The Company may enter into certain foreign currency forward contracts and derivative financial instruments by utilising its credit line. There was no material derivative financial asset or liability recorded as at 30 June 2024.

REMUNERATION POLICY

As at 30 June 2024, the Group had a total of 3,736 employees (30 June 2023: 3,842 employees). Total staff costs incurred for the Review Period amounted to approximately RMB79,101,000 (the Previous Period: RMB80,261,000).

The Group offers comprehensive and competitive remuneration, retirement scheme and benefit packages to its employees. The Group is required to make contributions to a social security scheme in China. Moreover, the Group and its employees in China are required to make contributions to fund pension insurance and unemployment insurance at rates specified in the relevant laws and regulations in China.

The remuneration policy for the employees of the Group is formulated by the Board with reference to the employee's respective qualification, experience, responsibilities and contributions to the Group, as well as the prevailing market rate of remuneration for a similar position. The remuneration of the Directors is determined by the Board and the remuneration committee of the Company with the mandate given by the shareholders of the Company (the "Shareholders") at the annual general meeting having regard to the Group's operating results, individual performance and comparable market statistics. The Group also provides both internal and external training programmes for its employees from time to time.

The Group has also adopted a share option scheme and a share award plan for the purpose of providing incentives and rewards to the Directors, including independent non-executive Directors, and other employees of the Group who have contributed to the success of the Group's operations. The Board will constantly review and determine at its absolute discretion such number of awarded shares of the Company (the "Shares") to be awarded to the selected persons under the share award plan with such vesting conditions as the Board may deem appropriate.

MISCELLANEOUS

There have been no material events since 31 December 2023 other than those disclosed in this announcement.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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

OUTLOOK AND PLANS

The trade tension between the United States and China is expected to continue in the foreseeable future.

The Group's factory in Ethiopia will continue to contribute extra production capacity to the Group.

2024 will be a bumper year for raw materials. It is expected to have abundant supply of raw materials in the later period, enabling the strategic release of the Group's production capacity.

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

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

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

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

INTERIM DIVIDEND

The Board has resolved not to recommend any interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

SHARE OPTION SCHEME

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

SHARE AWARD PLAN

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

The Board may, from time to time and at its sole discretion, select any eligible person to participate in the Share Award Plan and determine the number of Shares to be awarded and the terms and conditions of the awards. Awards shall be satisfied by Shares acquired in the market at the prevailing market price and no new Shares will be allotted and issued under the Share Award Plan. The trustee of the Share Award Plan (the “**Trustee**”) shall hold the awarded Shares on trust for the award holders until the awarded Shares are vested in the relevant award holders according to the Share Award Plan rules. Upon vesting, the Trustee shall either transfer the vested awarded Shares at no cost to such award holders or sell the vested awarded Shares at the then prevailing market price by way of market order and remit the net proceeds to the award holders in accordance with the direction given by such award holders.

No amount is payable by a selected person upon the acceptance of an offer of or transfer of the awarded Shares from the Trustee to such selected person.

Any grant of awarded Shares to a selected person which would result in the aggregate of (i) the number of awarded Shares underlying all awards (whether vested or not); and (ii) the number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) under any share option scheme adopted by the Company from time to time (including the Scheme), granted to such selected person in the 12-month period up to and including the date of grant of such awarded Shares exceeding 1% of the Shares in issue as at the date of grant of such awarded Shares shall be subject to the approval of the Shareholders in a general meeting. In any financial year of the Company, the maximum number of Shares acquired by the Trustee under the Share Award Plan shall not exceed 5% of the Shares in issue as at the beginning of such financial year.

During the Review Period, no Shares have been awarded pursuant to the Share Award Plan. There were a total of 13,230,750 Shares held by Trustee and available for future granting as at 30 June 2024, representing approximately 2.1% of the issued Shares of the Company as at 30 June 2024.

EVENTS AFTER THE REVIEW PERIOD

The Group has no material events after the Review Period that is required to be disclosed subsequent to 30 June 2024 and up to the date of this announcement.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions for the Review Period and up to the publication date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organisation which is open and accountable to the Shareholders. The Directors believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. In the opinion of the Directors, save for the deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code (the “Code”) contained in Appendix C1 to the Listing Rules as disclosed below, the Company has complied with the code provisions set out in Part 2 of the Code throughout the Review Period.

Code Provision C.2.1

Under code provision C.2.1 of Part 2 of the Code, the roles of the chairman and chief executive officer of the Company should be separated and should not be performed by the same individual. The Company does not have any officer with the title of “chief executive officer”. Mr. Ren Weiming, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board meets regularly to consider major matters affecting the operations of the Group. Given the nature and extent of the Group’s operations and Mr. Ren’s extensive experience in the industry, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to operate efficiently.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the “Audit Committee”) was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of the Group and to provide advice and comments to the Board. The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Lau Ying Kit, Mr. Yan Jianmiao and Mr. Lo Kwong Shun Wilson. Mr. Lau Ying Kit, who has appropriate professional qualifications and experience in accounting matters as required under Rule 3.10(2) of the Listing Rules, is the chairman of the Audit Committee. The interim results of the Group for the Review Period have been reviewed with no disagreement by the Audit Committee.

APPRECIATION

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

By order of the Board
Kingdom Holdings Limited
Ren Weiming
Chairman

29 August 2024

Hong Kong

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