KINGDOM HOLDINGS LIMITED
金達控股有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock code: 528

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

- The Group's total revenue increased by approximately 28.0% to approximately RMB629 million in 2010
- The Group's gross profit margin increased to approximately 26.4% in 2010
- The Group recorded a profit for the year attributable to the owners of the parent of approximately RMB68 million in 2010
- Basic earnings per share for the year ended 31 December 2010 was RMB0.11
- Proposed declaration of a final dividend of HK5 cents per ordinary share for the year ended 31 December 2010

The board of directors (the "**Board**") of Kingdom Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2010 together with the comparative figures for the corresponding year as follows:

Consolidated income statement
for the year ended 31 December 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
REVENUE	5	**628,718**	491,165
Cost of sales		**(462,876)**	(435,148)
Gross profit		**165,842**	56,017
Other income and gains	5	**13,806**	6,374
Selling and distribution costs		**(32,125)**	(18,625)
Administrative expenses		**(31,914)**	(34,597)
Other expenses		**(3,637)**	(6,163)
Finance costs		**(15,152)**	(19,325)
Share of profits of an associate		**652**	—
PROFIT/(LOSS) BEFORE TAX	6	**97,472**	(16,319)
Income tax expense	7	**(29,541)**	(1,837)
PROFIT/(LOSS) FOR THE YEAR		**67,931**	(18,156)
Attributable to:			
Owners of the parent		**67,931**	(18,156)
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	**RMB0.11**	RMB(0.03)
Diluted	9	**RMB0.11**	RMB(0.03)

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**67,931**	(18,156)
Exchange differences on translation of foreign operations	**(377)**	149
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**67,554**	(18,007)
Attributable to:		
Owners of the parent	**67,554**	(18,007)

Consolidated statement of financial position
at 31 December 2010

	Notes	**31 December 2010** *RMB'000*	31 December 2009 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**383,433**	393,298
Prepaid land lease payments		**34,965**	35,766
Investment in an associate		**6,052**	2,700
Deferred tax assets		**3,193**	5,827
Total non-current assets		**427,643**	437,591
CURRENT ASSETS			
Inventories		**279,434**	223,143
Biological assets		**—**	561
Tax recoverable		**—**	2,629
Trade and notes receivables	10	**120,434**	248,655
Prepayments, deposits and other receivables		**34,959**	28,422
Due from a related company		**52**	3,900
Derivative financial instruments		**3,713**	—
Pledged deposits		**62,057**	56,941
Cash and cash equivalents		**223,464**	95,517
Total current assets		**724,113**	659,768
CURRENT LIABILITIES			
Trade payables	11	**117,812**	140,442
Other payables and accruals		**27,592**	31,038
Interest-bearing bank loans		**302,781**	308,977
Tax payable		**14,827**	—
Total current liabilities		**463,012**	480,457
NET CURRENT ASSETS		**261,101**	179,311
TOTAL ASSETS LESS CURRENT LIABILITES		**688,744**	616,902

	Notes	**31 December 2010** **RMB'000**	31 December 2009 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,774**	—
Total non-current liabilities		**3,774**	—
Net assets		**684,970**	616,902
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**6,272**	6,272
Reserves		**652,210**	610,630
Proposed final dividends	8	**26,488**	—
Total equity		**684,970**	616,902

Notes to the financial statements

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 and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments 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

Basis of consolidation from 1 January 2010

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 2010. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation.

- Losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date of control was lost. The carrying amount of such investment as at 1 January 2010 has not been restated.

2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS1 *First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combination*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRS 5 Amendments included in *Improvements to IFRSs* issued in October 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

The adoption of the new and revised IFRSs has had no financial effect on these financial statements.

3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[2]
	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets[4]
IFRS 9	Financial Instruments[6]
IAS 12 Amendments	Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets[5]

IAS 24 (Revised)	Related Party Disclosures[3]
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation - Classification of Rights Issues[1]
IFRIC 14 Amendments	Amendments to IFRIC-Int 14 Prepayments of a Amendments Minimum Funding Requirement[3]
IFRIC 19 Amendments	Extinguishing Financial Liabilities with Equity Instruments[2]

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for the accounting periods beginning on or after 1January 2011 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SEGMENT INFORMATION

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

Geographical information

(a) ***Revenue from external customers***

An analysis of the Group's geographical information on revenue attributed to the region on the basis of the customer's location for the year ended 31 December 2010 is set out in the following table:

	Revenue from external customers	
	2010	2009
	RMB'000	*RMB'000*
Mainland China	**266,059**	248,076
Italy	**176,247**	123,006
Other countries	**186,412**	120,083
Total	**628,718**	491,165

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

Since the principal non-current assets, other than deferred tax assets, employed by the Group are located in the PRC, no geographical information for non-current assets is presented.

Information about a major customer

No revenue amounting to 10 percent or more of the Group's revenue was derived from sales to a single customer for the year ended 31 December 2010 (2009: Nil).

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the sales value of linen yarns, net of sales tax and deduction of any sales discounts and returns.

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

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Sales of linen yarns	**628,718**	491,165
Other income		
Bank interest income	**1,221**	2,320
Government grants	**3,956**	2,460
Others	**1,098**	1,031
	6,275	5,811
Gains		
Gain from changes in fair value of biological assets	**—**	563
Gain on derivative financial instrument, net		
— realised	**3,818**	—
— unrealised	**3,713**	—
	7,531	563
	13,806	6,374

6. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

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

	2010	2009
	RMB'000	*RMB'000*
Cost of inventories sold	**462,876**	435,148
Depreciation	**43,639**	46,175
Amortisation of prepaid land lease payments	**801**	801
Research and development expense	**1,881**	1,464
Minimum lease payments under operating lease: land and buildings	**1,096**	1,154
Auditors' remuneration	**1,562**	1,844
Gain on fair value adjustment of biological assets	**—**	563
Employee benefits expense (including directors' remuneration):		
Wages, salaries and other benefits	**63,239**	50,266
Pension scheme contributions	**4,262**	4,824
Equity settled share option expense	**514**	—
	68,015	55,090
Foreign exchange difference, net	**233**	1,013
Gain on derivative financial instruments, net	**(7,531)**	—
Loss on disposal of items of property, plant and equipment	**—**	250
Provision against inventories	**2,372**	16,043
(Reversal of)/provision for doubtful debts	**(2,181)**	2,890
Interest expenses	**15,152**	19,325
Gross rentals from investment properties	**—**	(464)
Bank interest income	**(1,221)**	(2,320)

7. INCOME TAX EXPENSE

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

	2010	2009
	RMB'000	*RMB'000*
Current-PRC		
— Charge for the year	**22,747**	117
— Under-provision in respect of prior years	**100**	151
Current-Italy tax	**286**	—
Deferred	**6,408**	1,569
Total tax charge for the year	**29,541**	1,837

(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) No provision has been made for Hong Kong profits tax during the year ended 31 December 2010 (2009: Nil) as the Group did not earn any assessable income for Hong Kong profits tax purpose.

(iii) The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Pursuant to the income tax rules and regulations of the PRC ("FEIT Law"), certain subsidiaries located in the PRC ("PRC subsidiaries") including Zhejiang Jinyuan Flax Co., Ltd. ("Zhejiang Jinyuan"), Jiangsu Jinyuan Flax Co., Ltd. ("Jiangsu Jinyuan") and Jiangsu Ziwei Flax Co., Ltd. ("Jiangsu Ziwei") are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years ("Tax Holidays"). The years of 2003, 2005 and 2008 are the first profit making year for Zhejiang Jinyuan, Jiangsu Jinyuan and Jiangsu Ziwei, respectively.

During the Fifth Session of the Tenth National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. According to the New Corporate Income Tax Law, the applicable tax rates of the Group's subsidiaries in the PRC are unified at 25% with effect from 1 January 2008 except Zhaosu Jindi Flax Co., Ltd. ("Zhaosu Jindi") which is engaged in preliminary processing of agriculture products and is exempted from PRC income tax. Pursuant to the transitional arrangement under the New Corporate Income Tax Law, Jiangsu Ziwei will continue to enjoy 50% reduction on the applicable income tax rate under the New Corporate Income Tax Law in 2010 until the expiry of the Tax Holidays previously granted under the FEIT Law as at 31 December 2012, and thereafter will be subject to the unified rate of 25%.

(iv) Pursuant to the rules and regulations of Italy, the Group is subject to an income tax rate at 31.4%, which comprise of the Italian Corporate Income Tax at 27.5% and Italian Regional Income Tax at 3.9%.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit/(loss) before tax	**97,472**	(16,319)
Tax at an applicable tax rate of 25%	**24,368**	(4,080)
Effect of different tax rates	**285**	1,427
Under provision in respect of prior years	**100**	151
Share of profits of an associate	**(163)**	—
Expenses not deductible for tax	**1,835**	662
Tax losses utilised from prior years	**(2,714)**	—
Tax effect of unused tax losses and deductible temporary differences not recognised	**2,056**	3,677
Deferred tax liability on withholding tax	**3,774**	—
Total charge for the year	**29,541**	1,837

8. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Proposed final - HK5 cents (2009: Nil) per ordinary share	**26,488**	—
	26,488	—

On 22 March 2011, the board of directors of the Company proposed a final dividend of HK5 cents per ordinary share totalling approximately RMB26,488,000 for the year ended 31 December 2010, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amounts is based on the profit/loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 622,500,000 (2009: 622,500,000) in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2010 is the same as the calculation of basic earnings per share for the year.

The share option scheme does not give rise to any dilution effect on the Company's earnings per share and there were no other dilutive potential ordinary shares existence during the year ended 31 December 2010.

No options were exercised during the year ended 31 December 2010.

10. TRADE AND NOTES RECEIVABLES

	31 December 2010	31 December 2009
	RMB'000	*RMB'000*
Trade receivables	**101,586**	175,316
Notes receivable	**20,145**	78,561
Impairment	**(1,297)**	(5,222)
	120,434	248,655

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

The Group's notes receivables were all aged within six months and 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:

	31 December 2010	31 December 2009
	RMB'000	*RMB'000*
Within 1 month	**52,716**	84,010
1 to 2 months	**25,353**	38,017
2 to 3 months	**15,369**	19,647
Over 3 months	**6,851**	28,420
	100,289	170,094

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

	31 December 2010 *RMB'000*	31 December 2009 RMB'000
At 1 January	**5,222**	3,176
Impairment losses recognised	**268**	3,741
Amount written off as uncollectible	**(1,911)**	(844)
Impairment losses reversed	**(2,282)**	(851)
	1,297	5,222

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB1,297,000 (2009: RMB4,921,000) with carrying amount before provision of RMB3,171,000 (2009: RMB4,961,000).

The impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	31 December 2010 *RMB'000*	31 December 2009 *RMB'000*
Neither past due nor impaired	**92,894**	133,058
Less than 1 month past due	**2,517**	18,623
1 to 3 months past due	**2,873**	6,357
Over 3 months past due	**131**	6,570
	98,415	164,608

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The carrying amount of the trade and notes receivables approximates to their fair value due to their short term maturity.

11. TRADE PAYABLES

An aged analysis of the trade payables as at 31 December 2010, based on the payment due date, is as follows:

	31 December 2010	31 December 2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**24,461**	43,899
Due after 1 month but within 3 months	**58,359**	56,926
Due after 3 months but within 6 months	**34,992**	39,617
	117,812	140,442

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

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform to the current year's presentation.

Industry overview

In 2010, the steady global economic recovery had driven up the demand for linen yarn products, while the pursuit of green consumption around the world as a result of growing public awareness on environment protection also created a favourable market environment for the linen yarn manufacturing industry.

Thanks to the acceleration in the pace of recovery in the European Union ("**EU**") market and the rising demand for linen yarn products in the emerging markets, the overseas linen yarn market had been picking up steadily in 2010. China's linen yarn exports during the year turned favorable. Meanwhile, in the domestic market, as China's economy continued to witness strong growth and its GDP continued to grow, the demand for linen yarns had increased.

By virtue of its leading position in the industry, its high quality brands, advanced technology, product differentiation strategy and scale of operation, and by focusing on its principal business of linen yarn manufacturing, the Group had been successful in seizing the opportunities offered by the global economic recovery in achieving robust growth in 2010.

Business Review

Overall performance

In 2010, the Group made great accomplishments in continuing to expand its product portfolio and invest more resources in the development of high-end products. The Group endeavored to consolidate its domestic market while strategically developed other overseas and emerging markets to strengthen its client base, with the aim to gaining a foothold in the fast-growing emerging markets.

During the year ended December 2010, the Group's total sales of linen yarns amounted to approximately RMB628,718,000, representing an increase of approximately 28.0% as compared with the corresponding period of the previous year, of which approximately RMB266,059,000 was derived from domestic sales, accounting for approximately 42.3% of the total sales and up approximately 7.2% year-on-year and RMB362,659,000 was generated by export sales accounted for approximately 57.7% of the total sales and up approximately 49.2% year-on-year. The Group's export value witnessed strong growth, which accounted for approximately 38.9% of China's total export value of linen yarns, up approximately 3.1% as compared to the previous year (2009: 35.8%), thereby sustaining the Group's position as the leading exporter of linen yarns in China. The increase in income was mainly due to limiting of production output and shrinking of stock holding level as a result of the financial crisis, making global inventory to low levels in 2009. As such, the low inventory level failed to meet the rising demand from both the domestic and international markets in 2010 when the global economy bounced back, resulting in the short supply of linen yarns during the year.

For the year ended 31 December 2010, the Group's turnover rose significantly to approximately RMB628,718,000 as its products were highly sought after in the market. The Group's sales and marketing strategy with a focus on globalization strengthened its operations and ensured that its development will not be affected by the economic fluctuations in a single market. As a market-oriented company, the Group has been aggressive in the research and development of high-tech and high-end products in order to open up new markets and attract new customers. The Group has also been active in developing upstream raw material resources, which helped alleviate the pressure from linen yarn price hiked at the end of the year. During the year ended 31 December 2010, gross profit increased to approximately RMB165,842,000. Profit attributable to shareholders was approximately RMB67,931,000 and profit per share (basic) was RMB0.11.

Development of the markets

The PRC market remains the Group's primary focus, and steady growth was achieved in 2010. The Group has been committing to expanding and optimizing its overseas markets and has achieved satisfactory result during the year. Sales volume in the domestic and overseas markets increased to approximately 5,470 tonnes and 7,350 tonnes, respectively, mainly attributable to the addition of nine important clients secured by the Group. Owing to the rapid growth in sales in the PRC market, the EU market and the non-EU market, the sales volume in these markets accounted for approximately 42.3%, 31.6% and 26.1% of the total sales volume, respectively. Italy and Turkey registered the highest growth in the Group's export sales, with a year-on-year increase of approximately 80.5% and 70.9%, respectively. The Asian regions also saw robust growth in sales, of which South Korea, Japan and India recorded a year-on-year increase of approximately 59.9%, 48.4% and 40.6%, respectively. As for the emerging markets in South America, the Group achieved a growth of 2.5 times in sales volume in the Brazil market by riding the tide of this fast growing economy.

In view of the huge demand in the EU markets, the Group will further extend its presence in the Portugal and Spain markets in 2011, and will leverage on the geographical advantage of these markets countries to optimize its distribution network and increase sales outlets, while increased efforts will be made on brand promotion.

Awards and achievements in research and development

In order to meet its target of heightening the proportion of income from high-end product sale, the Group has been active in introducing advanced production facilities, adopting advanced textile technology to improve its operation efficiency, as well as stepping up its effort in research and development of high-end products. During the year ended 31 December 2010, two sets of thin yarn machine reconstructed by the Group have gone into batch production; to meet customers' requirements for high count products, technological modification has been made to 24 sets of new thin yarn machine, which have gone into test running and production; both the modification to weaving needles used in producing high count yarn and common count yarn and the technological modification to the spreading machines to optimize the space between needles progressed smoothly, which is expected to complete in the 2nd quarter in 2011 and commence production. In the year under review, the Group has launched various kinds of new products, such as stretch yarns, radiation-proof linen yarns and linen covered yarns under batch production and are going through subsequent test running.

During the year ended 31 December 2010, thanks to the dedicated research and development team of the Group, the Group obtained nine patents, including two invention patents, one design patent and six utility patents. Furthermore, the Group obtained a number of accreditations and certifications, including the Oeko-Tex Standard 100 (Confidence in Textiles) and the GOTS (Global Organic Textile Standard). The organic linen fiber produced by Zhaosu Jindi (昭蘇金地), a subsidiary of the Group, was accredited by the Institute for Marketecology (IMO). The Group's brand, Ziwei (紫薇) was honored and named the Leading Export Unit in Zhejiang (浙江出口名牌) by the Department of Commerce of Zhejiang Province (浙江省商務廳) and the Company was also named 2009-2010 Top 10 Competitive China Linen Knitting Enterprises (2009-2010年度中國麻紡行業競爭力10強企業) by the China National Textile and Apparel Council (中國紡織工業協會). All these achievements reflect the market's recognition of the Group's competitive edge and leading position.

The awards received by the Group in 2010 are as follows:

- 2009-2010 Top 500 Competitive China Textile and Garment Enterprises (2009-2010年度中國紡織服裝企業競爭力500强) by the China National Textile and Apparel Council (中國紡織工業協會)

- 2009-2010 Top 10 Competitive China Linen Knitting Enterprises (2009-2010年度中國麻紡行業競爭力10強企業) by the China National Textile and Apparel Council

- 2010 China National Textile & Apparel Council Product Development Contribution Award (2010年度中國紡織工業協會產品開發貢獻獎) by the China National Textile and Apparel Council

- Ziwei (紫薇): Top Export Enterprise in Zhejiang (浙江出口名牌) by the Zhejiang Commercial Department(浙江省商務廳)

- Zhaosu Jindi Flax Co., Ltd. (昭蘇金地亞麻有限公司): High Quality Raw Material Plantation Base for Linen Yarn Textile Industry in Agriculture Industrialization (農業產業化優質亞麻紡織原料種植基地) by the China Bast and Leaf Fibers Textile Association (中國麻紡行業協會)

- Zhejiang Jinyuan Flax Co., Ltd. (浙江金元亞麻有限公司): Advanced Enterprise in Implementation of Performance Appraisal Mode in Textile Industry (紡織行業實施績效管理模式先進企業) by the China National Textile and Apparel Council

- Zhejiang Jinyuan Flax Co., Ltd. (浙江金元亞麻有限公司): Jaxing High and New Technology Enterprise (嘉興市高新技術企業)

- Zhaosu Jindi Flax Co., Ltd. (昭蘇金地亞麻有限公司): Key Leading Enterprise in Industrialization of Agriculture (第五批兵團級重點農業龍頭企業)

New plants and raw material base

With a view to meeting the sharply increased demand for linen yarns, the Group has been active in constructing new plants and raw material base in order to expand its production capacity to prepare for the new opportunities arising from economic recovery. The new linen yarn plant in Jiangsu has commenced production in 2010 which means the Jiangsu Ziwei project has commenced operation, resulted in the total production capacity of Jiangsu Ziwei increased to approximately 707 tonnes. The linen yarn raw material production base in Xinjiang mainly produces organic linen, and the output for the year increased to approximately 927 tonnes, accounting for approximately 8% of the Group's total demand for raw materials.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2010, the Group's turnover rose sharply to approximately RMB628,718,000, representing an increase of approximately 28.0% year-on-year (2009: RMB491,165,000). The increase was mainly due to the increasing demand for linen yarn products as the economy steadily recovered, contributing to a growth in the number of orders received by the Group.

The breakdown of the Group's turnover by sales regions:

Sales regions	For the year ended 31 December	
	2010	**2009**
	RMB'000	*RMB'000*
Mainland China	266,059	248,076
Italy	176,247	123,006
Other countries	186,412	120,083
Total	628,718	491,165

Gross Profit and Gross Profit Margin

During the year ended 31 December 2010, the average selling price of linen yarn products increased due to strong market demand, thus the Group's gross profit recorded a year-on-year increase of approximately 196.1% to approximately RMB165,842,000 (2009:RMB56,017,000). Gross profit margin rose to approximately 26.4% (2009:11.4%), as great efforts have been made by the Group in developing new markets and increasing the share of high-end products in its product portfolio.

With a view to maintaining its gross profit margin, the Group reinforced its cost control measures and ensured the stability of procurement prices by enhancing the management of suppliers and distributors as well as forming partnership with major suppliers. Internally, the Group strengthened cost auditing so as to ensure its cost competitiveness.

Other income and gains

For the year ended 31 December 2010, the Group recorded a gain on derivative financial instruments of approximately RMB7,531,000 (2009: Nil), through entering into certain foreign currency forward contracts in order to monitor foreign exchange exposure.

Selling and distribution costs

For the year ended 31 December 2010, the Group's selling and distribution costs amounted to approximately RMB32,125,000 (2009: RMB18,625,000), which accounted for approximately 5.1% of its total turnover for 2010 (2009: 3.8%). The increase was mainly due to the increase in transportation cost with growth in sales.

Administrative expenses

For the year ended 31 December 2010, the Group's administrative expenses amounted to approximately RMB31,914,000 (2009: RMB34,597,000), a decrease of approximately 7.8% as compared to the previous year. Administrative expenses decreased mainly due to the streamlined management personnel and reduction of administrative expenses.

Finance costs

For the year ended 31 December 2010, finance costs were approximately RMB15,152,000 (2009: RMB19,325,000). The decrease was mainly due to the decrease in bank loans and lower interest rates.

Share of profits of an associate

For the year ended 31 December 2010, share of profits of an associate, namely Huening Flax Electronic Business (Zhejiang) Co. Ltd. (浙江華凝亞麻電子商務有限公司) was approximately RMB652,000 (2009: Nil). The associate was established on 28 December 2009 in the PRC which principal business is sale of linen yarn products and provision of transaction services.

Profit attributable to owners of the parent

For the year ended 31 December 2010, the Group recorded a profit as compared with a loss for the corresponding period of the previous year, with profit attributable to owners of the parent amounted to approximately RMB67,931,000 (loss attributable to owners of the parent in 2009: RMB18,156,000), primarily attributable to a significant increase in turnover from principal activities of the Group as a result of the improvement in market environment.

Liquidity and financial resources

As at 31 December 2010, the Group had net current assets of approximately RMB261,101,000 (2009: RMB179,311,000). The Group finances its operations with internally generated resources and bank loans. As at 31 December 2010, the Group had cash and bank deposits of approximately RMB223,464,000 (2009: RMB95,517,000). The liquidity ratio of the Group as at 31 December 2010 was approximately 156.4% (2009: 137.3%).

Shareholders' fund of the Group as at 31 December 2010 was approximately RMB684,970,000 (2009: RMB616,902,000). As at 31 December 2010, the bank loans of the Group, repayable within 12 months from the financial position date, amounted to approximately RMB302,781,000 (2009: RMB308,977,000), while there was no long-term loans (2009: Nil), together giving a gross debt gearing (i.e. total loans/shareholders' funds) of approximately 44.2% (2009: 50.1%).

As at 31 December 2010, the Group had unutilised revolving banking facilities of approximately RMB256,362,000.

The Board believes that after taking into account the capital expenditure planned to be made within 2011, the Group's existing financial resources will be sufficient for the Group's future needs.

Capital Commitments

Capital commitments in respect of purchases of property, plant and equipment outstanding as at 31 December 2010 but not included in the consolidated financial statements were approximately RMB4,256,000.

Contingent liabilities

As at 31 December 2010, the Group had no contingent liabilities.

Charges on group assets

As at 31 December 2010, the Group's deposits of approximately RMB62,057,000 were pledged to secure bank loans granted to the Group. The pledged deposits will be released upon the termination of relevant banking and loan facilities. In addition, certain property, plant and equipment and prepaid land lease payments of the Group, with a carrying amount of approximately RMB66,810,000, RMB6,662,000, respectively, were also pledged to secure certain bank loans of the Group.

Material investments

There was no material acquisition or disposal of the Group's subsidiaries and associated companies during the year ended 31 December 2010.

Foreign currency risk

The Group's transactions are mainly denominated in RMB, United States Dollars, Euro and Hong Kong Dollars. During the year ended 31 December 2010, the exchange rate changes of such currencies were monitored as appropriate. Currently, the Company also entered into certain foreign currency forward contracts by utilizing its credit line, which recorded a gain on derivative financial instruments of RMB7,531,000 for the Group for the year ended 31 December 2010.

Remuneration policy and share option scheme

As at 31 December 2010, the Group had a total of 2,147 employees (2009: 1,959 employees). Total staff costs incurred for the year ended 31 December 2010 amounted to approximately RMB68,015,000 (2009: RMB55,090,000).

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 insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are each required to make contributions to fund the endowment insurance and unemployment insurance at rates specified in the relevant PRC laws and regulations.

The remuneration policy for the employees of the Group is formulated by the Board with reference to the employee's respective qualification and experience, responsibilities, contribution to the Group, and the existing market level of remuneration for a similar position. The remunerations of the directors of the Company (the "**Directors**") are decided by the remuneration committee of the Board, who are authorised by the shareholders in the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics. From time to time, the Group provides training courses both internally and externally for its employees.

The Group also operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to the Directors, including independent non-executive Directors, and other employees of the Group who contribute to the success of the Group's operations.

During the year ended 31 December 2010, the Group had granted 9,100,000 share options under the Scheme. No share options were exercised during the year. As at the date of this announcement, the Company had 9,100,000 share options outstanding under the Scheme, which represented approximately 1.46% of the Company's shares in issue.

Prospects

2010 is a fruitful year for the linen yarns industry, with the gross value of domestic linen yarn production hit yet another record high. Looking forward to 2011, the linen yarns industry is expected to see stable growth as the global economy gradually recovers. Meanwhile, with changes in living standards and consumption behaviours, natural, green and environmental-friendly linen yarn products will be highly-sought after. To prepare for the huge market demand in 2011, the Group has made strategic adjustments with respect to clients and product portfolio in order to reinforce its brand image and optimize its sale network.

In the coming years, with respect to sales and marketing strategy, the Group will continue to put great emphasis on both domestic and overseas sales. In addition to consolidating the domestic market, the Group will focus on developing emerging markets overseas and will endeavor to form long-term strategic partnership with its major customers. In view of the great demand for linen yarn products in the EU markets by tradition, the Group will strive to expand into the Portuguese and Spanish markets in 2011, and will take advantage of the unique geographical advantages of the two countries to optimize its distribution network and increase its sales outlets so as to the strengthen the competitiveness edge of its brands.

The Group will fully utilize the advanced facilities and enhanced production capacity of the new Jiangsu linen yarn plant. Meanwhile, it will enhance the operating efficiency of the new plant and increase the proportion of high-end products, with greater emphasis on high count linen yarns (50 NM and higher) and differentiated linen yarn products. The two sets of thin yarn machines reconstructed by the Group have gone into test running and production. Besides, technological modification of the spreading machines will commence in 2011 and is expected to be completed and commence production in the second quarter in 2011.

Looking forward, the Group will adopt the strategy of innovation through research and development to achieve sustainable development, while at the same time pursue resource integration and enforce the implementation of its measures on improving operating efficiency and cost management, with a view to maximizing the Group's value.

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

The Company has not redeemed any of its listed shares during the year ended 31 December 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year ended 31 December 2010.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained sufficient public float throughout the year ended 31 December 2010.

DIVIDEND

The Board has recommended the payment of a final dividend of HK5 cents per ordinary share of the Company for the year ended 31 December 2010. The proposed final dividend, if approved by the shareholders of the forthcoming annual general meeting, will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 18 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 May 2011 to Wednesday, 18 May 2011, 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 and to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 May 2011. The proposed final dividend of shares, subject to shareholders' approval at the forthcoming annual general meeting, will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 18 May 2011.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The annual report of the Company for the year ended 31 December 2010 containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") is to be despatched to the Company's shareholders and made available on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at *www.hkex.com.hk* and the website of the Company at *www.kingdom-china.com* in due course.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES 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 organization which is open and accountable to the Company's shareholders. The Directors believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. In the opinion of the

Directors, save as disclosed below, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 of the Listing Rules for the year ended 31 December 2010.

Code Provision A.2.1

Under Code Provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have any officer with the title of "chief executive officer". Mr. Ren Wei Ming, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Company. 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors 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 confirm 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 2010 and up to the date of this announcement.

AUDIT COMMITTEE

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 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. Yang Donghui and Mr. Lo Kwong Shun Wilson. Mr. Lau Ying Kit, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The preliminary annual results announcement of the Group for the year ended 31 December 2010 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Company to establish policies, review and determine the remuneration of the Directors and the senior management of the Company. The Remuneration Committee comprises two independent non-executive Directors, Mr. Lo Kwong Shun Wilson and Mr. Yang Donghui and an executive Director, Mr. Zhang Hong Wen. Mr. Zhang Hong Wen is the chairman of the Remuneration Committee.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on Wednesday, 18 May 2011 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 Wei Ming
Chairman

Hong Kong, 22 March 2011

As at the date of this announcement, the executive directors of the Company are Mr. Ren Wei Ming, Mr. Shen Yueming, and Mr. Zhang Hong Wen; the non-executive directors of the Company are Mr. Ngan Kam Wai Albert and Mr. Tse Chau Shing Mark; and the independent non-executive directors of the Company are Mr. Yang Donghui, Mr. Lo Kwong Shun Wilson and Mr. Lau Ying Kit.