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 2013

FINANCIAL HIGHLIGHTS

- Revenue increased by 6.0% to approximately RMB761.9 million for the year ended 31 December 2013 from approximately RMB718.9 million for the year ended 31 December 2012.

- Gross profit margin decreased by 1.9 percentage points to 27.2% for the year ended 31 December 2013 from 29.1% for the year ended 31 December 2012.

- Profit attributable to owners of the parent increased by 6.6% to approximately RMB100.4 million for the year ended 31 December 2013 from approximately RMB94.2 million for the year ended 31 December 2012.

- Basic earnings per share for the year ended 31 December 2013 was RMB0.16 (2012: RMB0.15)

- Proposed declaration of a final dividend of HK7.5 cents per ordinary share for the year ended 31 December 2013 (2012: HK$7.0 cents).

The board of directors (the "**Board**") of Kingdom Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2013 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

		2013	2012
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**761,915**	718,912
Cost of sales		**(555,032)**	(509,612)
Gross profit		**206,883**	209,300
Other income and gains	*5*	**32,056**	8,320
Selling and distribution expenses		**(32,617)**	(34,358)
Administrative expenses		**(41,042)**	(39,821)
Other expenses		**(14,587)**	(3,544)
Finance costs		**(9,551)**	(12,848)
Share of profits and losses of an associate		**99**	(285)
PROFIT BEFORE TAX	*6*	**141,241**	126,764
Income tax expense	*7*	**(40,803)**	(32,584)
PROFIT FOR THE YEAR		**100,438**	94,180
Attributable to:			
Owners of the parent		**100,438**	94,180
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB0.16**	RMB0.15
Diluted	*9*	**RMB0.16**	RMB0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*
PROFIT FOR THE YEAR	**100,438**	94,180
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**210**	210
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**100,648**	94,390
Attributable to:		
Owners of the parent	**100,648**	94,390

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**455,091**	366,033
Investment property		**3,754**	–
Prepaid land lease payments		**54,654**	56,579
Intangible asset		**10,212**	10,818
Investment in an associate		**5,883**	5,784
Prepayments for equipment		**40,125**	–
Deferred tax assets	*10*	**5,920**	8,322
Total non-current assets		**575,639**	447,536
CURRENT ASSETS			
Inventories		**264,344**	240,570
Trade and notes receivables	*11*	**162,753**	218,077
Prepayments, deposits and other receivables		**33,916**	43,393
Derivative financial instruments		**7,819**	68
Pledged deposits		**68,625**	35,900
Cash and cash equivalents		**201,698**	163,643
Total current assets		**739,155**	701,651
CURRENT LIABILITIES			
Trade and notes payables	*12*	**115,902**	43,186
Other payables and accruals		**37,402**	43,506
Interest-bearing bank borrowings		**188,548**	215,684
Dividend payable		**167**	–
Amount due to a related company		**–**	55
Tax payable		**25,690**	13,428
Total current liabilities		**367,709**	315,859
NET CURRENT ASSETS		**371,446**	385,792
TOTAL ASSETS LESS CURRENT LIABILITIES		**947,085**	833,328

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**947,085**	833,328
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*10*	**7,110**	10,449
Interest-bearing bank borrowings		**50,000**	–
Total non-current liabilities		**57,110**	10,449
Net assets		**889,975**	822,879
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**6,345**	6,301
Reserves		**846,388**	781,041
Proposed final dividend	*8*	**37,242**	35,537
Total equity		**889,975**	822,879

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

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 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 *– Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 (2011)	*Employee Benefits*
IAS 27 (2011)	*Separate Financial Statements*
IAS 28 (2011)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in June 2012

Other than as further explained below regarding the impact of IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 19 (2011), amendments to IFRS 10, IFRS 11, IFRS 12, IAS 1 and IAS 36, and certain amendments included in Annual Improvements 2009-2011 Cycle, the adoption of the new and revised IFRSs has had no effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and addresses the issues in SIC-Int 12 Consolidation – Special Purpose Entities. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under IFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with IAS 28.

As the Group does not have any joint arrangement, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(c) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and an associate are included in note 18 and 19 to the financial statements.

The principal effects of adopting these new and revised IFRSs are as follows (continued):

(d) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by IFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 15 and 26 to the financial statements.

(e) IAS 19 includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(f) The IFRS 10, IFRS 11 and IFRS 12 Amendments clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-Int 12 at the beginning of the annual period in which IFRS 10 is applied for the first time.

(g) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(h) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 Presentation of Financial Statements: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- IAS 32 Financial Instruments: Presentation: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

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 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*[1]
IFRS 14	Regulatory Deferral Accounts[4]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets:* Recoverable Amount Disclosures for Non-Financial Assets[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition And Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements Project	Annual Improvements to IFRSs 2010-2012 Cycle[2]
Annual Improvements Project	Annual Improvements to IFRSs 2011-2013 Cycle[2]

[1] *Effective for annual periods beginning on or after 1 January 2014*

[2] *Effective for annual periods beginning on or after 1 July 2014*

[3] *No mandatory effective date yet determined but is available for adoption*

[4] *Effective for annual periods beginning on or after 1 January 2016*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

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 the performance of the Group. Accordingly, no segment analysis is presented.

Geographical information

(a) Revenue from external customers

An analysis of the Group's geographical information on revenue attributed to the region on the basis of the customer's location for the year ended 31 December 2013 is set out in the following table:

	Revenue from external customers	
	2013	2012
	RMB'000	*RMB'000*
Mainland China	**283,393**	237,860
European Union	**192,051**	246,520
Non-European Union	**286,471**	234,532
Total	**761,915**	718,912

(b) Non-current assets

Since the principal non-current assets, other than deferred tax assets, employed by the Group are located in Mainland China, 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 total revenue was derived from sales to a single customer for the year ended 31 December 2013 (2012: Nil).

5. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, 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:

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sale of linen yarns	**761,915**	718,912
Other income		
Bank interest income	**1,437**	1,546
Government grants	**2,024**	6,023
Compensation income	**2,560**	–
Exchange gain	**315**	50
Insurance income *(Note (a))*	**16,985**	–
Others	**916**	633
	24,237	8,252
Gains		
Fair value gains on derivative instruments – transactions not qualifying as hedges	**7,819**	68
Other income and gains	**32,056**	8,320

Note (a): The amount represents the compensation received from the insurance company, which covered the damages to the Group's assets caused by heavy rain and severe flooding in October 2013.

6. PROFIT BEFORE TAX

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

	2013	2012
	RMB'000	*RMB'000*
Cost of inventories sold	**555,032**	509,612
Depreciation	**50,681**	49,644
Amortization of prepaid land lease payments	**1,392**	859
Amortization of an intangible asset	**606**	599
Research and development ("R&D") expenses	**3,672**	5,512
Minimum lease payments under operating leases:		
Land and buildings	**942**	1,065
Auditors' remuneration	**1,600**	1,500
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**98,951**	95,382
Pension scheme contributions	**6,082**	6,042
Equity-settled share option expense	**257**	771
	105,290	102,195
Foreign exchange differences, net	**(315)**	(50)
Fair value gains on derivative financial instruments transactions not qualifying as hedges	**(7,819)**	(68)
(Gain)/Loss on disposal of items of property, plant and equipment	**(496)**	33
(Reversal of the write-down of inventories)/ write-down of inventories to net realisable value	**863**	(178)
(Reversal of)/Provision for impairment of doubtful debts	**(134)**	26
Finance costs	**9,551**	12,848
Bank interest income	**(1,437)**	(1,546)

7. INCOME TAX EXPENSE

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

	2013	2012
	RMB'000	*RMB'000*
Current – Mainland China		
– Charge for the year	**39,716**	30,486
– Under provision in respect of prior years	**–**	824
Current – Hong Kong		
– Charge for the year	**757**	28
– Under provision in respect of prior years	**113**	–
Current – Italy	**1,154**	535
Deferred	**(937)**	711
Total tax charge for the year	**40,803**	32,584

(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) The provision for Mainland China income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the People's Republic of China ("the PRC").

Pursuant to the income tax rules and regulations of the PRC ("FEIT Law"), the subsidiary located in Mainland China ("Mainland China subsidiaries") named Jiangsu Ziwei Flax Co., Ltd. ("Jiangsu Ziwei") is entitled to a tax holiday for two years from their first profit-making years of operations and thereafter, it is subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years ("Tax Holidays"). The year of 2008 was the first profit-making years for Jiangsu Ziwei.

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 "Corporate Income Tax Law") was approved and became effective on 1 January 2008. According to the Corporate Income Tax Law, the applicable tax rates of the Group's subsidiaries in Mainland China are unified at 25% with effect from 1 January 2008 except Zhaosu Jindi Flax Co., Ltd. ("Zhaosu Jindi") which is engaged in the preliminary processing of agriculture products and is exempted from PRC income tax. Pursuant to the transitional arrangement under the Corporate Income Tax Law, Jiangsu Ziwei will continue to enjoy a 50% reduction on the applicable income tax rate under the Corporate Income Tax Law 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%.

(iii) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

(iv) Pursuant to the rules and regulations of Italy, the Group is subject to an income tax rate at 31.4%, which comprises Italy Corporate Income Tax at 27.5% and Italy 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:

	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**141,241**	126,764
Tax at an applicable tax rate of 25%	**35,310**	31,691
Effect of different tax rates	**(581)**	(5,279)
Under provision in respect of prior years	**113**	824
Share of profits and losses of an associate	**(25)**	71
Income not subject to tax	**(104)**	(31)
Expenses not deductible for tax	**778**	479
Tax credit arising from additional deduction of R&D expenditures of a PRC subsidiary	**(373)**	(403)
Deferred tax liability on withholding tax	**5,685**	5,232
Total charge for the year	**40,803**	32,584

8. DIVIDEND

	2013	2012
	RMB'000	*RMB'000*
Proposed final – HK7.5 cents (2012: HK7 cents) per ordinary share	**37,242**	35,537
	37,242	35,537

At a meeting of the Board held on 14 March 2014, the Board recommended the payment of a final dividend of HK7.5 cents per ordinary share totalling approximately RMB37,242,000 for the year ended 31 December 2013, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 627,353,000 (2012: 623,107,000) in issue during the year, as adjusted to reflect the rights issued during the year.

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

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

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**100,438**	94,180

	Number of shares	
	2013	2012
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**627,353**	623,107
Effect of dilution – weighted average number of ordinary shares:		
Share options	**3,653**	2,043
	631,006	625,150

10. DEFERRED TAX

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

Deferred tax assets:

	Accruals	Allowance for doubtful debts	Provision against inventories	Elimination of unrealised profits	Depreciation in excess of related depreciation allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	3,493	498	1,017	1,524	730	7,262
Deferred tax credited/(charged) to the statement of profit or loss during the year	405	(153)	186	450	189	1,077
At 31 December 2012 and 1 January 2013	3,898	345	1,203	1,974	919	8,339
Deferred tax credited/(charged) to the statement of profit or loss during the year	105	(27)	64	(1,027)	421	(464)
At 31 December 2013	4,003	318	1,267	947	1,340	7,875

Deferred tax liabilities:

	Withholding tax on undistributed profits of the Mainland China subsidiaries	Fair value gains on derivative financial instruments	Depreciation allowance in excess of related depreciation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	7,877	258	543	8,678
Deferred tax charged/(credited) to the statement of profit or loss during the year	1,898	(241)	131	1,788
At 31 December 2012 and 1 January 2013	9,775	17	674	10,466
Deferred tax charged/(credited) to the statement of profit or loss during the year	(2,872)	1,938	(467)	(1,401)
At 31 December 2013	6,903	1,955	207	9,065

Pursuant to the Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

Deferred tax of the Group as at 31 December 2013 and 2012 relates to the following:

	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Deferred tax assets arising from:		
– Allowance for doubtful debts	**318**	345
– Provision against inventories	**1,267**	1,203
– Elimination of unrealised profits	**947**	1,974
– Accruals	**4,003**	3,898
– Depreciation in excess of related depreciation allowance	**1,340**	919
	7,875	8,339

	31 December 2013	31 December *2012*
	RMB'000	*RMB'000*
Deferred tax liabilities arising from:		
– Withholding tax on undistributed profits of Mainland China subsidiaries	**(6,903)**	(9,775)
– Depreciation allowance in excess of related depreciation	**(207)**	(674)
– Fair value gains on derivative financial instruments	**(1,955)**	(17)
	(9,065)	(10,466)
Deferred tax, net	**(1,190)**	(2,127)
Reflected in the consolidated statement of financial position:		
– Deferred tax assets	**5,920**	8,322
– Deferred tax liabilities	**(7,110)**	(10,449)

As at 31 December 2013, other than the amount recognised in the consolidated financial statements, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company (the "Directors"), it is not probable that these subsidiaries will distribute such unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB193,008,000 at 31 December 2013 (2012: RMB163,889,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

11. TRADE AND NOTES RECEIVABLES

	31 December 2013	31 December *2012*
	RMB'000	*RMB'000*
Trade receivables	**115,469**	145,896
Notes receivable	**48,299**	73,561
Impairment	**(1,015)**	(1,380)
	162,753	218,077

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

The Group's notes receivables were all aged within six months and were neither past due nor impaired.

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

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*
Within 1 month	**64,239**	81,511
1 to 2 months	**13,981**	30,565
2 to 3 months	**10,155**	16,871
Over 3 months	**26,079**	15,569
	114,454	144,516

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

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*
At 1 January	**1,380**	1,614
Impairment losses recognised	**–**	31
Amount written off as uncollectible	**(231)**	(260)
Impairment losses reversed	**(134)**	(5)
	1,015	1,380

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB1,015,000 (2012: RMB1,380,000) with a carrying amount before provision of RMB6,357,000 (2012: RMB2,951,000).

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 2013 *RMB'000*	31 December 2012 *RMB'000*
Neither past due nor impaired	**99,496**	133,884
Less than 1 month past due	**2,164**	5,406
1 to 3 months past due	**5,821**	2,272
Over 3 months past due	**1,631**	1,383
	109,112	142,945

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

Notes receivable that are not derecognised in their entirety

At 31 December 2013, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") with a carrying amount of RMB19,592,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to these Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the endorsement, the Group does not retain any rights on the use of the Endorsed Notes, including sale, transfer or pledge of the Endorsed Notes to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Notes to which the suppliers have recourse is RMB19,592,000 (2012: RMB10,996,000) as at 31 December 2013.

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at 31 December 2013, based on the payment due date, is as follows:

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*
Due within 1 month or on demand	**89,852**	30,001
Due after 1 month but within 3 months	**25,618**	10,597
Due after 3 months but within 6 months	**249**	2,588
Due after 6 months but within 12 months	**183**	–
	115,902	43,186

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2013, both the global economy and the textile and garment industry have shown signs of recovery. In particular, the performance of the linen textile industry was one of the best in the textile and garment industry. Thanks to the continuous promotion of linen yarn/fabric application in recent years, the linen textile market has seen gradual expansion in scale. According to the statistics of the China Bast and Leaf Fibers Textile Association, the linen yarn export of China amounted to US$245 million in 2013, representing a year-on-year increase of 6.8%. In spite of the saturation of the existing production capacity and the impact of the rainstorm and flood brought by typhoon Fitow in October 2013, the Group continued to dominate the industry and remained the largest Chinese linen yarn exporter for 11 consecutive years. The Group's linen yarn exports in 2013 accounted for 29.3% of the total export from China and topped the industry. The application of linen yarn was restricted to high-end fashion and home textiles in the past due to the limited raw material supply and primitive production technology. However, as advances in the technology for linen yarn spinning and linen fabric manufacturing brought about new products and applications, the use of linen textiles in fast fashion has since been growing. As international fast fashion brands began to embrace different kinds of linen textiles, such as linen/cotton and linen/wool blend fabrics, the demand of linen grew substantially.

For the year 2013, the Group's turnover was RMB761,915,000 (2012: RMB718,912,000), representing an increase of 6.0% compared to last year. Gross profit dropped by 1.2% year-on-year to RMB206,883,000 (2012: RMB209,300,000). Thanks to its leading market position, the Group enjoys pricing power in the market. Such power allows the Group to increase the average selling price in the year to counter part of the impact of rising labor costs in China. As a result, gross profit margin stood at 27.2% (2012: 29.1%). The Group's profit attributable to owners of the parent increased by 6.6% year-on-year to RMB100,438,000 (2012: RMB94,180,000). Basic earnings per share amounted to RMB0.16. To reciprocate the shareholders for their continued support, the Board has recommended the payment of a final dividend of HK7.5 cents per ordinary share (2012: HK7 cents per ordinary share).

Major Markets and Customers

With a sales network covering over 20 countries and regions around the world, the Group established a branch company in Italy and 5 brand agencies located in Turkey, Portugal, India and Korea. For the year ended 31 December 2013, domestic sales amounted to RMB283,393,000, representing a surge of 19% year-on-year, and accounted for approximately 37% of the Group's total turnover, while overseas sales accounted for 63% of the total turnover. In terms of export amount, the European Union remained the largest export market of the Group and accounted for 40% of the Group's total export sales, followed by Korea, Turkey and India, successively. Among these countries, emerging markets such as Korea and India demonstrated the most significant growth during the year.

Sales of linen yarn to the Indian market jumped from RMB45,624,000 in 2012 to RMB66,353,000 in 2013, up by 45%. The demand for linen products in India has been rising in recent years due to the rapid growth of the Indian economy and consumption market as well as the tropical climate. It is expected that the demand for linen products from India will continue to surge. Meanwhile, demand from garment producers such as China, Turkey and Portugal will also keep growing due to the boom in fast fashion industry.

Raw Material Procurement and Related Strategies

During the year ended 31 December 2013, prices of the Group's raw material, linen fiber, was largely stable. The Group mainly sources its linen fiber from well-established origins such as France, Belgium and the Netherlands. Being one of the largest buyers in these origins, the Group enjoys better bargaining power and has a cost advantage. Furthermore, the Group has implemented a timely procurement strategy in order to secure stable supply and prices of linen fiber.

The Group's raw material production base in Xinjiang mainly produces organic linen, with an annual production of 702 tonnes in 2013, and contributes approximately 4% of the Group's total raw material supply.

Production Bases and Productivity

As at 31 December 2013, the Group had an aggregate annual production capacity of 13,000 tonnes, with two production bases located in Haiyan County, Zhejiang Province and Rugao City, Jiangsu Province. The Group's production line is now nearly saturated. In order to capture the opportunity brought by the growing demand in linen products, the Group has completed the construction of the third production base in Haiyan County, Zhejiang Province. As at the date of this announcement, the new plant has been put into fine tuning stage. Trial and formal production are scheduled to start in March and in the middle of the second quarter, respectively, of 2014. By then, the annual production capacity of the Group will increase significantly by 38% from 13,000 tonnes now to 18,000 tonnes. This new production base will be equipped with the latest technologies and facilities, including power equipment and energy management solutions provided by Siemens. Compared with the existing bases, the new production base will command higher production efficiency and save more energy and water, thereby helping the Group to reduce costs in the current operating environment against the ever rising energy and water prices.

Existing production bases	**Major products**	**Annual production capacity** (tonnes)	**Utilization rate**
1st Phase of Haiyan County, Zhejiang Province	Linen yarn/ dope-dyed fiber	7,000	100%
Rugao City, Jiangsu Province	Linen yarn	6,000	100%
2nd Phase of Haiyan County, Zhejiang Province (opening soon)	Linen yarn	5,000	–
Total		18,000	–

Achievements and Awards in Research and Development

The Group is always committed to innovation on technology and technique as well as new product development. In 2013, the Company achieved various new technological breakthroughs and developed high-value added dope-dyed fiber, thereby further expanding the proportion of high-margin products. During the year ended 31 December 2013, the Group applied for a total of 10 patents, including 6 invention patents and 4 utility patents. As at 31 December 2013, the Group has obtained 39 patents.

In 2013, the Group received various awards which have proven its well-recognized leading position in the linen yarn market:

- Named as "Enterprise on Management Innovation" and "Model Enterprise on Technology & Facility Innovation" by the China Bast and Leaf Fibers Textile Association

- Granted with the "National Textile Industry Quality Award" by the China National Textile and Apparel Council

- Named as "Provincial Technology Center of Zhejiang" by the Zhejiang Province Economic and Information Commission

- The energy-saving project recognized as "Top Ten Most Influential Projects in 2012" by the Chinese Association of Automation

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2013, the Group's turnover increased to RMB761,915,000, representing an increase of approximately 6.0% year-on-year (2012: RMB718,912,000). Despite the manufacturing capacity was closed to saturation and impact on the operations of the Group due to heavy rain and severe flooding brought by typhoon "Fitow" in October 2013, as well as the United State Dollars depreciated by approximately 3% against Chinese Yuan during the year, where most of our sales were made in United State Dollars, the Group still recorded a positive growth in turnover.

Breakdown of turnover by sales regions:

Sales regions:	**For the year ended 31 December**	
	2013	2012
	RMB'000	*RMB'000*
Mainland China	**283,393**	237,860
European Union	**192,051**	246,520
Non-European Union	**286,471**	234,532
Total	**761,915**	718,912

Gross Profit and Gross Profit Margin

For the year ended 31 December 2013, in light of the increasing labour costs and stable but rising raw material prices, the Group's gross profit recorded a year-on-year decrease to RMB206,883,000 (for the year ended 31 December 2012: RMB209,300,000). Gross profit margin for the year ended 31 December 2013 slightly dropped to approximately 27.2% compared to 29.1% for the year ended 31 December 2012.

Other Income and Gains

For the year ended 31 December 2013, the Group recorded an insurance income of RMB16,985,000 (2012: Nil) for the compensation of damages due to heavy rain and severe flooding brought by typhoon "Fitow" in October 2013, and government grants of approximately RMB2,024,000 (for the year ended 31 December 2012: RMB6,023,000). There was also a non-cash fair value gain on derivative instruments – transactions not qualifying as hedges amounted to RMB7,819,000 during the year (2012: RMB68,000).

Selling and Distribution Costs

For the year ended 31 December 2013, the Group's selling and distribution costs amounted to approximately RMB32,617,000 (for the year ended 31 December 2012: RMB34,358,000), which accounted for approximately 4.3% of its turnover (for the year ended 31 December 2012: 4.8%). The decrease in selling costs was mainly due to lower freight and transportation costs as there were more domestic sales in China and less sales to Europe during the year ended 31 December 2013 compared with 2012, as well as higher marketing expense to develop new markets in last year.

Administrative Expenses

For the year ended 31 December 2013, the Group's administrative expenses amounted to approximately RMB41,042,000 (for the year ended 31 December 2012: RMB39,821,000), representing an increase of approximately 3.1% as compared to the corresponding period last year. Administrative expenses increased mainly due to the increase in human resources management consultation fee of RMB2,100,000.

Other Expenses

Other expenses mainly represent the damages to the Group's assets by heavy rain and severe flooding caused by typhoon "Fitow" in October 2013.

Finance Costs

For the year ended 31 December 2013, finance costs were approximately RMB9,551,000 (for the year ended 31 December 2012: RMB12,848,000), representing a decrease of approximately 26%. The decrease in finance costs was mainly due to lower average bank loans' balances as compared to last year.

Share of Profits and Losses of an Associate

For the year ended 31 December 2013, share of profit of Huaning Flax Electronic Business (Zhejiang) Co., Ltd.（浙江華凝亞麻電子商務有限公司）, an associate established on 28 December 2009 in China principally engaging in sale of linen raw material products and provision of transaction services, was approximately RMB99,000 (for the year ended 31 December 2012: share of losses RMB285,000).

Profit Attributable to Owners of the Parent

For the year ended 31 December 2013, the Group recorded a profit attributable to owners of the parent of approximately RMB100,438,000 (for the year ended 31 December 2012: RMB94,180,000), representing an increase of 6.6% as compared with the corresponding period last year.

Intangible Assets

As at 31 December 2013, the Group's intangible assets were sewage rights granted in 2012 for a term of 20 years, which amounted to RMB10,212,000 (31 December 2012: RMB10,818,000). Intangible assets are subject to amortization based on their useful lives. For the year ended 31 December 2013, amortization of intangible assets was approximately RMB606,000 (for the year ended 31 December 2012: RMB599,000).

Trade and Notes Receivables

As at 31 December 2013, trade and notes receivables of the Group decreased by 25.4% to RMB162,753,000 (31 December 2012: RMB218,077,000). The significant decrease in trade receivable was due to a higher base in 2012, which was mainly attributable to the increase in sales in the fourth quarter of 2012, together with the tightening liquidity of domestic customers due to the slowdown of PRC economy, both trade and notes receivables of the Group were higher at the end of 2012.

Trade and Notes Payables

As at 31 December 2013, trade and notes payables of the Group were approximately RMB115,902,000 (31 December 2012: RMB43,186,000), representing a significant increase of 168%. Such increase was mainly due to the Group's additional purchases of raw materials in the fourth quarter of 2013 to ensure stable supply, including those for the new manufacturing facility to be commenced operation in 2014.

Interest-bearing Bank Loans

As at 31 December 2013, the Group's interest-bearing bank loans amounted to approximately RMB238,548,000 (31 December 2012: RMB215,684,000), representing an increase of 10.6%, mainly reflecting the Company's normal requirement for working capital.

Liquidity and Financial Resources

As at 31 December 2013, the Group had net current assets of approximately RMB371,446,000 (31 December 2012: RMB385,792,000). The Group financed its operations with internally generated resources and bank loans during the year ended 31 December 2013. As at 31 December 2013, the Group had cash and bank deposits of approximately RMB201,698,000 (31 December 2012: RMB163,643,000). The liquidity ratio of the Group as at 31 December 2013 was approximately 201.0% (31 December 2012: 222.1%). Shareholders' fund of the Group as at 31 December 2013 was approximately RMB889,975,000 (31 December 2012: RMB822,879,000).

As at 31 December 2013, the Group had bank loans repayable within 12 months from the statement of financial position date of approximately RMB188,548,000 (31 December 2012: RMB215,684,000) and long-term loans of RMB50,000,000 (31 December 2012: Nil). Together they represented a gross debt gearing (i.e. total borrowings/shareholders' funds) of approximately 26.8% (31 December 2012: 26.2%).

CAPITAL COMMITMENTS

As at 31 December 2013, outstanding contractual capital commitments of the Group in respect of purchase of property, plant and equipment not provided for in the annual financial statements amounted to approximately RMB79,505,000 (31 December 2012: RMB80,526,000).

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any contingent liabilities.

CHARGE OF ASSETS

As at 31 December 2013, the interest-bearing bank loans were secured by certain property, plant and equipment, prepaid land lease payments, inventories and pledged deposits of the Group with carrying amounts of RMB59,072,000 (2012: RMB43,770,000), RMB27,324,000 (2012: RMB28,031,000), RMB72,799,000 (2012: RMB52,302,000) and RMB37,818,000 (2012: RMB35,900,000), respectively.

FOREIGN CURRENCY RISK

The Group's transactions are mainly denominated in RMB, United States Dollars, Euro and Hong Kong Dollars. The exchange rate changes of such currencies were monitored regularly and managed appropriately. Currently, the Company also has certain foreign currency forward contracts entered into by utilizing its credit line, and derivative financial instruments of approximately RMB7,819,000 (31 December 2012: RMB68,000) was recognized by the Group as assets as at 31 December 2013.

REMUNERATION POLICY AND SHARE OPTION SCHEME

As at 31 December 2013, the Group had a total of 2,032 employees (31 December 2012: 2,150 employees). Total staff costs incurred for the year ended 31 December 2013 amounted to RMB105,290,000 (for the year ended 31 December 2012: RMB102,195,000), representing an increase of 3.0%, which was mainly because of the rise in the Group's remuneration during the year.

The Group offers comprehensive and competitive remuneration, retirement scheme and benefit packages to its employees. The Group is required to make contributions to a social security scheme in China. Moreover, the Group and its employees in China are each 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 remunerations of the Directors are determined by the Board and the remuneration committee of the Company with the mandate given by the shareholders at the annual general meeting having regard to the Group's operating results, individual performance and comparable market statistics. The Group also provides both internal and external training programmes for its employees from time to time.

The Group has also adopted a share option scheme (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 have contributed to the success of the Group's operations.

The Company granted 9,100,000 share options under the Scheme on 9 July 2010. The Group recognized a share option expense of HK$325,000, equivalent to approximately RMB257,000 (2012: RMB771,000) during the year ended 31 December 2013. There were 3,640,000 share options exercised in 2012 resulted in the issue of 3,640,000 ordinary shares of the Company and new share capital of HK$36,400 equivalent to approximately RMB29,000 and share premium of HK$2,596,000 equivalent to approximately RMB2,180,000 in previous year.

During the year, the remaining 5,460,000 share options outstanding under the Scheme were exercised in full. It resulted in the issue of 5,460,000 additional ordinary shares of the Company and additional share capital of HK$54,600, equivalent to approximately RMB44,000, and share premium of HK$3,893,000, equivalent to approximately RMB3,226,000.

PROSPECTS

Outlook and plans

As the application of linen yarn in knitted fabrics are expanding and the use of blend fabrics has become more popular, market demand for linen yarn has been growing. In addition, the economies of traditional linen garment consumers, namely Europe and the United States, have been gradually reviving and the demand from the emerging markets has been rising. Given these trends, the Group is cautiously optimistic about the outlook for the market. In its blueprint for 2014, the Group will continue to enhance production capacity, launch new products and expand in overseas and domestic markets. It will spare no effort to foster the overall linen textile market and enlarge its own market share at the same time.

With the views to promote the use of linen yarn and enhance its overall profitability, the Group will continue to research, develop and introduce high-value added products. A new product, dope-dyed linen yarn, was launched in 2013 and is being marketed. In 2014, it will be rigorously promoted through the Group's overseas agency network and in industrial conferences. Furthermore, in view of the rising market demand for environmental-friendly, natural and organic products, the Group has taken the lead in establishing trial plantation of organic linen in Xinjiang for organic linen yarn products. The gross profit margin of these products is relatively high. In the coming year, the Group may enlarge the production of organic linen yarn depending on market demand so as to diversify its product portfolio and enhance its overall profitability.

The domestic linen yarn market is maturing. More and more domestic garment retail chains include garments made of linen fabrics in their collections. The market has shifted from processing and export to domestic consumption. The Group will further penetrate the domestic market in 2014. Leveraging on the Group's strategic location in China, the Group is ready to capture the enormous opportunity arise from the 1.3 billion population of the country. On the other hand, Japan exhibits a stable growth in demand for linen yarn and will rival the aforementioned overseas markets. The Group's sales in the Japanese market during the year were satisfactory. Given its rise as an emerging market for linen products, Japan is expected to make a greater contribution to the Group's sales in the future. The Group will strengthen its ties with customers across the world by organizing industrial and technology exchange conferences in order to obtain first-hand market information, thereby enhancing its research and development capacity and techniques, bolstering its customer relations and securing business growth at home and abroad.

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 2013. 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 2013.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2013.

DIVIDEND

At a meeting of the Board held on 14 March 2014, the Board recommended the payment of a final dividend of HK7.5 cents per ordinary share of the Company for the year ended 31 December 2013. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting of the Company, will be paid on or before 25 June 2014 to the shareholders whose names appear on the register of members of the Company at the close of business on 16 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 May 2014 to 19 May 2014, both days inclusive, during which period no transfer of shares will be effected. In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company, 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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be located to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration not later than 4:30 p.m. on 14 May 2014.

The register of members of the Company will be closed from 12 June 2014 to 16 June 2014, 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, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at above address for registration not later than 4:30 p.m. on 11 June 2014. The proposed final dividend, subject to shareholders' approval at the forthcoming annual general meeting, will be paid to shareholders on or before 25 June 2014 whose names appear on the register of members of the Company at the close of business on 16 June 2014.

PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkexnews.hk and the Company at www.kingdom-china.com. The annual report of the Company for the year ended 31 December 2013 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 for review on the same websites in due course.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible 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 Corporate Governance Code (the "**Code**") contained in Appendix 14 of the Listing Rules for the year ended 31 December 2013.

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 have confirmed that they have complied with the provisions of the Model Code and the Company's code of conduct regarding Directors' securities transactions for the year ended 31 December 2013 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the 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 annual results of the Group for the year ended 31 December 2013 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. Yang Donghui is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee was established by the Company to make recommendations to the Board on any proposed changes to the Board and senior management to complement the Company's corporate strategy. The Nomination Committee comprises two independent non-executive Directors, Mr. Lau Ying Kit and Mr. Lo Kwong Shun Wilson and an executive Director, Mr. Shen Yueming. Mr. Lo Kwong Shun Wilson is the chairman of the Nomination Committee.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on 19 May 2014 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, 14 March 2014

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.