KINGDOM

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 2014

FINANCIAL HIGHLIGHTS

- Revenue increased by 20.0% to approximately RMB914,279,000 for the year ended 31 December 2014 from approximately RMB761,915,000 for the year ended 31 December 2013.

- Gross profit margin for the year end 31 December 2014 remained stable at 26.8% (2013: 27.2%).

- Profit attributable to owners of the parent increased by 10.0% to approximately RMB110,477,000 million for the year ended 31 December 2014 from approximately RMB100,438,000 million for the year ended 31 December 2013.

- Basic earnings per share for the year ended 31 December 2014 was RMB0.17 (2013: RMB0.16).

- Proposed declaration of a final dividend of HK7.5 cents per ordinary share for the year ended 31 December 2014 (2013: HK$7.5 cents).

The board (the "**Board**") of directors (the "**Directors**") 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 2014 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2014

		2014	2013
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**914,279**	761,915
Cost of sales		**(669,278)**	(555,032)
Gross profit		**245,001**	206,883
Other income and gains	*4*	**14,309**	32,056
Selling and distribution expenses		**(37,870)**	(32,617)
Administrative expenses		**(48,168)**	(41,042)
Other expenses		**(12,931)**	(14,587)
Finance costs	*5*	**(10,751)**	(9,551)
Share of profits of an associate		**36**	99
PROFIT BEFORE TAX	*6*	**149,626**	141,241
Income tax expense	*7*	**(39,149)**	(40,803)
PROFIT FOR THE YEAR		**110,477**	100,438
Attributable to:			
Owners of the parent		**110,477**	100,438
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB0.17**	RMB0.16
Diluted	*9*	**RMB0.17**	RMB0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**110,477**	100,438
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,548)**	210
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**108,929**	100,648
Attributable to:		
Owners of the parent	**108,929**	100,648

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**31 December 2014** *RMB'000*	31 December 2013 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**536,118**	455,091
Investment property		**3,580**	3,754
Prepaid land lease payments		**53,392**	54,654
Intangible asset		**9,606**	10,212
Investment in an associate		**5,919**	5,883
Prepayments for equipment		**10,160**	40,125
Deferred tax assets	*10*	**7,596**	5,920
Total non-current assets		**626,371**	575,639
CURRENT ASSETS			
Inventories	*11*	**297,104**	264,344
Trade and notes receivables	*12*	**232,922**	162,753
Prepayments, deposits and other receivables		**45,043**	33,916
Derivative financial instruments	*13*	**2,244**	7,819
Pledged deposits		**69,186**	68,625
Cash and cash equivalents		**217,185**	201,698
Total current assets		**863,684**	739,155
CURRENT LIABILITIES			
Trade and notes payables	*14*	**151,200**	115,902
Other payables and accruals		**57,592**	37,402
Interest-bearing bank borrowings		**230,875**	188,548
Tax payable		**24,352**	25,690
Dividend payable		**4**	167
Amount due to an associate		**100**	–
Total current liabilities		**464,123**	367,709
NET CURRENT ASSETS		**399,561**	371,446
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,025,932**	947,085

	Notes	**31 December 2014** *RMB'000*	31 December 2013 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,025,932**	947,085
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*10*	**14,270**	7,110
Interest-bearing bank borrowings		**50,000**	50,000
Total non-current liabilities		**64,270**	57,110
Net assets		**961,662**	889,975
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**6,345**	6,345
Reserves		**917,947**	846,388
Proposed final dividend		**37,370**	37,242
Total equity		**961,662**	889,975

Notes to the financial statements

1. CORPORATE INFORMATION

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

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

The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman KY1-1111, Cayman Islands; and the principal place of business is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board. The financial statements 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 2014. 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC-Int 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] *Effective from 1 July 2014*

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) IFRIC-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets which for the levies incurred by the Group are consistent with the requirements of IFRIC-Int 21.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

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

2 *Effective for annual periods beginning on or after 1 January 2016*

3 *Effective for annual periods beginning on or after 1 January 2017*

4 *Effective for annual periods beginning on or after 1 January 2018*

5 *Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group*

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

3. 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 2014 is set out in the following table:

	Revenue from external customers	
	2014	2013
	RMB'000	*RMB'000*
Mainland China	**330,403**	283,393
European Union	**251,538**	192,051
Non-European Union	**332,338**	286,471
Total	**914,279**	761,915

(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 2014 (2013: Nil).

4. REVENUE, OTHER INCOME AND GAINS

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:

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Sale of linen yarns	**914,279**	761,915
Other income		
Bank interest income	**946**	1,437
Government grants	**10,211**	2,024
Compensation income	**–**	2,560
Exchange gain	**–**	315
Insurance income *(note (a))*	**–**	16,985
Others	**908**	916
	12,065	24,237
Gains		
Fair value gains on derivative instruments – transactions not qualifying as hedges	**2,244**	7,819
	14,309	32,056

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.

5. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on bank loans, wholly repayable within five years	**14,794**	11,653
Less: interest capitalised	**(4,043)**	(2,102)
	10,751	9,551

6. PROFIT BEFORE TAX

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

	2014	2013
	RMB'000	*RMB'000*
Cost of inventories sold	**669,278**	555,032
Depreciation	**57,003**	50,681
Amortisation of prepaid land lease payments	**1,327**	1,392
Amortisation of an intangible asset	**606**	606
Research and development ("R&D") expenses	**5,427**	3,672
Minimum lease payments under operating leases:		
Land and buildings	**1,463**	942
Auditors' remuneration	**1,750**	1,600
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**133,140**	98,951
Pension scheme contributions	**7,354**	6,082
Equity-settled share option expense	**–**	257
	140,494	105,290
Foreign exchange differences, net	**10,055**	(315)
Fair value gains on derivative instruments		
– transactions not qualifying as hedges	**(2,244)**	(7,819)
Loss/(gain) on disposal of items of property, plant and equipment	**941**	(496)
Fire accident losses, net *(note (a))*	**399**	–
(Reversal of the write-down of inventories)/ Write-down of inventories to net realisable value	**(1,332)**	863
Reversal of provision for impairment of trade receivables	**(229)**	(134)
Finance costs	**10,751**	9,551
Bank interest income	**(946)**	(1,437)

Note (a): The amount represents the losses of the Group's assets due to a fire accident in March 2014, net of compensation received from the insurance company.

7. INCOME TAX EXPENSE

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

	2014	2013
	RMB'000	*RMB'000*
Current – Mainland China		
– Charge for the year	**31,384**	39,716
– Overprovision in respect of prior years	**(122)**	–
Current – Hong Kong		
– Charge for the year	**1,323**	757
– Underprovision in respect of prior years	**–**	113
Current – Italy	**1,080**	1,154
Deferred *(note 10)*	**5,484**	(937)
Total tax charge for the year	**39,149**	40,803

(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").

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 for Zhaosu Jindi Flax Co., Ltd. ("Zhaosu Jindi"), an indirect wholly-owned subsidiary of the Group, which is engaged in the preliminary processing of agriculture products and is exempted from PRC income tax.

(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:

	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**149,626**	141,241
Tax at an applicable tax rate of 25%	**37,407**	35,310
Effect of different tax rates	**(4,792)**	(581)
(Overprovision)/Underprovision in respect of prior years	**(122)**	113
Share of profits of an associate	**(9)**	(25)
Income not subject to tax	**(130)**	(104)
Expenses not deductible for tax	**1,084**	778
Tax credit arising from additional deduction of R&D expenditures of a PRC subsidiary	**(426)**	(373)
Deferred tax liability on withholding tax	**6,137**	5,685
Total charge for the year	**39,149**	40,803

8. DIVIDEND

	2014	2013
	RMB'000	*RMB'000*
Proposed final – HK7.5 cents (2013: HK7.5 cents) per ordinary share	**37,370**	37,242
	37,370	37,242

At a meeting of the board of directors held on 13 March 2015, the payment of a final dividend of HK7.5 cents per ordinary share totalling approximately RMB37,370,000 was recommended, for the year ended 31 December 2014, 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 the 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 631,600,000 (2013: 627,353,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the 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:

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**110,477**	100,438

	Number of shares	
	2014	2013
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**631,600**	627,353
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	3,653
	631,600	631,006

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 for 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 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 *(note 7)*	**105**	**(27)**	**64**	**(1,027)**	**421**	**(464)**
At 31 December 2013 and 1 January 2014	**4,003**	**318**	**1,267**	**947**	**1,340**	**7,875**
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 7)*	**1,462**	**(102)**	**(700)**	**(279)**	**(99)**	**282**
At 31 December 2014	**5,465**	**216**	**567**	**668**	**1,241**	**8,157**

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 2013	9,775	17	674	10,466
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 7)*	(2,872)	1,938	(467)	(1,401)
At 31 December 2013 and 1 January 2014	6,903	1,955	207	9,065
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 7)*	5,761	(1,394)	1,399	5,766
At 31 December 2014	12,664	561	1,606	14,831

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 2014 and 2013 relates to the following:

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Deferred tax assets arising from:		
– Allowance for doubtful debts	**216**	318
– Provision against inventories	**567**	1,267
– Elimination of unrealised profits	**668**	947
– Accruals	**5,465**	4,003
– Depreciation in excess of related depreciation allowance	**1,241**	1,340
	8,157	7,875

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Deferred tax liabilities arising from:		
– Withholding tax on undistributed profits of Mainland China subsidiaries	**(12,664)**	(6,903)
– Depreciation allowance in excess of related depreciation	**(1,606)**	(207)
– Fair value gains on derivative financial instruments	**(561)**	(1,955)
	(14,831)	(9,065)
Deferred tax, net	**(6,674)**	(1,190)
Reflected in the consolidated statement of financial position:		
– Deferred tax assets	**7,596**	5,920
– Deferred tax liabilities	**(14,270)**	(7,110)

As at 31 December 2014, 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, 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 RMB234,618,000 at 31 December 2014 (2013: RMB193,008,000).

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

11. INVENTORIES

	31 December 2014 RMB'000	31 December 2013 RMB'000
Raw materials	**208,587**	186,699
Work in progress	**27,623**	17,737
Finished goods	**60,894**	59,908
	297,104	264,344

As at 31 December 2014, inventories with a carrying amount of RMB40,000,000 (2013: RMB72,799,000) were pledged to secure bank loans granted to the Group.

12. TRADE AND NOTES RECEIVABLES

	31 December 2014 RMB'000	31 December 2013 RMB'000
Trade receivables	**169,676**	115,469
Notes receivable	**64,032**	48,299
Impairment	**(786)**	(1,015)
	232,922	162,753

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

The Group's notes receivable 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 2014	31 December 2013
	RMB'000	*RMB'000*
Within 1 month	**68,129**	64,239
1 to 2 months	**35,939**	13,981
2 to 3 months	**33,132**	10,155
Over 3 months	**31,690**	26,079
	168,890	114,454

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

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
At 1 January	**1,015**	1,380
Amount written off as uncollectible	**–**	(231)
Impairment losses reversed	**(229)**	(134)
	786	1,015

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB786,000 (2013: RMB1,015,000) with a carrying amount before provision of RMB1,253,000 (2013: RMB6,357,000).

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 2014 *RMB'000*	31 December 2013 *RMB'000*
Neither past due nor impaired	**148,628**	99,496
Less than 1 month past due	**9,980**	2,164
1 to 3 months past due	**6,431**	5,821
Over 3 months past due	**3,384**	1,631
	168,423	109,112

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 2014, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") with a carrying amount of RMB12,026,000 (31 December 2013: 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 RMB12,026,000 (31 December 2013: RMB19,592,000) as at 31 December 2014.

Notes receivable that are derecognised in their entirety

At 31 December 2014, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Derecognised Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB25,580,000 (31 December 2013: RMB49,790,000). The Derecognised Notes had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

The Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes in 2014 (2013: Nil). No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Assets:		
Foreign exchange forward contracts – current	**2,244**	7,819

The Group uses currency forward contracts to manage some of its transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally from one to twelve months. These contracts will mature within 2015.

The derivatives are measured at fair value as at 31 December 2014.

14. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at 31 December 2014, based on the payment due date, is as follows:

	31 December 2014 *RMB'000*	31 December 2013 *RMB'000*
Due within 1 month or on demand	**35,744**	89,852
Due after 1 month but within 3 months	**115,456**	25,618
Due after 3 months but within 6 months	**–**	249
Due after 6 months but within 12 months	**–**	183
	151,200	115,902

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

During 2014, the growth of the textile industry in China cooled off to a stable rate due to the slowdown in macro-economic growth in China, the surge in labour and production costs and the wild fluctuations in cotton prices. However, the linen textile industry, in general, was able to maintain a relatively fast growth in 2014 as consumers were more receptive to natural products, there were recent improvements in linen fabric spinning technologies and the domestic market was gradually expanding under bolstered marketing efforts. According to the statistics of the General Administration of Customs of the People's Republic of China, total volume of linen yarn exports of China for 2014 increased by 12.0% year-on-year. For years, the Group has focused on upholding excellent quality and offering tailored customer services. As such, the Group has always been a key partner of major overseas linen fabric and garment manufacturers. In 2014, the Group's linen yarn exports amounted to 9,112 tonnes, representing a year-on-year increase of 15%, which reinforced the Group's leading position as the largest linen yarn exporter in China for 12 consecutive years.

The new production base in Haiyan County, Zhejiang Province (2nd phase of the Haiyan plant) of the Group commenced trial production in April 2014 and smoothly commenced formal production in June 2014, thereby adding an annual production of 5,000 tonnes of linen yarn to the Group and alleviating the shortage of capacity to some extent. Given the launch of the new production capacity, coupled with an increase in average selling prices at the beginning of the year, revenue of the Group for 2014 surged by 20% year-on-year as compared with last year to RMB914,279,000 (2013: RMB761,915,000). Gross profit rose by 18.4% year-on-year to RMB245,001,000 (2013: RMB206,883,000). As a result of the offset between the increase in selling prices at the beginning of the year and the rise in labour and energy costs as well as the initial depreciation in relation to the 2nd phase of the Haiyan plant, gross profit margin stood at 26.8% (2013: 27.2%). Profit attributable to owners of the parent reached RMB110,477,000, representing an increase of 10.0% from RMB100,438,000 for 2013. Net profit margin slightly decreased to 12.1% (2013: 13.2%) but the basic earnings per share increased to RMB0.17 (2013: RMB0.16). To reciprocate the shareholders for their continued support while reserving resources for further expansions, the Board has recommended the payment of a final dividend of HK7.5 cents per ordinary share (2013: HK7.5 cents per ordinary share).

Major Markets and Customers

Being the largest linen yarn exporter in China, the Group has a sales network covering over 20 countries and regions around the world. In order to seize market opportunity quickly, keep abreast of market trends and deliver comprehensive and efficient services, the Group has established footprints in major overseas linen textile and consumer markets. The Group currently has one subsidiary in Italy and five agencies in Turkey, Portugal, India and Korea. The Italian subsidiary keeps its own stocks so that it can serve the immediate needs and tighten the co-operation with high-end clients in Europe.

In 2014, overseas sales amounted to RMB583,876,000 and accounted for approximately 64% of the Group's overall revenue. In particular, revenue from European Union countries amounted to approximately RMB251,538,000, accounting for 28% of the total revenue, while that from non-European Union countries amounted to approximately RMB332,338,000, accounting for 36% of the total revenue. During the year, Italy remained the largest export market of the Group and accounted for 25% of its total export revenue, followed by, in descending order, Korea, Turkey, India, Portugal and Japan.

While the overseas markets are developing steadily, the domestic linen textile market has also attained significant growth in recent years. Domestic sales surged by 17% during the year to RMB330,403,000, accounting for approximately 36% of the Group's total revenue. In light of the increasing income level, there have been fundamental changes in the consumption patterns of the general public in China. Consumers' concerns have shifted from pure practicality to quality and the ability to reflect their personal taste. Linen textiles are not only anti-bacterial and comfortable, but also highly environmental-friendly in their production process. Therefore, linen textiles perfectly suit the taste of new-generation consumers who look for environmental-friendly and sustainable products. Many leading domestic and overseas trend-setting brands and fast-moving fashion brands have now embarked on their own linen selections. For example, a famous Japanese brand has not only launched a linen garment line, but also introduced a tracking system for the use of its raw materials so as to monitor their quality and environmental-friendliness together with its consumers.

Sales Analysis by Domestic and Overseas Markets

	2013		2014		Year-on-year change in revenue
	Revenue	Share of total revenue	Revenue	Share of total revenue	
	RMB'000	*(%)*	*RMB'000*	*(%)*	
China	283,393	37.2%	330,403	36.1%	16.6%
European Union	192,051	25.2%	251,538	27.5%	31.0%
Non– European Union	286,471	37.6%	332,338	36.4%	16.0%

Raw Material Procurement and Related Strategies

During the year ended 31 December 2014, prices of fibre flax, the major raw material of linen yarn, maintained a steady growth. The Group mainly sources its fibre flax from well-established origins such as France, Belgium and the Netherlands. Being one of the largest buyers in these regions, the Group enjoys strong bargaining power when dealing with suppliers. Furthermore, the Group has formulated systematic procurement strategies under which the Group will procure according to the level of fibre flax harvest, the Group's inventory level and the market prices of fibre flax so as to stabilise its raw material costs, overall market demand and supply as well as the price fluctuations of raw materials.

Apart from sourcing raw materials abroad, the Group also has a raw material production base in Yili, Xinjiang mainly for the production of organic flax, which has a high gross profit margin. It currently has an annual production capacity of approximately 1,000 tonnes which could supply approximately 4% of the total raw materials used by the Group. In the future, the Group will look for other suitable flax cultivation bases in other regions with the aim of further stabilising the price fluctuations and supply of raw materials.

Production Bases and Productivity

As at 31 December 2014, the Group had three productions bases in China. The one in Rugao City, Jiangsu Province has an annual production capacity of 6,000 tonnes, and its utilisation rate for the year was 100%. The other two bases are located in Haiyan County, Zhejiang Province, among which the 2nd phase of the Haiyan plant conducted trial production in April 2014 and commenced formal production in June 2014, contributing an additional annual production capacity of 5,000 tonnes to the Group. The current designed annual linen yarn production capacity of the Group amounts to 18,000 tonnes, representing a significant increase of 38% from 13,000 tonnes for last year.

The new production base in the 2nd phase of the Haiyan plant is equipped with the latest management systems, technologies and equipment, the combination of which has brought about a smooth operation and has reduced unnecessary procedures and wastage of raw materials, thus improved overall production efficiency. Compared with the previous two production bases, the new one is further equipped with an energy conservation system. Since wet spinning processes are used in linen yarn spinning, water management is key to costs reduction. The energy conservation system can collect condensed waste water produced during the linen yarn production processes while recovering waste heat from the boilers. The new production base also utilises an efficient electric motor power saving system provided by a well-known German Company. These systems have not only reduced the production costs of the Group, but also laid a solid foundation of profit growth for the Group in the long run. For further details about the measures taken by the Group in relation to environmental protection, please refer to the Group's Environmental, Social and Governance report, which is expected to be despatched together with the annual report of the Company for the year ended 31 December 2014 before the end of April 2015.

Existing production bases	**Major products**	**Annual production capacity** *(Tonnes)*	**Utilisation rate**
1st phase of the Haiyan Plant, Zhejiang Province	Linen yarn/ dope-dyed fibre	7,000	100%
Rugao City, Jiangsu Province	Linen yarn	6,000	100%
2nd phase of the Haiyan Plant, Zhejiang Province (Trial production in April 2014 and formal production in June 2014)	Linen yarn	5,000	75%
Total		18,000	–

Patents, Awards and Recognitions

The Group has been granted one invention patent and six new practical application patents and received three recognitions during the year:

One invention patent:

– Production method of differentiated linen fibre

Six new practical application patents:

– Wet-spun hollow linen yarn

– Wet-spun hollow linen yarn production device

– Automatic device for collecting and packing short fibre flax for hackling machine

– New hanging linen yarn spinning spindles

– New roving bobbins for spinning linen yarn

– New roving bobbins for spinning linen yarn and hanging spindles combined device

Three recognitions:

– "2013 Advanced Management Innovation Enterprise of China Bast and Leaf Fibers Textile Industry" by the China Bast and Leaf Fiber Textile Association in February 2014

– "2011-2012 AAA-Credit-Rating Tax Payer" by Zhejiang Local Tax Bureau and Zhejiang Provincial Office, State Administration of Taxation in April 2014

– "Top 10 Most Influential Brands of the China Bast and Leaf Fibers Textile Industry" by the China Bast and Leaf Fibers Textile Association in May 2014

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2014, the Group's revenue increased to RMB914,279,000, representing an increase of approximately 20.0% year-on-year (2013: RMB761,915,000). The increase was mainly due to the increase of average selling price of products by 5% in the beginning of the year and the expansion of production capacity after commencement of the formal production of the 2nd phase of the Haiyan plant in June 2014.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2014, the Group's gross profit increased to RMB245,001,000, representing an increase of approximately 18.4% year-on-year (2013: RMB206,883,000). Gross profit margin for the year ended 31 December 2014 remained stable at 26.8% (2013: 27.2%) as a result of the offset between the increase in selling price and the increase of labour and other operating costs in China.

Other Income and Gains

For the year ended 31 December 2014, other income and gains are mainly represented by various government grants which amounted to RMB10,211,000 and interest income of RMB946,000.

Selling and Distribution Expenses

For the year ended 31 December 2014, the Group's selling and distribution expenses amounted to approximately RMB37,870,000 (2013: RMB32,617,000), which accounted for approximately 4.1% of the revenue (2013: 4.3%). The decrease in selling costs as a percentage of revenue in 2014 was mainly due to certain staff costs had been fixed and did not rise along with the increase in revenue.

Administrative Expenses

For the year ended 31 December 2014, the Group's administrative expenses amounted to approximately RMB48,168,000 (2013: RMB41,042,000), representing an increase of approximately 17.4% as compared to the corresponding period of last year. The increase of administrative expenses was mainly due to the increase in personnel costs of RMB3,020,000, research and development costs of RMB1,755,000, office expenses of RMB1,661,000 and travelling expenses of RMB1,065,000.

Other Expenses

Other expenses mainly represent the exchange loss of RMB10,055,000 due to the depreciation of major currencies against Renminbi during the year ended 31 December 2014.

Finance Costs

For the year ended 31 December 2014, finance costs amounted to approximately RMB10,751,000 (2013: RMB9,551,000), representing a increase of approximately 12.6%. The increase in finance costs was mainly due to the increase in average outstanding loan balance during the year.

Share of Profit of an Associate

For the year ended 31 December 2014, 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 RMB36,000 (2013: RMB99,000).

Profit Attributable to Owners of the Parent

For the year ended 31 December 2014, the Group recorded a profit attributable to owners of the parent of approximately RMB110,477,000 (2013: RMB100,438,000), representing an increase of 10.0% as compared with the corresponding period of last year.

Intangible Assets

As at 31 December 2014, the Group's intangible assets were sewage rights granted in 2012 for a term of 20 years, which amounted to RMB9,606,000 (2013: RMB10,212,000). Intangible assets are subject to amortisation based on their useful lives. For the year ended 31 December 2014, amortisation of intangible assets was approximately RMB606,000 (2013: RMB606,000).

Trade and Notes Receivables

As at 31 December 2014, despite the trade and notes receivables of the Group increased by 43.1% to RMB232,922,000 (2013: RMB162,753,000), the average accounts receivable turnover days reduced from 91 days as at 31 December 2013 to 79 days as at 31 December 2014.

Trade and Notes Payables

As at 31 December 2014, trade and notes payables of the Group increased significantly by 30.5% to approximately RMB151,200,000 (2013: RMB115,902,000). Such increase was mainly due to additional purchases of raw materials in December 2014 to ensure stable supply. The average accounts payable turnover days increased from 52 days as at 31 December 2013 to 73 days as at 31 December 2014.

Interest-bearing Bank Loans

As at 31 December 2014, the Group's interest-bearing bank loans amounted to approximately RMB280,875,000 (2013: RMB238,548,000), representing an increase of 17.7%, mainly reflecting the Company's normal requirement for working capital.

Liquidity and Financial Resources

As at 31 December 2014, the Group had net current assets of approximately RMB399,561,000 (2013: RMB371,446,000). The Group financed its operations with internally generated resources and bank loans during the year ended 31 December 2014. As at 31 December 2014, the Group had cash and cash equivalents of approximately RMB217,185,000 (2013: RMB201,698,000). The liquidity ratio of the Group as at 31 December 2014 was approximately 186.1% (2013: 201.0%). Shareholders' fund of the Group as at 31 December 2014 was approximately RMB961,662,000 (2013: RMB889,975,000).

As at 31 December 2014, the Group had bank loans repayable within 12 months from the statement of financial position date of approximately RMB230,875,000 (2013: RMB188,548,000) and long-term loans of RMB50,000,000 (2013: RMB50,000,000). Together they represented a gross debt gearing (i.e. total borrowings/shareholders' funds) of approximately 29.2% (2013: 26.8%).

CAPITAL COMMITMENTS

As at 31 December 2014, 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 RMB32,832,000 (2013: RMB79,505,000). There was also capital commitment authorised but not contracted for amounted to approximately RMB70,000,000 (2013: Nil)

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any contingent liabilities.

CHARGE OF ASSETS

As at 31 December 2014, 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 RMB107,437,000 (2013: RMB59,072,000), RMB29,248,000 (2013: RMB27,324,000), RMB40,000,000 (2013: RMB72,799,000) and RMB29,751,000 (2013: RMB37,802,000), respectively. In addition, deposits of carrying amount of approximately RMB13,795,000 (2013: RMB30,823,000) were pledged to secure notes payable and the remaining of RMB25,640,000 (2013: Nil) were pledged to secure forward contracts.

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 utilising its credit line, and derivative financial instruments of approximately RMB2,244,000 (2013: RMB7,819,000) was recognised by the Group as assets as at 31 December 2014.

REMUNERATION POLICY AND SHARE OPTION SCHEME

As at 31 December 2014, the Group had a total of 2,538 employees (2013: 2,032 employees). Total staff costs incurred for the year ended 31 December 2014 increase by 33.4% to RMB140,494,000 (2013: RMB105,290,000), which was mainly due to salary increment and additional headcounts for the new factory commenced operation during the year ended 31 December 2014.

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. There was no outstanding option under the Scheme at any time of the year ended 31 December 2014.

OUTLOOK AND PLANS

Attributable to a wide range of characteristics such as breathable, comfortable, environmental-friendly and fashionable, linen textiles are more recognised and welcomed by consumers. Driven by rising demand for linen fabrics from international leading fashion brands and expansion in domestic consumption, the relatively fast growth of the linen market has provided unprecedented opportunities to the Group. Nevertheless, the linen textile industry is still facing challenges such as the rising labour and energy costs, outdated production techniques and heavy reliance on imported raw materials. In order to tackle such challenges and to seize market opportunities, the Group will continue to strive for greater market share in domestic and overseas markets and strengthen its leadership in the linen textile industry through active expansion of production capacity, enhancement of production efficiency.

Following the successful launch of the 2nd phase of the Haiyan Plant in the first half of the year, the Group has moved on to sign an investment agreement with the Ministry of Industry of Ethiopia on 17 July 2014 to develop and construct the Kingdom Linen Industrial Zone in Ethiopia. This project, which is equipped with world-class advanced technologies, has a planned site area of approximately 300,000 square metres and will be constructed in three phases. The first phase will have a production capacity of 5,000 tonnes of regular linen yarn and will commence construction in 2015. It is expected to put into production by the end of 2016. In view of the rising labour and energy costs in China, coupled with the production shortage resulting from the increase in demand, the Group is now actively planning its production bases overseas with cost advantages. According to the statistics of the World Bank for the year of 2013, Ethiopia had a population of approximately 94.1 million with a median age below 20. Comparing with China and nearby key textile regions in Southeast Asia such as Cambodia, Vietnam and Bangladesh, Ethiopia has a younger population, a more advantageous demographic distribution and more competitive labour costs. In addition, as the international community is advocating the development of Africa, textile products made in Ethiopia will be eligible for duty-free and quota-free treatments if such products are exported to countries such as the United States, the European Union and India. These treatments will greatly enhance the competitiveness of the Group's products in overseas markets, thereby paving the way for its market expansion.

In addition to setting up production plant in Ethiopia, the Group has also made tremendous effort to optimise the production efficiency of the production base in Rugao and the 1st phase of the Haiyan Plant. With a series of measures ranging from technical upgrade to production automation, the labour costs and safety hazards of production lines have been further reduced. Production capacity optimisation projects are being carried out in these two production bases progressively. Through scientific management process over raw material procurement, production, quality checks, order management, sales, exports and finance, their cost structures are refined and the Group's sustainable development is secured.

Looking forward to 2015, leveraging on its headquarter in China, the Group will continue to explore and penetrate the domestic market and promote the use of linen fabrics so as to tap into the enormous market of China which has 1.3 billion of population. With respect to the overseas market, the Group will further strengthen its communications and interactions with stakeholders of other linen textile production and consumption regions through organising exchanges and conferences, and participating in product and technology exhibitions. Such initiatives are expected to reinforce the Group's relationship with its clients, strengthen its brand image, further reinforce the Group's leadership in the industry and secure mutual growth in both the domestic and overseas markets.

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 2014. 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 2014.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the year ended 31 December 2014.

DIVIDEND

At a meeting of the Board held on 13 March 2015, 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 2014. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting of the Company, will be paid on or before 15 July 2015 to the shareholders whose names appear on the register of members of the Company on 12 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 May 2015 to 18 May 2015, both days inclusive, during which period no transfer of shares will be effected. In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 13 May 2015.

The register of members of the Company will be closed from 11 June 2015 to 12 June 2015, both days inclusive, during which period no transfer of shares will be effected. In order to determine who are entitled to the proposed final dividend (subject to approval by the shareholders at the Annual General Meeting), unregistered holders of shares of the Company shall ensure that, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at above address for registration not later than 4:30 p.m. on 10 June 2015. The proposed final dividend, subject to shareholders' approval at the forthcoming annual general meeting, will be paid to shareholders on or before 15 July 2015 whose names appear on the register of members of the Company at the close of business on 12 June 2015.

PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.kingdom-china.com. The annual report of the Company for the year ended 31 December 2014 containing all the information required by the Listing Rules is to be despatched to the Company's shareholders and made available for review on the same websites in due course.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organisation which is open and accountable to the Company's shareholders. The Directors believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. In the opinion of the Directors, save for the deviations 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 throughout the year ended 31 December 2014.

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.

Code Provision A.6.7

Under Code Provision A.6.7 of the Code, independent non-executive directors and non-executive directors should attend general meetings of the Company. Due to prior unforeseen urgent matters external to the Company, Mr. Lo Kwong Shun Wilson, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 19 May 2014.

Code Provision A.4.3

Mr. Lau Ying Kit will be serving as an independent non-executive Director for nine years in November 2015. Pursuant to Code Provision A.4.3 of the Code, (a) having served the Company for more than nine years could be relevant to the determination of an independent non-executive director's independence and (b) if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Accordingly, the rotation and re-election of Mr. Lau shall be approved by shareholders by way of separate resolution at the forthcoming annual general meeting of the Company.

Mr. Lau has extensive experience in the accounting field. His participations in the Board bring independent judgments on issues relating to the Group's accounts, internal controls, nominations of directors, conflicts of interests and other management matters. The Board considered the re-election of Mr. Lau as independent non-executive Director can safeguard the interests of the Shareholders.

The Board has received from Mr. Lau a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and noted that Mr. Lau has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Lau to be independent under the Listing Rules despite the fact that he will be serving the Company for more than nine years if he is re-elected at the forthcoming annual general meeting.

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 2014 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 2014 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The remuneration committee of the Company (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 of the Company (the "**Nomination Committee**") was established by the Company to review the board diversity policy and 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 18 May 2015 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, 13 March 2015

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