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 2015

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2015, revenue of the Group reached its historical high and exceeded RMB1 billion, representing an increase of approximately 12.2% to approximately RMB1,025,403,000 for the year ended 31 December 2015 from approximately RMB914,279,000 for the year ended 31 December 2014.

- Gross profit margin for the year end 31 December 2015 stood at 25.8% (2014: 26.8%).

- Profit attributable to owners of the parent increased by 9.0% to approximately RMB120,369,000 for the year ended 31 December 2015 from approximately RMB110,477,000 for the year ended 31 December 2014.

- Basic earnings per share for the year ended 31 December 2015 grew by approximately 11.8% to RMB0.19 (2014: RMB0.17).

- The Board proposed a payment of final dividend of HK8.0 cents per ordinary share for the year ended 31 December 2015 (2014: 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 2015 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	4	**1,025,403**	914,279
Cost of sales		**(761,358)**	(669,278)
Gross profit		**264,045**	245,001
Other income and gains	4	**12,274**	14,309
Selling and distribution expenses		**(38,687)**	(37,870)
Administrative expenses		**(55,628)**	(48,168)
Other expenses		**(4,432)**	(12,931)
Finance costs	5	**(13,236)**	(10,751)
Share of profits and losses of an associate		**(28)**	36
PROFIT BEFORE TAX	6	**164,308**	149,626
Income tax expense	7	**(43,939)**	(39,149)
PROFIT FOR THE YEAR		**120,369**	110,477
Attributable to:			
Owners of the parent		**120,369**	110,477
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	**RMB0.19**	RMB0.17
Diluted	9	**RMB0.19**	RMB0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**120,369**	110,477
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(285)**	(1,548)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**120,084**	108,929
Attributable to:		
Owners of the parent	**120,084**	108,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**543,976**	536,118
Investment property		**2,080**	3,580
Prepaid land lease payments		**52,065**	53,392
Intangible assets		**9,083**	9,606
Investment in an associate		**–**	5,919
Prepayments for equipment		**13,194**	10,160
Deferred tax assets	*10*	**5,935**	7,596
Total non-current assets		**626,333**	626,371
CURRENT ASSETS			
Inventories	*11*	**340,902**	297,104
Trade and notes receivables	*12*	**306,821**	232,922
Prepayments, deposits and other receivables		**28,226**	45,043
Derivative financial instruments	*13*	**–**	2,244
Pledged deposits		**60,351**	69,186
Cash and cash equivalents		**237,214**	217,185
Total current assets		**973,514**	863,684
CURRENT LIABILITIES			
Trade and notes payables	*14*	**98,048**	151,200
Other payables and accruals		**51,462**	57,592
Interest-bearing bank borrowings		**368,033**	230,875
Derivative financial instruments	*13*	**2,258**	–
Tax payable		**23,693**	24,352
Dividend payable		**187**	4
Amount due to an associate		**–**	100
Total current liabilities		**543,681**	464,123
NET CURRENT ASSETS		**429,833**	399,561
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,056,166**	1,025,932

	Notes	**31 December 2015** *RMB'000*	31 December 2014 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,056,166**	1,025,932
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*10*	**12,188**	14,270
Interest-bearing bank borrowings		**–**	50,000
Total non-current liabilities		**12,188**	64,270
Net assets		**1,043,978**	961,662
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**6,329**	6,345
Reserves		**1,037,649**	955,317
Total equity		**1,043,978**	961,662

Notes to the financial statements

1. CORPORATE AND GROUP INFORMATION

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

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

The address of the Company's registered office 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 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 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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 for the first time for the current year's financial statements.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to IFRSs 2011-2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

IFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

IFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

IAS 40 *Investment Property*: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 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*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10 IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]
IFRS 16	*Leases*[4]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[5]
Amendments to IAS 7	*Disclosure Initiative*[5]

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

[2] Effective for annual periods beginning on or after 1 January 2018

[3] 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

[4] Effective for annual periods beginning on or after 1 January 2019

[5] Effective for annual periods beginning on or after 1 January 2017

[6] No mandatory effective date determined but available for adoption

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.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that is 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 regions on the basis of customer location for the year ended 31 December 2015 is set out in the following table:

	Revenue from external customers	
	2015	2014
	RMB'000	*RMB'000*
Mainland China	**358,930**	330,403
European Union	**258,824**	251,538
Non-European Union	**407,649**	332,338
Total	**1,025,403**	914,279

(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 major customers

No revenue amounting to 10 percent or more of the Group's total revenue was derived from sales to a single customer for the year ended 31 December 2015 (2014: Nil).

4. REVENUE, OTHER INCOME AND GAINS

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

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

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Sale of linen yarns	**1,025,403**	914,279
Other income		
Bank interest income	**2,912**	946
Government grants	**6,695**	10,211
Foreign exchange gains, net	**2,270**	–
Others	**397**	908
	12,274	12,065
Gains		
Fair value gains on derivative instruments		
– transactions not qualifying as hedges	**–**	2,244
	12,274	14,309

5. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans	**15,006**	14,794
Less: interest capitalised	**(1,770)**	(4,043)
	13,236	10,751

6. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**761,358**	669,278
Depreciation	**60,774**	57,003
Amortisation of prepaid land lease payments	**1,327**	1,327
Amortisation of an intangible asset	**606**	606
Research and development ("R&D") expenses	**5,889**	5,427
Minimum lease payments under operating leases:		
Land and buildings	**1,925**	1,463
Auditors' remuneration	**1,800**	1,750
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**154,280**	133,140
Pension scheme contributions	**8,575**	7,354
Equity-settled share option expense	**1,636**	–
	164,491	140,494
Foreign exchange differences, net	**(2,270)**	10,055
Fair value loss/(gain) on derivative instruments – transactions not qualifying as hedges	**2,258**	(2,244)
Loss on disposal of items of property, plant and equipment	**771**	941
Fire accident losses, net	**–**	399
Write-down of inventories to net realisable value/ (reversal of the write-down of inventories)	**2,366**	(1,332)
Impairment of trade receivables/(Reversal of provision for impairment of trade receivables)	**1,129**	(229)
Finance costs	**13,236**	10,751
Bank interest income	**(2,912)**	(946)

7. INCOME TAX EXPENSE

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

	2015	2014
	RMB'000	*RMB'000*
Current – Mainland China		
– Charge for the year	**43,272**	31,384
– Overprovision in respect of prior years	**(535)**	(122)
Current – Hong Kong		
– Charge for the year	**1,604**	1,323
Current – Italy		
– Charge for the year	**19**	1,080
Deferred *(note 10)*	**(421)**	5,484
Total tax charge for the year	**43,939**	39,149

(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") and Zhejiang Jinlainuo Fiber Co., Ltd. ("Zhejiang Jinlainuo"), two indirect wholly-owned subsidiaries of the Group. Zhaosu Jindi is engaged in the preliminary processing of agriculture products and is exempted from PRC income tax. Also, Zhejiang Jinlainuo obtains the High-new Technology Certificate for years from 2014 to 2016 with a tax rate of 15%.

(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 tax at an income tax rate of 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:

	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**164,308**	149,626
Tax at an applicable tax rate of 25%	**41,077**	37,407
Effect of different tax rates	**(5,645)**	(4,792)
Overprovision in respect of prior years	**(535)**	(122)
Share of profit of an associate	**7**	(9)
Income not subject to tax	**(1,734)**	(130)
Tax losses not recognised	**1,384**	–
Expenses not deductible for tax	**3,464**	1,084
Tax credit arising from additional deduction of R&D expenditures of a PRC subsidiary	**(607)**	(426)
Deferred tax liability on withholding tax	**6,528**	6,137
Total charge for the year	**43,939**	39,149

8. DIVIDEND

	2015	2014
	RMB'000	*RMB'000*
Proposed final – HK8.0 cents (2014: HK7.5 cents) per ordinary share	**42,204**	37,370
	42,204	37,370

At a meeting of the Board held on 18 March 2016, the payment of a final dividend of HK8.0 cents per ordinary share totalling approximately RMB42,204,000 was recommended, for the year ended 31 December 2015, 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 630,195,000 (2014: 631,600,000) 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:

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**120,369**	110,477

	Number of shares	
	2015	2014
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**630,195**	631,600
Effect of dilution – weighted average number of ordinary shares:		
Share options	**7,952**	–
	638,147*	631,600

* Because the diluted earnings per share amount is increased when taking share options into account, the share options had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the year of RMB120,369,000, and the weighted average number of ordinary shares of 630,195,000 in issue during the year.

10. DEFERRED TAX

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

Deferred tax assets:

	Accruals *RMB'000*	Allowance for doubtful debts *RMB'000*	Provision for inventories *RMB'000*	Elimination of unrealised profits *RMB'000*	Depreciation in excess of related depreciation allowance *RMB'000*	Total *RMB'000*
At 1 January 2014	**4,003**	**318**	**1,267**	**947**	**1,340**	**7,875**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 7)*	**1,462**	**(102)**	**(700)**	**(279)**	**(99)**	**282**
At 31 December 2014 and 1 January 2015	**5,465**	**216**	**567**	**668**	**1,241**	**8,157**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 7)*	**(2,601)**	**252**	**350**	**63**	**(641)**	**(2,577)**
At 31 December 2015	**2,864**	**468**	**917**	**731**	**600**	**5,580**

Deferred tax liabilities:

	Withholding tax on undistributed profits of the Mainland China subsidiaries *RMB'000*	Fair value gains/(losses) on derivative financial instruments *RMB'000*	Depreciation allowance in excess of related depreciation *RMB'000*	Total *RMB'000*
At 1 January 2014	6,903	1,955	207	9,065
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 7)*	5,761	(1,394)	1,399	5,766
At 31 December 2014 and 1 January 2015	12,664	561	1,606	14,831
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 7)*	(2,448)	(1,126)	576	(2,998)
At 31 December 2015	10,216	(565)	2,182	11,833

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 consolidated 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 2015 and 2014 relates to the following:

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Deferred tax assets arising from:		
– Allowance for doubtful debts	**468**	216
– Provision against inventories	**917**	567
– Elimination of unrealised profits	**731**	668
– Accruals	**2,864**	5,465
– Fair value losses on derivative financial instruments	**565**	–
– Depreciation in excess of related depreciation allowance	**600**	1,241
	6,145	8,157

	31 December 2015 RMB'000	31 December 2014 RMB'000
Deferred tax liabilities arising from:		
– Withholding tax on undistributed profits of Mainland China subsidiaries	**(10,216)**	(12,664)
– Depreciation allowance in excess of related depreciation	**(2,182)**	(1,606)
– Fair value gains on derivative financial instruments	**–**	(561)
	(12,398)	(14,831)
Deferred tax, net	**(6,253)**	(6,674)
Reflected in the consolidated statement of financial position:		
– Deferred tax assets	**5,935**	7,596
– Deferred tax liabilities	**(12,188)**	(14,270)

As at 31 December 2015, 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 RMB319,247,000 at 31 December 2015 (2014: RMB234,618,000).

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

11. INVENTORIES

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Raw materials	**178,318**	208,587
Work in progress	**32,741**	27,623
Finished goods	**129,843**	60,894
	340,902	297,104

As at 31 December 2015, inventories with a carrying amount of RMB40,000,000 (2014: RMB40,000,000) were pledged to secure bank loans granted to the Group.

12. TRADE AND NOTES RECEIVABLES

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Trade receivables	**226,473**	169,676
Notes receivable	**82,263**	64,032
Impairment	**(1,915)**	(786)
	306,821	232,922

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 2015 *RMB'000*	31 December 2014 *RMB'000*
Within 1 month	**191,785**	68,129
1 to 2 months	**11,969**	35,939
2 to 3 months	**13,201**	33,132
Over 3 months	**7,603**	31,690
	224,558	168,890

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

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
At 1 January	**786**	1,015
Impairment losses accrued	**1,129**	–
Impairment losses reversed	**–**	(229)
	1,915	786

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB1,915,000 (2014: RMB786,000) with a carrying amount before provision of RMB3,643,000 (2014: RMB1,253,000).

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 2015 *RMB'000*	31 December 2014 *RMB'000*
Neither past due nor impaired	**183,505**	148,628
Less than 1 month past due	**8,281**	9,980
1 to 3 months past due	**25,170**	6,431
Over 3 months past due	**5,874**	3,384
	222,830	168,423

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 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 2015, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") with a carrying amount of RMB14,815,000 (31 December 2014: RMB12,026,000) 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 was RMB14,815,000 (31 December 2014: RMB12,026,000) as at 31 December 2015.

Notes receivable that are derecognised in their entirety

At 31 December 2015, 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 RMB8,942,000 (31 December 2014: RMB25,580,000). 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 is 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 2015 (2014: 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 2015	31 December 2014
	RMB'000	*RMB'000*
(Liabilities)/Assets:		
Foreign exchange forward contracts – current	**(2,258)**	2,244

The Group uses forward currency contracts to manage some of its foreign currency transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistently with foreign currency transaction exposures, generally from one to twelve months. These contracts will mature within 2016.

The derivatives are measured at fair value as at 31 December 2015.

14. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at 31 December 2015, based on the payment due date, is as follows:

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Due within 1 month or on demand	**52,518**	35,744
Due after 1 month but within 3 months	**45,530**	115,456
	98,048	151,200

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

According to the National Bureau of Statistics of the People's Republic of China (the "PRC" or "China"), the GDP growth rate in China for the year 2015 was 6.9%, the slowest GDP growth rate for the past 25 years. At the same time, the overall textile industry in China recorded negative growth in export, the trend of rising labour and production costs and the continuous drop in cotton prices in 2015 also posed some challenges to the textile industry. Conversely, the linen textile industry, in general, was able to maintain a relatively fast growth in 2015 as consumers were more receptive to natural products, as evidenced with more pure linen or linen blended garments available in the market. Together with the recent improvements in linen fabric weaving technologies, the domestic market was gradually expanding under bolstered marketing efforts. According to the statistics of the General Administration of Customs of the PRC, total value of all yarns and textile products exports dropped by approximately 1.3% in 2015 as compared with 2014, however, total volume of linen yarn exports of China for 2015 increased by approximately 6.7% 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 2015, the Group's linen yarn exports amounted to 10,379 tonnes (2014: 9,112 tonnes), representing a year-on-year increase of approximately 13.9%, accounting for approximately 32% of the total linen yarn export from China in 2015, which reinforced the Group's leading position as the largest linen yarn exporter in China for 13 consecutive years.

The production base in Haiyan County, Zhejiang Province (2nd phase of the Haiyan plant) of the Group commenced formal production since June 2014, adding an annual production capacity of 5,000 tonnes of linen yarn to the Group and alleviating the shortage of capacity to some extent. Given the enhancement of the Group's overall production capacity, revenue of the Group for the year 2015 increased by approximately 12.2% year on-year as compared with last year to RMB1,025,403,000 (2014:RMB914,279,000). Gross profit rose by approximately 7.8% year-on-year to RMB264,045,000 (2014: RMB245,001,000). As a result of the offset between the rise in raw material costs and savings on labour and energy costs through better operating efficiency relating to the Group's continuous improvement projects, gross profit margin stood at 25.8% (2014: 26.8%). Profit attributable to owners of the parent reached RMB120,369,000, representing an increase of approximately 9.0% from RMB110,477,000 in 2014. Net profit margin decreased slightly to 11.7% (2014: 12.1%) but the basic earnings per share increased to RMB0.19 (2014: RMB0.17). To reciprocate the shareholders for their continued support for the Group while reserving resources for further expansions, the Board has recommended the payment of a final dividend of HK8.0 cents per ordinary share for the year ended 31 December 2015 (2014: 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 rapidly, 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 Group's subsidiary in Italy keeps its own stocks so that it can serve the immediate needs and tighten the co-operation with high-end clients in Europe. In 2015, overseas sales amounted to RMB666,473,000 and accounted for approximately 65.0% of the Group's overall revenue. In particular, revenue from European Union countries amounted to approximately RMB258,824,000, accounting for approximately 25.2% of the Group's total revenue, while that from non-European Union countries amounted to approximately RMB407,649,000, accounting for approximately 39.8% of the Group's total revenue. During the year under review, Italy remained the largest export market of the Group and accounted for approximately 27.6% of its total export revenue, followed by, in descending order, India, Korea, Turkey, Portugal and Japan.

While the overseas markets are developing steadily, the domestic linen textile market has remained robust in recent years. Domestic sales increased by approximately 8.6% during the year 2015 to RMB358,930,000, accounting for approximately 35.0% 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

	FY2015		FY2014		Change in revenue	Year-on-year change in revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
China	358,930	35.0%	330,403	36.1%	28,527	8.6%
European Union	258,824	25.2%	251,538	27.5%	7,286	2.9%
Non-European Union	407,649	39.8%	332,338	36.4%	75,311	22.7%
Total Revenue	1,025,403	100.0%	914,279	100.0%	111,124	12.2%

Raw Material Procurement and Related Strategies

During the year ended 31 December 2015, 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. It currently has an annual production capacity of approximately 400 tonnes. Going forward, the Group will continue to look for other suitable flax cultivation bases in other regions with the aim to further stabilizing the price fluctuations and supply of raw materials.

Production Bases and Productivity

As at 31 December 2015, 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 second phase of the Haiyan plant commenced production in June 2014, contributing an additional annual production capacity of 5,000 tonnes to the Group. Together with 7,000 tonnes capacity of the first Haiyan plant, the current designed annual linen yarn production capacity of the Group amounts to 18,000 tonnes.

The production base in the second 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 also 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 Environmental, Social and Governance Report of the Group, which is expected to be despatched together with the annual report of the Company for the year ended 31 December 2015 before the end of April 2016.

In addition to the aforesaid, the Group is also committed to invest in Ethiopia for new production facilities and secured 300,000 square meters of land in Adama Industrial Park, Adama, Ethiopia. The phase one development will further boost 5,000 tonnes of annual production capacity to the Group. The Board believes that the federal government of Ethiopia is keen to develop the Kingdom Linen Yarn Factories project into one of the model projects of the "One Belt, One Road" initiative in Ethiopia. The Chinese government also encouraged manufacturers to expand overseas by facilitating political risk insurance coverage by state insurance company. It is expected to generate savings on land lease, labour, energy and tax for the Ethiopia project and possible exemption of quota and custom duty to almost every countries in the world when exporting linen yarn manufactured in Ethiopia. The Ethiopia production facility is expected to be put in operation around end of 2017.

Existing production bases	Main 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 (commenced production in June 2014)	Linen yarn	5,000	100%
Total		18,000	100%

Patents, Awards and Recognition

The Group continued to invest in technology and innovation and as at 31 December 2015, the Group owned 49 registered patents and there were another 14 patents applications pending formal approval by relevant authorities.

Further, "KINGDOM" was also awarded as "Zhejiang Top Export Brand" by the Department of Commerce Zhejiang Province. This is a result of the Group's strategy of building the brand image and enhancing brand value. In addition, it was awarded Technological Innovation Team of Key Entreprises in Jiaxing City and National Leading Enterprise for Expanding Domestic Demand in Linen Industry.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, the Group's revenue exceeded RMB1 billion in Company's history and increased to approximately RMB1,025,403,000, representing an increase of approximately 12.2% year-on-year (2014: RMB914,279,000). The increase was mainly due to the expansion of the Group's production capacity after commencement of the production of the second phase of the Haiyan plant in June 2014.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2015, the Group's gross profit increased to RMB264,045,000, representing an increase of approximately 7.8% year-on-year (2014: RMB245,001,000). Gross profit margin for the year ended 31 December 2015 stood at 25.8% (2014: 26.8%) as a result of the offset between the increase in raw material costs and savings on energy and direct labour costs through improvement in operation efficiency projects.

Other Income and Gains

For the year ended 31 December 2015, other income and gains are mainly represented by various government grants which amounted to RMB6,695,000 (2014: RMB10,211,000), interest income of RMB2,912,000 (2014: RMB946,000) and net exchange gain of RMB2,270,000 (2014: Nil).

Selling and Distribution Expenses

For the year ended 31 December 2015, the Group's selling and distribution expenses amounted to approximately RMB38,687,000 (2014: RMB37,870,000), which accounted for approximately 3.8% (2014: 4.1%) of the Group's revenue. The decrease in selling costs as a percentage of revenue in 2015 was mainly due to a decrease in transportation costs as a result of the increase in products being sold to non-European countries like Korea and India with shorter distance and shipped from a closer port in Zhejiang province where the Group's factories are located instead of shipping out from Shanghai.

Administrative Expenses

For the year ended 31 December 2015, the Group's administrative expenses amounted to approximately RMB55,628,000 (2014: RMB48,168,000), representing an increase of approximately 15.5% as compared to the corresponding period of last year. The increase of administrative expenses was mainly due to the increase in personnel costs of RMB1,135,000, research and development costs of RMB462,000, office expenses of RMB860,000, entertainment of RMB447,000, bad debts of RMB1,166,000 and equity settled share option expense of RMB1,636,000.

Other Expenses

Other expenses of the Group mainly represent the loss on derivative financial instrument, principally includes forward currency contracts entered into by the Group to manage foreign currency exposures, of RMB2,258,000 (2014: Nil) and a loss on disposal of fixed assets of RMB771,000 (2014: RMB941,000).

Finance Costs

For the year ended 31 December 2015, finance costs amounted to approximately RMB13,236,000 (2014: RMB10,751,000), representing an increase of approximately 23.1%. The increase in finance costs was mainly due to the increase in average outstanding loan balance during the year under review and less interest costs capitalised in 2015. More interest costs were capitalized for the construction of the second phase of Haiyan Plant in 2014.

Share of Profits and Losses of an Associate

For the year ended 31 December 2015, share of loss of Huaning Flax Electronic Business (Zhejiang) Co., Ltd.（浙江華凝亞麻電子商務有限公司）("**Huaning Flax**"), an associate established on 28 December 2009 in China principally engaging in sale of linen raw material products and provision of transaction services, up to the date of disposal on 30 June 2015, was approximately RMB28,000 (2014: profit of RMB36,000).

Due to the tighten up of the relevant regulation of online trading by the competent authorities, Huaning Flax had been dormant and as a result, the investment in Huaning Flax had been disposed of during the year.

Profit Attributable to Owners of the Parent

For the year ended 31 December 2015, the Group recorded a profit attributable to owners of the parent of approximately RMB120,369,000 (2014: RMB110,477,000), representing an increase of approximately 9.0% as compared with the corresponding period of last year.

Intangible Assets

As at 31 December 2015, the Group's intangible assets were mainly sewage rights granted in 2012 for a term of 20 years, which amounted to RMB9,083,000 (2014: RMB9,606,000). Intangible assets are subject to amortisation based on their useful lives. For the year ended 31 December 2015, amortisation of intangible assets was approximately RMB606,000 (2014: RMB606,000).

Trade and Notes Receivables

As at 31 December 2015, trade and notes receivables of the Group increased by approximately 31.7% to RMB306,821,000 (2014: RMB232,922,000), the average accounts receivable turnover days increased from 79 days as at 31 December 2014 to 96 days as at 31 December 2015 due to increase in sales volume for the month of December 2015.

Trade and Notes Payables

As at 31 December 2015, trade and notes payables of the Group reduced significantly by approximately 35.2% to approximately RMB98,048,000 (2014: RMB151,200,000). There were additional purchases of raw materials in December 2014 to ensure stable supply. The average accounts payable turnover days decreased from 73 days as at 31 December 2014 to 60 days as at 31 December 2015.

Interest-bearing Bank Loans

As at 31 December 2015, the Group's interest-bearing bank loans amounted to approximately RMB368,033,000 (2014: RMB280,875,000), representing an increase of approximately 31.0%, mainly due to the additional working capital requirement of the Group and the need for additional capital resources for production facilities expansion purposes.

Liquidity and Financial Resources

As at 31 December 2015, the Group had net current assets of approximately RMB429,833,000 (2014: RMB399,561,000). The Group financed its operations with internally generated resources and bank loans during the year ended 31 December 2015. As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB237,214,000 (2014: RMB217,185,000).

The liquidity ratio of the Group as at 31 December 2015 was approximately 179.1% (2014: 186.1%). Shareholders' fund of the Group as at 31 December 2015 was approximately RMB1,043,978,000 (2014: RMB961,662,000).

As at 31 December 2015, the Group had bank loans repayable within 12 months from the statement of financial position date of approximately RMB368,033,000 (2014: RMB230,875,000) and did not have any long-term loans (2014: RMB50,000,000). Together they represented a gross debt gearing (i.e. total borrowings/shareholders' funds) of approximately 35.3% (2014: 29.2%).

CAPITAL COMMITMENTS

As at 31 December 2015, 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 RMB97,230,000 (2014: RMB32,832,000). There was no capital commitment authorized but not contracted for as at 31 December 2015 (2014: RMB70,000,000).

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any contingent liabilities (2014: Nil).

CHARGE OF ASSETS

As at 31 December 2015, 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 RMB70,282,000 (2014: RMB107,437,000), RMB28,598,000 (2014: RMB29,248,000), RMB40,000,000 (2014: RMB40,000,000) and RMB41,511,000 (2014: RMB29,751,000), respectively. In addition, pledged deposits with a net carrying amount of approximately RMB10,300,000 (2014: RMB13,795,000) was pledged to secure notes payable and the and the rest of RMB8,540,000 (2014: RMB25,640,000) was 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 RMB2,258,000 was recognised by the Group as a current liability as at 31 December 2015 (2014: current asset of RMB2,244,000).

REMUNERATION POLICY AND SHARE OPTION SCHEME

As at 31 December 2015, the Group had a total of 2,598 employees (2014: 2,538 employees). Total staff costs incurred for the year ended 31 December 2015 increased by approximately 17.1% to RMB164,491,000 (2014: RMB140,494,000), which was mainly due to salary increment and additional headcounts for the new factory which commenced operation during the year ended 31 December 2015.

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. During the year ended 31 December 2015, 22,250,000 options were granted under the Scheme. Please refer to the announcement of the Company dated 24 August 2015 for details.

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.

According to a research report in France named "The Linen Shirt Eco-Profile" based on the Life Cycle Assessment of a linen shirt compared to the same in cotton, linen shirt consumed only 1/4 of the water used for its life cycle compared with that of a cotton shirt. Furthermore, cotton shirt posed 6 times more toxic risk towards aquatic ecosystems than a linen shirt did. With the increasing awareness of corporate social responsibilities and sustainable products, demands from leading fashion brands for environmental friendly and sustainable products, like linen textile products, will continue to grow and remain robust in future. Driven by rising demand for linen yarns 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.

However, the slowest economic growth in China for the past 25 years, a contraction of total textile export value in China in 2015, together with the implementation of the Trans-Pacific Partnership (TPP) spearheaded by the United States, and continuous decline of cotton price, also poise significantly challenges to the Group.

The Group's expansion plan to Ethiopia, however, will allow the Group with an upper hand to overcome with those challenges as compared with its competitors. Expanding the Group's production facilities to Ethiopia not only have savings on land lease cost, labour cost, energy cost and tax, Ethiopia is also one of the beneficial countries under the African Growth and Opportunity Act (AGOA), a United States Trade Act where AGOA provides duty-free and quota-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries, including Ethiopia.

In addition, knit fabric and woven fabric containing 51% or more by weight of flax are classified as "Short Supply List of Products" under TPP that is exempted from the "yarn forward" requirement for textile products, hence the adverse effect of TPP on our Group should be minimal.

The Ethiopia project, which will be 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. The first production facility in Ethiopia is targeted to be put in operation around end of 2017. 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 and the European Union. 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 first 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 2016, 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 organizing 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

During the year ended 31 December 2015, the Company repurchased a total of 1,922,000 shares on the Stock Exchange. The details of the repurchases were disclosed as follows:

Date of Repurchase	**Number of shares repurchased**	**Average repurchase price** *HK$*	**Total consideration paid** *HK$*	**Share cancellation date**
16 Mar 2015	100,000	1.2924	129,240	27 March 2015
17 Mar 2015	100,000	1.2914	129,140	27 March 2015
18 Mar 2015	100,000	1.2890	128,900	27 March 2015
19 Mar 2015	100,000	1.3010	130,100	27 March 2015
20 Mar 2015	100,000	1.2976	129,760	8 April 2015
23 Mar 2015	150,000	1.3120	196,800	8 April 2015
24 Mar 2015	150,000	1.3072	196,080	8 April 2015
25 Mar 2015	150,000	1.3492	202,380	8 April 2015
26 Mar 2015	150,000	1.3800	207,000	8 April 2015
27 Mar 2015	150,000	1.3581	203,715	8 April 2015
30 Mar 2015	150,000	1.3448	201,720	15 April 2015
31 Mar 2015	150,000	1.3499	202,485	15 April 2015
1 Apr 2015	150,000	1.3395	200,925	15 April 2015
2 Apr 2015	150,000	1.3344	200,160	15 April 2015
8 Apr 2015	72,000	1.4000	100,800	22 April 2015
Total	1,922,000	1.3315	2,559,205	

Save as otherwise disclosed above, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2015.

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 2015.

DIVIDEND

At a meeting of the Board held on 18 March 2016, the Board recommended the payment of a final dividend of HK8.0 cents per ordinary share of the Company for the year ended 31 December 2015. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting of the Company to be held on 30 May 2016 (the "**Annual General Meeting**"), will be paid on or before 15 July 2016 to the shareholders whose names appear on the register of members of the Company on 17 June 2016.

CLOSURE OF REGISTER OF MEMBERS

In order to determine who are entitled to attend and vote at the forthcoming Annual General Meeting, the register of members of the Company will be closed from 25 May 2016 to 30 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24 May 2016.

In order to determine who are entitled to the proposed final dividend (subject to approval by the shareholders at the forthcoming Annual General Meeting), the register of members of the Company will be closed from 16 June 2016 to 17 June 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend (subject to approval by the shareholders at the forthcoming 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 15 June 2016. The proposed final dividend, subject to shareholders' approval at the forthcoming Annual General Meeting, will be paid to shareholders on or before 15 July 2016 whose names appear on the register of members of the Company at the close of business on 17 June 2016.

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 2015 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.

The Stock Exchange published its Consultation Conclusions on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report ("**Consultation Conclusion**") on 19 December 2014, which requires the terms of reference of the audit committee of an issuer should be amended in accordance with code provision C.3.3 and an issuer may determine whether to establish a separate board risk committee taking into account its own circumstances and resources available. The Board meeting of the Company dated 27 November 2015 approved the amended version of the terms of reference of the audit committee of the Company (the "**Audit Committee**") to have risk management function and responsibility, according to the Consultation Conclusion. For further details of the terms of reference of the Audit Committee, please refer to the terms of reference of the Audit Committee published by the Company on 27 November 2015.

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 2015.

Code Provision A.2.1

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

Code Provision A.4.3

Mr. Lau Ying Kit has been serving as an independent non-executive Director for nine years in November 2015. Pursuant to Code Provision A.4.3 of the Code, if an independent non-executive director having served the Company for more than nine years, his/her appointment could be relevant to the determination of an independent non-executive director's independence, and his/her 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 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.

Mr. Lau was re-elected as independent non-executive Director at the annual general meeting of the Company held on 18 May 2015 pursuant to the requirement of Code Provision A.4.3 of the Code. For further details, please refer to the circular and poll results announcement of the Company dated 15 April 2015 and 18 May 2015, respectively.

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

Mr. Yang has extensive experience in the textile industry. His participations in the Board bring independent judgments on issues relating to the various textile market development, environmental and resources conservation, internal controls, conflicts of interests and other management matters. The Board considered the re-election of Mr. Yang as independent non-executive Director can safeguard the interests of the Shareholders.

The Board has received from Mr. Yang a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and noted that Mr. Yang 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. Yang to be independent under the Listing Rules despite the fact that he has been serving the Company for more than nine years. Mr. Yang has informed the Company that he has elected not to offer himself for re-election at the forthcoming Annual General Meeting, and accordingly will retire as a Director at the forthcoming Annual General Meeting. Mr.Yang has confirmed that he has no disagreement with the Board and that there are no matters that need to be brought to the attention of the Shareholders in relation to his retirement.

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 and devised its own code of conduct regarding directors' dealings in the Company's securities on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with all Directors, all the Directors have confirmed that they have complied with the provisions of the Model Code and the Company's code of conduct regarding Directors' securities transactions for the year ended 31 December 2015 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of the Group and to provide advice and comments to the Board. The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Lau Ying Kit, Mr. 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 2015 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 Hongwen. 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 forthcoming Annual General Meeting will be held on 30 May 2016 and notice of the Annual General Meeting will be published and despatched in the manner as required by the Listing Rules.

APPRECIATION

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

By Order of the Board
Kingdom Holdings Limited
Ren Weiming
Chairman

Hong Kong, 18 March 2016

As at the date of this announcement, the executive Directors are Mr. Ren Weiming, Mr. Shen Yueming, and Mr. Zhang Hongwen; 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.