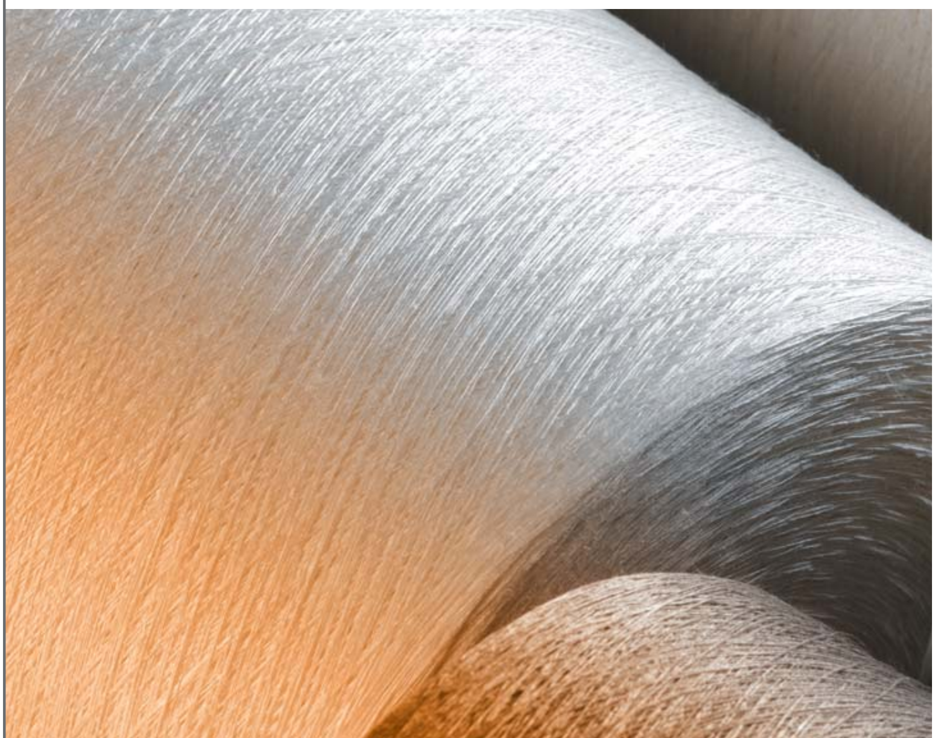
KINGDOM

ANNUAL REPORT

2008
年報



金達控股有限公司

（於開曼群島註冊成立的有限公司）

(股票代號 : 528)

KINGDOM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code : 528)

Contents

伊犁河谷位于我国新疆维吾尔自治区西北角，是亚欧大陆干旱地带的一块“湿岛”，享有“塞外江南”之美誉。那里既有雄美的雪峰，冰川，也有俊秀的河川，既有恬静悠然的牧场，又有人神共织的农耕大地。有人说“不到伊犁，不知新疆之美”。

Yili Valley is situated in the northwestern part of Xinjiang Uigur Autonomous Region . It is an oasis surrounded by dry terrain. In view of distant snow capped mountains, rivers flow along vast expanse of flat and fertile roaming meadows. Such beautiful natural surroundings gave birth to the Chinese saying, "One knows no beauty in Xinjiang until one visits Yili" .

Summer is the Best Season in Yili

伊犁的夏天是最美的

夏日，成片的亚麻花和油菜花将整个大地装扮成紫色的海洋，亚麻花铺满山坡。随着地势的起伏，层层的黄、层层的紫和绿一起在大地上滚动。

During summer one could see vast undulating meadows of purple stretch for kilometers in all directions. The purple flowers of flax decorate the Yili Valley among patches of yellows and greens.

伊犁河谷北、东、南三面环山。北面有科古琴山、婆罗科努山，南有哈克他乌山和那拉提山，中部还有乌孙山、阿吾拉勒山等横亘，构成“三山夹两谷”的地貌轮廓。三列山系向东辐合于东部的依哈比尕山汇，使伊犁河谷形成向西开敞的喇叭形谷地，可以大量接受来自大西洋的湿润水汽。因此，伊犁地区降水丰沛，气候湿润，山青水秀，物产富饶，是著名的“新疆羊”、“伊犁马”的故乡。

每年春季湿润的西风气流进入伊犁河谷，由低向高处爬升，气流由暖变冷，在山前地带形成丰富的降水，迎风坡可达到600–800毫米，而西部的河谷平原区的平均降水也在200–350毫米，所以伊犁河谷是新疆最湿润的地区。夏季丰富的降水和春季天山融雪使伊犁河谷不仅水源丰富，而且丰水时间很长。

当年被乾隆誉为“出云降雨之功”的天山，孕育了伊犁独特的自然环境，也哺育了这里茁壮成长的亚麻。生长在这里的亚麻在暖湿气团的作用下，在充足阳光的普照下，充分舒展着枝叶，完成着自己的生长。在这里特殊气候的滋养下，这里生产的亚麻强韧而充满力量，是上好的原材料，深受市场的喜爱。

亚麻在这里不仅是一种经济作物，更是一道美丽的风景。从破土而出到完全成熟，生命的律动随着季节的更替而变幻着美丽的风景，尤其是开花时节，娇嫩的花朵随风摇曳，粉紫的花浪层层叠叠，醉了蓝天和白云，迷了飞禽与走兽。

Yili region is surrounded by Keguqin and Pulukenu Mountains in the north, Haketawu and Nalati Mountains in the south and bisected by Wusan and Awulala Mountains in the middle. These three mountain ranges stretch from west to east in the shape of a trumpet and locals believe for centuries that this formation of mountains lead in damp air from the west from as far as the Atlantic Ocean.

Damp air starts flowing in from the west into the Yili Valley every spring. As the warm air rises, the cooler temperature causes precipitation on the mountain slopes. The windward slopes receive on average 600 to 800 mm of rainfall and the plains further west can receive as much as 200 to 350 mm. Yili is the wettest region in the whole of Xinjiang. The thaws from the melting snow and the annual precipitation ensure reliable sources of water to the Yili region.

The mountains surrounding Yili was once regarded by Emperor Qianlong as "Heavenly Mountains" which produced clouds and rain. In reality the warm but damp air, together with the sunlight, in the summer has been ideal for the growing of flax. Under these conditions the flax crops have high quality for making fine linen.

Flax is not just a cash crop. It beautifies the environment particularly during the flowering season in late summer, when the sky is crystal blue with the mating chants of the birds and wild animals.

伊犁河谷之美，源于雄壮俊秀的天山，源于圣大光明的河谷，源于静静流动的伊犁河，源于恬静生活的人

The beauty of Yili River valley originates from the grandness of Tianshan Heavenly Mountain, from the Holy Bright Valley, from the tranquil Yili River and peaceful souls there.

金达控股有限公司所属的昭苏金地亚麻有限公司就坐落在这美丽的新疆伊犁河谷，是为了美丽的亚麻事业和我们美丽的生活。

Zhaosu Jindi Flax Company Limited, a subsidiary of Kingdom Holdings limited, is engaged in the growing and treating of flax in the beautiful Yili valley.

EXECUTIVE DIRECTORS

Mr. Ren Wei Ming *(Chairman)*
Mr. Shen Yueming
Mr. Zhang Hong Wen

NON-EXECUTIVE DIRECTORS

Mr. Ngan Kam Wai Albert
Mr. John Michael May

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yang Donghui
Mr. Yu Chongwen
Mr. Lau Ying Kit

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

Mr. Cheng Yee Fai, Fred FCPA, CA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681 GT
Grand Cayman KY1-1111
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

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Hong Kong

AUDITORS

KPMG

LEGAL ADVISORS

Sidley Austin

PRINCIPAL BANKERS

Bank of China, Rugao Branch
Bank of China, Haiyan Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

528

Eternity in Beauty 美好的东西永远美好

Golden Harvest

金色的丰收

丰收的金色铺满了大地，成熟的香气浸透每一寸空气。当现代化的机械将亚麻整齐的排列收割，金色的喜悦映红了远山，温暖了心田。金达引进了世界上最为先进的亚麻收割设备，目的就是为了提高收割效率，保证亚麻的最高品质。

The golden harvest covers the good soil and rich fragrance permeates in all directions. It is heart-warming to the farmers that modern machineries can make labor light and reap the crops in a neat and orderly manner. Kingdom Group imported state-of-the-art flax pulling machines to guarantee the efficiency of flax reaping and the top quality of flax.

Chairman's Statement

I am pleased to present the annual report of Kingdom Holdings Limited ("Kingdom" or the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2008.

During the year under review, demand for linen yarn in US and European markets was reduced; an unavoidable consequence of the difficulties experienced in the global economy triggered by US sub-prime problems. China remains the largest supplier of linen yarns in the world but exports to these global markets inevitably suffered with official statistics from China's Industry Information Network for 2008 recording an 18% fall to approximately 14,000 tonnes from 2007 levels. Domestic demand for linen yarns within China remained stable, reflecting the fact that China was one of the few countries with a growing economy.

The impact of decreased export sales was to some extent offset by the Group's focus on domestic sales. Nevertheless, turnover for the year reduced to RMB 448,231,000 (2007: RMB 537,206,000). Increases in the cost of imported raw materials and in salary and transportation costs also contributed to put pressure on gross profits which fell to RMB 54,315,000 (2007: RMB 108,651,000).

Increased borrowings and higher interest rates led to a loss attributable to shareholders of RMB 22,827,000 for the year ended 31 December 2008 (2007: RMB 45,032,000 profit). The Board of Directors (the "Board") of the Company has not recommended the payment of a final dividend for the year ended 31 December 2008.

Kingdom is the largest exporter of linen yarns in China and has built a well known brand based on its reputation for quality. In overseas markets which demonstrate good growth opportunities for linen yarn sales, the Group has established new branches and developed agency relationships in order to strengthen its marketing network and capitalise upon economic growth when it resumes, particularly in the United States. The Group has also been developing its domestic sales activities.

As well as these marketing initiatives, Kingdom has completed the expansion of its production capacity. The new factory for differential linen yarns in Jiangsu completed its first year of operation and the first phase of raw material production capability in Xinjiang has been successfully completed. These moves are expected to benefit the Group both through production efficiencies and controlling costs, improving the competitiveness of the Group's products.

Technological advances play a key role in enabling Kingdom to maintain its market-leading position. Kingdom has continued to introduce new production technologies and operational improvements to achieve this. Such measures will help to ensure Kingdom remains at the forefront of Chinese linen yarn production for international markets and the Group's aim is to continue to increase its market share to capitalise upon future recovery in these markets.

The Group aims to increase its production of high count and patterned linen yarns with a target of 15% of its production being in these categories with a yarn count of 39NM or above.

The Group therefore believes it is in good competitive shape for both Chinese and global markets. This progress has only been achieved through the dedication and effort of the Group's entire staff. On behalf of the Board, I would like to express my gratitude to the staff for their endeavours and contribution and my sincere appreciation to our customers, suppliers and shareholders for their support. 2009 will be a challenging year and we are dedicated to working together towards the continued success of Kingdom.

Ren Wei Ming
Chairman

Haiyan County, PRC, 17 April 2009

Linen yarns
亚麻纱

是现代工业让传统工艺变的更加出色，
我们纺出最好的亚麻纱，
整个过程保留了亚麻最本质的健康。
有着千年历史的亚麻，
因为淳朴从未退出生活的舞台，
再次证明：
自然的，才是最好的！

Traditional craft is enhanced by modern technology.
We spin the best linen yarns,
The whole process preserves the natural essence of flax.
Flax through thousands of years,
Never failed to be part of life,
Proven again:
The natural is the best!

BUSINESS OVERVIEW

Overall performance

In view of the pressure on exports resulting from recession in the global economy, the Group focused on developing new international markets and strengthening marketing efforts in the PRC domestic market. In China, the sales network expanded in order to alleviate the impact on the Group from lower exports. During the year under review, the total sales volume of linen yarns by the Group was 7,961 tonnes.

As greater efforts were made in marketing linen yarns in the PRC domestic markets, the Group recorded higher domestic sales than overseas sales in the second half of 2008. The domestic sales for 2008 was RMB246,353,000, up by 2% compared to 2007, and accounted for 55% of the total sales in 2008 (2007: 45%). As for overseas markets, sales for 2008 were RMB201,878,000 (2007: RMB295,314,000). The Group accounted for 31% of China's total export of linen yarns, reinforcing its position as the leading exporter of linen yarns in China.

During the year under review, the Group rigorously monitored the impact of increased prices of raw materials on production costs. The Group also concentrated on improving its operational efficiency by controlling investments in non-productive projects and lowering costs through technological innovations.

Developing overseas markets in preparation for market recovery

During the year under review, the Group took steps to maintain overseas market share in preparation for market recovery in the future. In European markets, the Group saw the first full year of operation of its Italian sales subsidiary with local sales volume for 2008 at 409 tonnes. The Group succeeded in establishing new agency arrangements in Turkey in 2008 and raised the number of orders by clients. The European market will continue to be an important overseas market for the Group.

As for non-European markets, the Group achieved satisfactory expansion in 2008. The Group recorded an increase of 146% over the previous year in sales volume across the Japanese market, and established solid foundations by identifying new customers in emerging markets, such as Brazil. The Group will continue to further improve its overseas sales network.

Achievements in research and development and awards

During the year under review, the aims of the Group's research and development team were to improve product quality and reduce production costs, develop patterned yarns, such as coloured linen spun yarns, slubby yarns and high strength yarns. Two new patents were granted by the State Patent Office in 2008. In addition, the Group expects to complete the development of new thin yarn machines, further improving product quality, and enhancing the competitiveness of its products.

The Group was pleased to win various industry awards during 2008, including being selected among the top 10 competitive players in the Chinese linen yarn industry. Also, the brand name of '紫薇 CRAPE MYRTLE' owned by the Group, was awarded the famous brand name of Jiaqing City in 2008, further consolidating its leading reputation in the Chinese textile industry.

Completion of new production facility

The Group constructed a new production factory for differential linen yarn located in Jiangsu, which formally commenced full operation in October 2008. During the year under review, the total capacity was approximately 712 tonnes. The factory's estimated total annual capacity is approximately 4,000 tonnes. The new production base will improve the Group's ability to produce a diversified range of products and achieve economies of scale, thereby improving the competitiveness of the Group.

Production of raw materials commenced

The Group completed its first phase of raw material production located in Zhaosu County, Xinjiang which formally commenced operations in October 2008. The scutching factory's estimated annual capacity is approximately 3,000 tonnes. The raw material site in Xinjiang is the first rain and dew flax factory in China with capacity to produce organic linen yarn fibers. As the demand for rain and dew flax in PRC further expands, we believe these high quality linen yarn raw materials will secure a significant share in global markets in the future. Costs of raw materials produced by the Group are lower than those of imported raw materials. This advantage will help to stabilize and reduce production costs of the Group. In addition, a by-product made in the course of production of raw materials can be sold to third parties, further expanding sources of revenue for the Group.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2008, the Group's turnover amounted to approximately RMB448,231,000 (2007: RMB537,206,000). The Group relies on its high-quality brands, flexible market tactics and dominating market position to reduce the impact from the slow-down in market demand as a result of the depressed global economy and maintain sales at a stable level.

The following table summarizes the turnover arising from sales outlets during the relevant period:

Selling area:

	Turnover	
	2008	2007
PRC	**246,353,000**	241,892,000
European Union	**145,156,000**	124,415,000
Non-European Union	**56,722,000**	170,899,000
Totals	**448,231,000**	537,206,000

Gross profit and gross profit margin

During the year under review, because the global economic environment became depressed, the market demand for linen yarns was lower. Also, prices of imported raw materials increased, mounting pressure on the Group's exports. In 2008, the Group actively increased the proportion of PRC domestic sales in relation to total sales. Meanwhile, a portion of the production base for raw materials formally began operations since the second half of 2008 and cost control measures were rigorously implemented. These factors led to gross profit falling to RMB54,315,000 (2007: RMB108,651,000). The gross profit margin in 2008 was approximately 12.1% (2007: 20.2%).

Expenses

The Group's selling and distribution expenses in 2008 amounted to approximately RMB17,700,000 (2007: RMB15,945,000), and accounted for approximately 3.9% of the total turnover for 2008 (2007: 3.0%).

The Group's administrative expenses in 2008 amounted to approximately RMB38,292,000 (2007: RMB29,571,000), and accounted for approximately 8.5% of the total turnover for 2008 (2007: 5.5%). Administrative expenses increased, mainly because of provision for bad debt amounting to RMB2,550,000, and administrative expenses attributable to the subsidiaries starting operation in 2008, including Kingdom Europe S.R.L., Zhaosu Jindi Flax Co., Ltd. and Jiangsu Ziwei Flax Co., Ltd.

Net finance costs in 2008 were approximately RMB23,361,000 (2007: RMB15,090,000). There was an increase in financing cost, mainly because of increases in bank loans and higher interest rates.

Loss/profit attributable to equity holders of the Company

The Group's loss attributable to equity holders of the Company in 2008 amounted to approximately RMB22,827,000 (2007: a profit attributable to equity holders of the Company of RMB45,032,000). The Group's net loss margin in 2008 was approximately 5.1% (2007: net profit margin of 8.4%). Net profit margin in 2008 decreased compared to that of the previous year, due to a decrease in gross profit margin and an increase in administrative expenses and borrowing costs.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had net current assets of approximately RMB200,371,000 (31 December 2007: RMB343,159,000). The Group finances its operations with internally generated resources and bank borrowings. As at 31 December 2008, the Group had cash and bank deposits of approximately RMB107,899,000 (31 December 2007: RMB158,256,000). The current ratio of the Group as at 31 December 2008 was approximately 140.3% (31 December 2007: 185.0%).

Shareholders' fund of the Group as at 31 December 2008 was approximately RMB634,909,000 (31 December 2007: RMB674,226,000). As at 31 December 2008, the bank borrowings of the Group, repayable within 12 months from the balance sheet date, amounted to approximately RMB386,590,000 (31 December 2007: RMB205,714,000), while long-term borrowings amounted to approximately RMB30,000,000 (31 December 2007: RMB75,000,000), together giving a gross debt gearing (i.e. total borrowings/shareholders' funds) of approximately 65.6% (31 December 2007: 41.6%).

As at 31 December 2008, the Group had unutilized revolving banking facilities of RMB229,998,000.

The financial strength of the Group has been greatly improved since its listing on the Stock Exchange. The Board believes that after taking into account the capital expenditure planned to be made within 2009, the Group's existing financial resources will be sufficient for the Group's future requirements.

CAPITAL COMMITMENTS

Capital commitments in respect of purchases of property, plant and equipment outstanding as at 31 December 2008 but not provided for in the consolidated financial statements were RMB5,294,000.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group had no contingent liabilities.

CHARGES ON GROUP ASSETS

As at 31 December 2008, the Group's bank deposits of RMB47,352,000 are pledged to banks as security for the Group's bank loans and other banking facilities. The pledge over bank deposits is releasable upon the termination of relevant banking and borrowing facilities. In addition, certain property, plant and equipment and certain land use rights with an aggregate carrying amount of RMB139,250,000 and RMB32,208,000, respectively, were pledged as security for the Group's banking facilities and bank loans.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition or disposal of the Group's subsidiaries and associated companies during the year ended 31 December 2008.

FOREIGN EXCHANGE RISK

Details of the analysis of the Group's foreign exchange risk are set out in note 26(c) to the financial statements.

EMPLOYEES AND EMOLUMENTS POLICIES

As at 31 December 2008, the Group had a total of 2,484 employees (2007: 2,564 employees). Total staff costs incurred for the year ended 31 December 2008 amounted to RMB61,242,000 (2007: RMB60,881,000). The Group offers comprehensive and competitive remuneration, retirement scheme and benefit packages to its employees. The Group is required to make contributions to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are each required to make contributions to fund the endowment insurance and unemployment insurance at rates specified in the relevant PRC laws and regulations.

The remuneration policy for employees of the Group is formulated by the Board with reference to the employee's respective qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration for a similar position. The remuneration of the directors of the Company (the "Directors") are decided by the Board and the Remuneration Committee, who are authorized by the shareholders in the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

From time to time, the Group provides training courses both internally and externally for its employees.

FUTURE PLANS AND PROSPECTS

The depressed global economy will continue to pose challenges for the Group in 2009. At the beginning of 2009, the Chinese Government announced new measures to provide stimulus in revitalizing the textile industry, including initiatives such as a series of increments in percentage of tax rebate for export and preferential credit arrangements aimed at alleviating the operating pressures on the textile industry.

It is expected that prices of raw materials will be lower, enabling the Group to reduce production costs. The Group will seek to capitalize on the above-mentioned opportunities and continue to focus on the PRC domestic markets as the main opportunity for the time being in order to generate profit. In the long term, consumer demand will return to global linen yarn markets where the Group will continue to develop its overseas market share. The focus of attention for the Group in 2009 will therefore continue to be to utilize its production facilities efficiently, manage inventories of stock and raw material supply to reduce working capital requirements and take steps to consolidate its leading market position. The Group will also continue to implement stringent measures to control costs in order to stay well positioned to meet opportunities in its markets and face the challenges of the future with confidence.


我们致力于生产世界最好的亚麻纱
We commit ourselves to the best linen yarns around the world

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The Directors believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules for the year ended 31 December 2008.

Code Provision A.2.1

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

The Company does not have any officer with the title of "chief executive officer". Mr. Ren Wei Ming, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to operate efficiently.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with all Directors, all the Directors confirm that they have complied with the provisions of the Model Code and the Company's code of conduct regarding Directors' securities transactions for the year ended 31 December 2008 and up to the date of the Company's announcement of annual results for the year.

THE BOARD

The Board consists of 8 Directors, 3 of whom are executive Directors, 2 of whom are non-executive Directors and 3 of whom are independent non-executive Directors. The functions and duties conferred on the Board include: convening shareholders' meetings and reporting on the work of the Board to the shareholders at shareholders' meetings as may be required by applicable laws, implementing resolutions passed at shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the articles of association of the Company (the "Articles") and applicable laws. The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group.

The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company.

The composition of the Board and attendance of individual Directors at meetings of the Board, Remuneration Committee and Audit Committee during the year, and up to the date of this report, was as follows:

	Meetings Attended/Held		
	Board	Remuneration Committee	Audit Committee
Directors			
Executive Directors			
Mr. Ren Wei Ming *(Chairman of the Board)*	4/4		
Mr. Shen Yueming	4/4		
Mr. Zhang Hong Wen *(Chairman of the Remuneration Committee)*	4/4	1/1	
Non-Executive Directors			
Mr. Ngan Kam Wai Albert	4/4		
Mr. John Michael May	4/4		
Independent Non-Executive Directors			
Mr. Yang Donghui	2/4	1/1	2/2
Mr. Yu Chongwen	3/4	1/1	2/2
Mr. Lau Ying Kit *(Chairman of the Audit Committee)*	1/4		2/2

All Board members have separate and independent access to the Company's senior management to fulfil their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which records in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by Directors.

Directors' Responsibility

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but be distinguished from, the Report of the Auditors on pages 33 to 34 which states the reporting responsibilities of the Group's auditors.

Annual Report and Accounts

The Directors acknowledge their responsibility to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group.

Accounting Policies

The Directors consider that in preparing the financial statements the Group has used appropriate accounting policies that are consistently applied, and that all applicable accounting standards have been followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 13 November 2006, whereas each of the independent non-executive Directors has entered into a letter of appointment with the Company and is appointed for an initial term of 1 year commencing from 13 November 2008.

In accordance with article 87 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

Pursuant to rule 3.13 of the Listing Rules, each of the independent non-executive Directors has confirmed his independence and continues to be considered by the Company to be independent.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established with written terms of reference in compliance with the Code. It considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Throughout the year ended 31 December 2008, the Remuneration Committee comprised one executive Director and two independent non-executive Directors, namely Mr. Zhang Hong Wen (chairman of the Remuneration Committee), Mr. Yang Donghui and Mr. Yu Chongwen.

The Remuneration Committee shall meet at least once every year to review the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior executives and other related matters. No executive Director is allowed to be involved in deciding his own remuneration.

One meeting was held during the year ended 31 December 2008 and prior to the publishing of this report. At the meeting, the Remuneration Committee reviewed the remuneration policies of the Directors and the senior management.

NOMINATION COMMITTEE

No nomination committee has been established to nominate Directors. The task of nominating Directors is vested with the Board. The Board reviews the structure and the composition of the Board regularly, then identifies and nominates qualified individuals to be appointed as new Directors.

Pursuant to article 87 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company provided that every Director shall be subject to retirement at least once every three years.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the Company's external auditors, KPMG, is set out as follows:

Services rendered	**Fee paid** RMB'000
Audit services	2,186

The responsibilities of the external auditors with respect to the 2008 financial statements are set out in the section headed "Auditors' Report" on pages 33 to 34. Save as disclosed above and in the section headed "Auditors' Report", the Company did not engage KPMG for any non-audit services during the year.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board. The Audit Committee consists of three members, namely Mr. Lau Ying Kit, Mr. Yang Donghui and Mr. Yu Chongwen, of which are all independent non-executive Directors. Mr. Lau Ying Kit, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

During the year, the Audit Committee held two meetings. At the meeting, the Audit Committee reviewed the interim and the final results for 2008 with the external auditors and also the effectiveness of the Group's internal control functions. It also reviewed the Company's progress in implementing the corporate governance requirements as set out in the Code.

The Directors are collectively responsible for preparing the consolidated financial statements of the Group which have been prepared on a going concern basis, and complies with the requirements of the Listing Rules. There has been no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

INTERNAL CONTROL

The Company has in place sound and effective internal controls to safeguard shareholders' investment and assets of the Company and its subsidiaries. The Board is responsible for monitoring the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that the internal control and risk management systems in place are adequate.

The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2008 and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the polices set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2008. The assessment was made after discussions with the management of the Company, its external and internal auditors, and its internal control adviser and a review performed by the Audit Committee. The Board is of the view that the existing internal control system is adequate and effective.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders of the Company are contained in the Articles. The Group firmly believes the importance of communicating with the investment community and the shareholders in attaining a high level of transparency. Since its listing, the Group has maintained various communication channels with analysts and fund managers such as one-to-one meetings, telephone communications, and press releases. The general meetings of the Company provide a platform for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Remuneration Committee and Audit Committee or if, in their absence, other members of the respective committees, and where applicable, the independent board committee, are available to answer questions at the shareholders' meetings. The Company endeavours to provide timely and accurate information to the investors to enhance the understanding of the investors about the linen industry, as well as the business development strategy and direction of the Group.

The Group will continue to maintain a close relationship with investors and develop greater understanding about the Group for international investors, to enhance investors' confidence in the Group.


亚麻对环境是最好的一种恩赐
Flax plants benefit the environment in more than one way

DIRECTORS

Executive Directors

Mr. Ren Wei Ming (任維明), aged 49, is the chairman of the Group and an executive Director. Mr. Ren is responsible for the overall management of the Group and making decisions on the business development strategy of the Group. He has worked in the silk and textiles industry since 1979. He has been the chairman and general manager of 浙江金達創業股份有限公司 (Zhejiang Kingdom Creative Co., Ltd.*) ("Kingdom Creative") since 2000. He started to engage in the linen yarn manufacturing business through 海鹽紫薇亞麻有限公司 (Haiyan Ziwei Flax Co., Ltd.*) ("Haiyan Ziwei") in December 2001 as its director. He joined the Group in March 2003 when the first operating member of the Group, 浙江金元亞麻有限公司 (Zhejiang Jinyuan Flax Co., Ltd.*) ("Zhejiang Jinyuan") was established. He obtained various awards including "農業部全國鄉鎮企業家" (National Township Entrepreneur awarded by the Agriculture Department*). He is currently the vice-director of 中國麻紡行業協會 (China Bast and Leaf Fibers Textile Association*), 全國優秀青年廠長 (National Excellent Young Factory Manager), 浙江省優秀企業經營者 (Zhejiang Provincial Excellent Entrepreneur), the vice-president of The Hong Kong General Chamber of Textiles and 浙江省第九屆、十屆人民代表大會代表 (Representative of the 9th and 10th National People's Congress of Zhejiang Province*). He is also a director of Kingdom Investment Holdings Limited with discloseable interests in the shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance. For further details, please refer to pages 25 to 26 of this annual report.

Mr. Shen Yueming (沈躍明), aged 47, is an executive Director. He is also a director and general manager of Zhejiang Jinyuan and a director and general manager of Jiangsu Jinyuan. Mr. Shen is responsible for the day-to-day operations and management of the Group and also takes part in the decision making of the Group. He has been a director of Kingdom Creative since April 2000. He was then appointed as director of Haiyan Ziwei in December 2001, before joining the Group in March 2003.

Mr. Zhang Hong Wen (張鴻文), aged 42, is an executive Director. He is the director and financial controller of Zhejiang Jinyuan and Jiangsu Jinyuan. Before joining the Group in 2003, he was the assistant to the general manager and the head of 資金結算部(capital clearing division) of Kingdom Creative from 2000 to 2002.

Non-executive Directors

Mr. Ngan Kam Wai Albert (顏金煒), aged 59, is a non-executive Director. He is the chairman of Millionfull Company Limited, a company incorporated in Hong Kong engaged in the trading of linen and linen mixture fabrics. He has been a member of the 中國人民政治協商會議福建省第九屆委員會 (membership of the Fujian Provincial People's Political Consultative Conference*) since 2003 and a director of Po Leung Kuk since 2004. He was appointed as the executive vice president of The Hong Kong General Chamber of Textiles Ltd. in 2005 and a director of 華僑大學 (HuaQiao University*) in 2002. He joined the Group in September 2004. He is also a director of Millionfull International Co., Ltd which has disclosable interests in the shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance. For further details, please refer to pages 25 to 26 of this annual report.

Mr. John Michael May, aged 54, is a non-executive Director. He graduated with a law degree from Cambridge University. Mr. May has some 30 years experience in international merchant-banking, financial and investment services and has advised or represented financial investors on the boards of numerous companies. For over 20 years until 1999, he worked for the Hambros Group where he was an executive director of Hambros Bank. He has been an executive director of Caledonia Investments plc, an investment trust listed on the London Stock Exchange, since September 2003 and represents them as a non-executive director on a number of their investments. Caledonia Investments plc is a 10.73% shareholder of the Company. He joined the Group in September 2005.

Independent Non-executive Directors

Mr. Yang Donghui (楊東輝), aged 63, is an independent non-executive Director. He graduated from 工程化學系 (Department of Chemical Engineering) of 清華大學 (Tsinghua University*) in 1970. He has been working in the 中國紡織工業協會 (China National Textile & Apparel Council*) (formerly known as the 中國紡織工業部 (China Textile Industry Department*) and 中國紡織總會 (China Textile General Chambers*)) since 1977 and is currently the vice president of this organisation. He has been the president of the National Association of Domestic Textile Products Industry（中國家用紡織品行業協會）since 1999. He is also a director of U-Right International Holdings Limited (Stock code: 627), a listed company in Hong Kong, since July 2005. He joined the Group in November 2006.

Mr. Yu Chongwen (郁崇文), aged 46, is an independent non-executive Director. He obtained a doctor of philosophy degree in textile engineering at 東華大學 (Donghua University*) (formerly known as 中國紡織大學 (China Textiles University*)) in 1994. He joined 東華大學 (Donghua University*) in 1987 as an assistant tutor and is now a professor of the School of Textile of 東華大學 (Donghua University*). He obtained various awards for his achievements in the research of textile science and technology and for his contributions in education in textile engineering, including the Textile Science and Technology Award granted by the Hong Kong Sang Ma Trust Fund, as well as several awards relating to the technology of production of jute and hemp granted by the PRC provincial governments. Mr. Yu has been an independent director of Shanghai Worldlast Industry Development Co., Ltd., a company listed on Shanghai Stock Exchange since December 2006. He joined the Group in November 2006.

Mr. Lau Ying Kit (劉英傑), aged 36, is an independent non-executive Director. He is also an independent non-executive director of Shandong Chenming Paper Holdings Limited (a listed company in Hong Kong). Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants and obtained a Master of Finance degree from City University of Hong Kong. He has more than 12 years of experience in financial and accounting in China and Hong Kong. He joined the Group in November 2006.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Cheng Yee Fai, Fred (鄭怡輝), aged 50, is employed on a full-time basis as the company secretary and qualified accountant of the Group. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Certified Public Accountants of Singapore and a member of the Macau Society of Certified Practising Accountants. He is also an Australian and New Zealand Chartered Accountant. Mr. Cheng has been engaged in investment banking as well as in management and financial control for over 20 years with large multi-national groups and international accounting firms. He joined the Group in November 2006.

SENIOR MANAGEMENT

Mr. Cheng Yee Fai, Fred (鄭怡輝), aged 50, is employed on a full-time basis as the company secretary, chief financial officer and qualified accountant of the Group. Please refer to the paragraph headed "Company Secretary and Qualified Accountant" in this section for further details of Mr. Cheng.

Ms. Shen Hong (沈鴻), aged 43, is the internal audit controller of the Group and a director and financial controller of Rugao Jinda. She completed her professional accounting studies at 浙江長征財經進修學院 (Zhejiang Long March Finance School*) and has more than 16 years of experience in finance. Before joining the Group in March 2003, she worked in Kingdom Creative as the head of finance management department.

Mr. Huang Renming (黃仁明), aged 40, is the general manager of Jiangsu Jinyuan and the chairman and a director of Rugao Jinda. He graduated from 浙江廣播電視大學 (Zhejiang Broadcast Television University*) in business enterprise operations management studies. Before joining the Group in October 2003, he worked in the silk factory of Kingdom Creative. He was awarded "優秀職業經理人" (Best Occupation Manager) in 2006 by the 中共江蘇省如皋經濟開發區工作委員會 (Jiangsu Rugao Economic Development District Committee of the Chinese Communist Party*).

All the executive directors of the Company are responsible for the various aspects of the business and operation of the Group.

The English names of the PRC entities mentioned herein marked "" are translated from their Chinese names. If there are any inconsistencies, the Chinese names shall prevail.*

A gift from nature

Flax is not cut, but pulled. This is because the fiber in the root is strong and the longer fiber enjoys better economic usage. Depending on the season and the crop, pulling is normally carried out during the first half of July. The use of modern pulling machines has shortened the time required for this process. Delayed pulling leads to overgrowth, which eventually affects the quality of flax as a raw material of linen.

The pulling of flax has always been a very important and serious subject and this could be seen from the ancient Egyptian wall paintings. The first mechanized flax pulling machine appeared in Ireland after the First World War. With continual progress the modern day machine is completely automatic and it keeps the flax pulled in excellent form.

Modern flax pulling machines preserve the long fiber, characteristics of the plant, and stack the straws in a neat and orderly fashion in the fields.

收获大自然的馈赠

亚麻经过收割，整齐的排列在曾经生长的田里，整个天地安静的仿佛只剩下蓝天、白云、金色的亚麻。

After harvesting flax plants are laid in an orderly arrangement in the field for days.

亚麻不象谷类一样是割下来的，而是拔下来的。因为这样做可以最大限度的获得亚麻的长度。同时也是由于亚麻的根部很结实，拔起来就没有问题了。拔麻的时间大都在7月1日到15日，这个也是受播种和亚麻生长过程中的天气影响的，当亚麻有点褐色的，棕色的时候，就可以开始拔了。到这个时候，亚麻已经生长了百多天了，没有拔麻机器的年代，在很大的亚麻地里，拔麻要早一点，不然拔到最后的亚麻，会因为生长的时间过长而太熟了，从而影响到亚麻的质量。

在埃及人的墙画中我们可以看出他们拔麻时是多么的仔细。其他地方也是一样，当亚麻不再是私人使用品时，拔麻的方法也在改进，20世纪后，随着生活水平的提高，人们对学习拔麻也没什么兴趣了，一战后，第一台拔麻机在爱尔兰出现，随着亚麻的广泛种植，这种机器变的必不可少，技术在不断的进步，拔麻机也得到不断的改善，发展到今天，拔麻已经是一项完全的机械作业，效率提高的很快，把亚麻最好的成色保存了下来。

现在，亚麻事业的发展一直推动着拔麻机器的更新，现在的机器拔下来的亚麻非常的整齐，而且完整的保存了亚麻的生长高度，让它们能够得到最好的利用，充分发挥它们的使用价值，拔下来的亚麻在蓝天下显得醒目而壮观，是这个季节最壮丽和最令人赞叹的美丽风景。

排列整齐的亚麻堆，
是蓝天下最美的画，
闻到丰收的香气，
看到最好的收成，
一切，又值得载歌载舞庆祝了！

The orderly lying flax,
a most beautiful picture under the sky.
To inhale the aroma of harvest,
to see the fruit of harvest,
everything deserves celebration again!

It is the Board's pleasure in presenting their annual report on the affairs of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 16 to the financial statements.

Details of the analysis of the Group's performance for the year by geographical segments are set out in note 3 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 35.

DIVIDENDS

The Company did not record a profit in 2008. The Board does not recommend the payment of a final dividend for the year ended 31 December 2008.

RESERVES

Movements in the reserves of the Group during the year are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands amounted to RMB636,660,000.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately RMB846,000.

SHARE CAPITAL

Details of the movements in the share capital of the Group are set out in note 24 to the financial statements.

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group and 浙江金元亞麻有限公司 (Zhejiang Jinyuan Flax Co., Ltd.*) ("Zhejiang Jinyuan") for the last five financial years is set out on page 92.

PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 December 2008, the Group acquired property, plant and equipment of approximately RMB91,339,000. Details of the movements are set out in note 13 to the financial statements.

DIRECTORS

The Directors during the financial year ended 31 December 2008 were:

Executive Directors
Mr. Ren Wei Ming *(Chairman)*
Mr. Shen Yueming
Mr. Zhang Hong Wen

Non-executive Directors
Mr. Ngan Kam Wai Albert
Mr. John Michael May

Independent Non-executive Directors
Mr. Yang Donghui
Mr. Yu Chongwen
Mr. Lau Ying Kit

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

Pursuant to article 87 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company provided that every Director shall be subject to retirement at least once every three years. In accordance with article 87 of the Articles, Mr. John Michael May, Mr. Lau Ying Kit and Mr. Zhang Hong Wen shall retire from office by rotation at the forthcoming annual general meeting. Mr. John Michael May will not offer himself for re-election, whereas Mr. Lau Ying Kit and Mr. Zhang Hong Wen, the other two retiring Directors, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed to be re-elected at the forthcoming annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party to and in which a Director had a material interest in, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under the section headed "Connected Transactions" below and note 30 to the financial statements.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of Directors' remuneration are set out in note 8 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 19 to 21.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the Directors of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), which were recorded or required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long position in shares of the Company (the "Shares")

	Ordinary shares of HKD 0.01 each			
Director Name	**Personal interests** (Note 1)	**Corporate interests**	**Total number of shares held**	**Approximately percentage of issued share capital (%)**
Mr. Ren Wei Ming	3,156,000	279,200,000 (Note 2)	282,356,000	45.36
Mr. Ngan Kam Wai Albert	—	64,800,000 (Note 3)	64,800,000	10.41

Notes:

1. The shares are registered under the names of the directors who are the beneficial shareholders.

2. Mr. Ren Wei Ming holds approximately 76.38% of the issued share capital of Kingdom Investment (BVI) (as defined below). Mr. Ren therefore holds a controlling interest in Kingdom Investment (BVI) and is deemed under the SFO to be interested in the Shares held by Kingdom Investment (BVI).

3. Mr. Ngan Kam Wai Albert holds approximately 51% of the issued share capital of Millionfull International (as defined below). Mr. Ngan therefore holds a controlling interest in Millionfull International and is deemed under the SFO to be interested in the Shares held by Millionfull International.

Share options

As at 31 December 2008, no share options were granted to the Directors of the Company or any of their associates.

Save as disclosed above, as at 31 December 2008, none of the Directors of the Company or their associates had or were deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded or required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year was the Company or any of its subsidiary companies a party or parties to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director, as at 31 December 2008, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which were recorded or required to be recorded in the register required to be kept under Section 336 of the SFO:

Long positions in Shares

Name of Shareholder	Capacity	Number of Shares	Approximately percentage of issued share capital (%)
Kingdom Investment Holdings Limited ("Kingdom Investment (BVI)")	Beneficial owner	279,200,000	44.85
Millionfull International Co., Ltd. ("Millionfull International")	Beneficial owner	64,800,000	10.41
Caledonia Investments plc	Beneficial owner	66,825,000	10.73
Atlantis Investment Management Ltd	Beneficial owner	37,608,000	6.04

Save as disclosed above, as at 31 December 2008, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which were recorded or required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company passed on 15 November 2006, the Company adopted a share option scheme (the "Scheme").

Subject to the terms of the Scheme, the Board may at its discretion grant options to: (i) any Director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. Subject to the aforesaid limit, the total number of shares available for issue under options which may be granted under the Scheme and any other schemes must not, in aggregate, exceed 60,000,000 Shares, being 10% of the issued share capital of the Company as at 12 December 2006, the date of listing of the shares, unless separate shareholders' approval has been obtained.

The maximum entitlement for any one participant under the Scheme shall not in any 12-month period up to the date of grant exceed 1% of the issued share capital of the Company from time to time.

The period within which the options must be exercised will be specified by the Board at the time of the grant, and must expire no later than 10 years from the effective date of the Scheme.

The subscription price for any share shall not be less than the highest of (i) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day, (ii) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a share.

No option has been granted by the Company under the Scheme since its adoption.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contracts of significance were entered into between the Company or any of its subsidiaries and any controlling shareholder or any of its subsidiaries during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 19% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 6%. Purchases from the Group's five largest suppliers accounted for approximately 50% of the total purchases for the year and purchase from the Group's largest supplier amounted to approximately 15%.

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any interests in the Group's five largest customers or suppliers noted above.

CONNECTED TRANSACTIONS

Continuing connected transactions

During the year ended 31 December 2008, the Group entered into the following continuing connected transactions with its connected persons. The transactions constituted "continuing connected transactions" for the Company under the Listing Rules.

(1) Lease agreement

On 2 January 2006, a lease agreement was entered into by the Group with Zhejiang Kingdom Creative Co., Ltd. ("Kingdom Creative") in respect of an office premises for a term up to and until 31 December 2008 at an annual rental of RMB200,000. Kingdom Creative is an associate of Mr. Ren Wei Ming and hence a connected person of the Company. Rental and other terms for this lease arrangement was negotiated between the parties on arm's length basis with reference to the then prevailing market rates. Details of the terms of this lease agreement have been set out in the prospectus of the Company dated 30 November 2006. The transaction under this lease agreement is exempted from all reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Agreement for sale of linen fabric to Millionfull Company Limited

On 10 November 2008, Zhejiang Jinyuan Flax Co., Ltd. ("Zhejiang Jinyuan") entered into an agreement with Millionfull Company Limited ("Millionfull"), pursuant to which Zhejiang Jinyuan agreed to sell linen fabric to Millionfull or its associate for a term from 10 November 2008 to 31 December 2010. The prices of linen fabric under this agreement were determined with reference to: (i) a comparable market price of linen fabric; or (ii) by agreement between the parties based on prices no less favourable to/from third parties or reasonably agreed between the parties at cost-plus basis, if no comparable market price can be taken as a reference. Millionfull is owned as to 50.22% by Mr. Ngan Kam Wai Albert, a substantial shareholder and a director of the Company. Accordingly, Millionfull is a connected person of the Company. Details of the terms of this agreement have been set out in the Company's announcement dated 12 November 2008. The transactions under this agreement are subject to reporting and announcement requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.38 of the Listing Rules, the Board has engaged the auditors of the Company to perform certain agreed-upon procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditors of the Company have provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Directors;

(ii) were entered into in accordance with the pricing policies of the Company;

(iii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) save for the sales transaction with Millionfull as disclosed in the announcement of the Company dated 12 November 2008, which had exceeded the annual cap amount of US$160,000 by US$59,484 (being the audited transaction amount) for the year ended 31 December 2008 approved by the Stock Exchange, did not exceed the annual cap amounts.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Company;

(ii) either (a) on normal commercial terms or; (b) where there is no available comparable terms, on terms no less favorable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed in note 30 to financial statements, there was no other transaction which needs to be disclosed as a connected transaction in accordance with the requirements of the Listing Rules during the year ended 31 December 2008.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2008 are set out in note 22 to the financial statements.

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 2008. 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 2008.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

PENSION SCHEMES

Details of the Group's pension scheme and the basis of calculation are set out in note 5 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to rule 8.10(2) of the Listing Rules:

As at 31 December 2008, none of the Directors nor their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules, except for Mr. Ren Wei Ming ("Mr. Ren"), who holds directorships and/or interests respectively, either directly and/or through Kingdom Investment (BVI) (a controlling shareholder of the Company), in certain private companies (the "Private Companies").

The Private Companies are engaged in the silk and/or silk products manufacturing and/or trading industry (the "Excluded Business"), which are fundamentally different from the products manufactured by the Group.

Mr. Ren undertakes, subject to the exceptions mentioned in the Prospectus, that he will not, and will procure that his associates will not (a) either on his own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the Group's business, those other businesses of the Group as set out in the Prospectus, in Hong Kong, the PRC and any other country or jurisdiction to which the Group markets or sells its products and/or in which any member of the Group carries on business mentioned above from time to time ("Restricted Activity") or (b) either on his own account or in conjunction with or on behalf of any person, firm or company, or as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise, directly or indirectly, solicit, interfere with or endeavour to entice away from any member in the Group any person, firm, company or organization who to its or his knowledge is now or has been a customer, supplier or employee of any member in the Group.

By reasons of the fact that the Excluded Business does not pose any direct or indirect actual competition with the Group's business and that Mr. Ren has already given an undertaking as above referred to, the Group is therefore capable of carrying on its business independently of, and at arms length from, the Excluded Business as described above.

Presently, Mr. Ren has no plans to inject the aforesaid Excluded Business into the Group.

The Company has received from Kingdom Investment (BVI) and Mr. Ren an annual confirmation that it/he has fully complied with its/his obligations under the deed of non-competition in favour of the Company dated 17 April 2009.

CORPORATE GOVERNANCE

The Group's principal corporate governance practices are set out on page 13 to 17.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2009 to 26 May 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 18 May 2009.

AUDITORS

The accounts for the year have been audited by KPMG who shall retire and, being eligible, shall offer themselves for re-appointment.

On behalf of the Board

Ren Wei Ming
Chairman

Haiyan County, PRC, 17 April 2009

Auditors' report to the shareholders of
Kingdom Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kingdom Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 35 to 91, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 April 2009

Consolidated income statement

for the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Turnover	2	**448,231**	537,206
Cost of sales		**(393,916)**	(428,555)
Gross profit		**54,315**	108,651
Other operating income	4	**3,184**	1,584
Distribution costs		**(17,700)**	(15,945)
Administrative expenses		**(38,292)**	(29,571)
Other operating expenses		**(2,749)**	(1,901)
(Loss)/profit from operations		**(1,242)**	62,818
Finance income		**6,196**	2,331
Finance expenses		**(29,557)**	(17,421)
Net finance costs	6(a)	**(23,361)**	(15,090)
(Loss)/profit before income tax	6	**(24,603)**	47,728
Income tax	7(a)	**1,776**	(2,696)
(Loss)/profit for the year			
– attributable to equity holders of the Company	25(a)	**(22,827)**	45,032
Dividends payable to equity holders attributable to the year			
– Final dividend proposed after balance sheet date	11	**—**	15,563
		—	15,563
Basic and diluted (loss)/earnings per share (RMB)	12	**(0.04)**	0.07

The notes on pages 41 to 91 form part of these financial statements.

Consolidated balance sheet

at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	13	**409,502**	366,413
Investment properties	14	**10,272**	—
Lease prepayments	15	**37,368**	38,147
Deferred tax assets	7(c)	**7,396**	1,507
		464,538	406,067
Current assets			
Inventories	17	**312,381**	272,747
Prepaid income tax	7(e)	**3,489**	1,314
Trade and other receivables	18	**226,064**	248,046
Pledged deposits	19	**47,352**	66,678
Fixed deposits with banks	20	**10,350**	—
Cash and cash equivalents	21	**97,549**	158,256
		697,185	747,041
Current liabilities			
Bank loans	22	**386,590**	205,714
Trade and other payables	23	**110,224**	198,168
		496,814	403,882
Net current assets		**200,371**	343,159
Total assets less current liabilities		**664,909**	749,226
Non-current liabilities			
Bank loans	22	**30,000**	75,000
Net assets		**634,909**	674,226
Capital and reserves			
Share capital	24	**6,272**	6,272
Reserves	25(a)	**628,637**	667,954
Total equity		**634,909**	674,226

Approved and authorised for issue by the board of directors on 17 April 2009.

Ren Wei Ming)
)
) *Directors*
)
Shen Yueming)

The notes on pages 41 to 91 form part of these financial statements.

Balance sheet of the Company

at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Investments in subsidiaries	16	**370,221**	370,221
Current assets			
Trade and other receivables	18	**272,082**	271,849
Cash and cash equivalents	21	**2,629**	1,340
		274,711	273,189
Current liabilities			
Trade and other payables	23	**2,000**	—
		2,000	—
Net current assets		**272,711**	273,189
Net assets		**642,932**	643,410
Capital and reserves			
Share capital	24	**6,272**	6,272
Reserves	25(b)	**636,660**	637,138
Total equity		**642,932**	643,410

Approved and authorised for issue by the board of directors on 17 April 2009.

Ren Wei Ming)
)
) *Directors*
Shen Yueming)

The notes on pages 41 to 91 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2008

	Share capital RMB'000 (Note 24)	Share premium RMB'000 (Note 25 (b))	Merger reserve RMB'000 (Note 25 (a))	PRC statutory reserve RMB'000 (Note 25 (a))	Exchange reserve RMB'000 (Note 25 (a))	Retained earnings RMB'000	Total RMB'000
As at 1 January 2007	6,272	268,001	196,816	27,128	—	154,321	652,538
Profit for the year	—	—	—	—	—	45,032	45,032
Transfer to reserve	—	—	—	7,182	—	(7,182)	—
Dividend approved and paid during the year	—	—	—	—	—	(23,344)	(23,344)
As at 31 December 2007	6,272	268,001	196,816	34,310	—	168,827	674,226
As at 1 January 2008	6,272	268,001	196,816	34,310	—	168,827	674,226
Loss for the year	—	—	—	—	—	(22,827)	(22,827)
Transfer to reserve	—	—	—	862	—	(862)	—
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	—	(927)	—	(927)
Dividend approved and paid during the year (Note 11)	—	—	—	—	—	(15,563)	(15,563)
As at 31 December 2008	**6,272**	**268,001**	**196,816**	**35,172**	**(927)**	**129,575**	**634,909**

The notes on pages 41 to 91 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
(Loss)/profit before taxation		**(24,603)**	47,728
Adjustments for:			
– Depreciation		**37,978**	30,389
– Amortisation of lease prepayment		**849**	753
– Provision for inventories		**9,314**	718
– Loss on disposal of property, plant and equipment		**—**	80
– Allowance for doubtful debts, net of reversal		**2,550**	1,167
– Interest expenses		**27,432**	12,636
– Interest income		**(3,525)**	(2,331)
Operating profit before changes in working capital		**49,995**	91,140
Increase in inventories		**(48,948)**	(108,794)
Decrease/(increase) in trade and other receivables		**4,026**	(61,260)
Decrease in trade and other payables		**(74,773)**	(17,238)
Cash used in operations		**(69,700)**	(96,152)
Interest expense paid		**(29,532)**	(13,478)
PRC income tax paid		**(6,288)**	(5,395)
Net cash used in operating activities		**(105,520)**	(115,025)
Investing activities			
Acquisition of property, plant and equipment		**(86,497)**	(104,303)
Proceeds from disposal of property, plant and equipment		**—**	198
Payment for lease prepayments		**(70)**	(1,216)
Interest received		**3,525**	2,331
Increase in fixed deposits with banks		**(10,350)**	—
Decrease in pledged deposits		**19,326**	8,748
Net cash used in investing activities		**(74,066)**	(94,242)

The notes on pages 41 to 91 form part of these financial statements.

for the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Financing activities			
Proceeds from loans and borrowings		**416,556**	259,366
Repayment of loans and borrowings		**(280,680)**	(197,452)
Dividends paid to equity holders		**(15,563)**	(23,344)
Net cash generated from financing activities		**120,313**	38,570
Net decrease in cash and cash equivalents		**(59,273)**	(170,697)
Cash and cash equivalents at 1 January		**158,256**	330,010
Effect of foreign exchange rates change on cash		**(1,434)**	(1,057)
Cash and cash equivalents at 31 December	21	**97,549**	158,256

The notes on pages 41 to 91 form part of these financial statements.

1 Significant accounting policies

Kingdom Holdings Limited ("the Company") is a company incorporated in the Cayman Islands as an exempted company with limited liability on 21 July 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 December 2006.

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"). IFRSs include International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as "the Group") is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. These IFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (Note 33).

(b) Basis of preparation of the financial statements

The consolidated financial statements as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

These consolidated financial statements are presented in Renminbi ("RMB"). Except for share and per share data, financial information presented in RMB has been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

Information about judgements made by management in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and significant areas of estimation uncertainty are included in Note 31.

(c) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (Note 1(h)).

(d) Foreign currency transactions

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Renminbi at the exchange rate approximating the foreign exchange rates ruling at the date of the transactions. Balance sheet items arising on consolidation of foreign operations are translated into Renminbi at the exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised and accumulated separately as exchange reserve in the equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

1 Significant accounting policies (continued)

(e) Investment properties

Investment properties are properties owned or held under a leasehold interest to earn rental income and/or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and impairment losses (Note 1(h)). Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of 20 years. Rental income from investment properties is accounted for as described in Note 1(o)(ii).

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (Note 1(h)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, other costs directly attributable to bringing the asset to a working condition for its intended use, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(r)).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

(ii) Reclassification to investment property

When the use of a property changes from own-occupied to investment property, the cost and accumulated depreciation of that property are reclassified as investment property.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

1 Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

(iv) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

– Plant and buildings	20 years
– Machinery	10 years
– Office equipment	5 years
– Motor vehicles	5 years

Both the useful lives of an asset and its residual values, if any, are reassessed at the reporting date.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is computed using the weighted average method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 Significant accounting policies (continued)

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following events:

- significant financial difficulty of the debtor;
- a breach of the contract; and
- it becoming probable that the debtor will enter bankruptcy.

An impairment loss in respect of a financial asset carried at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate where the effect of discounting is material. All impairment losses are recognised in the income statement.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar risk characteristics, such as similar past due status. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

An impairment loss is reversed through income statement if the reversal can be related objectively to an event occurring after the impairment loss was recognised. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

1 Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (Note 1(g)) and deferred tax assets (Note 1(s)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (Note 1(h)), except where the receivables are interest-free advances made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (Note 1(h)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which are within three months of maturity at acquisition and are unrestricted as to withdrawal and use.

1 Significant accounting policies (continued)

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses and staff welfare are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution retirement plan

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(n) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market of the time value of money and the risks specific to the liability. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 Significant accounting policies (continued)

(o) Revenue

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Government Grants

Government grants are recognised initially in the balance sheet as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset.

1 Significant accounting policies (continued)

(p) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the net lease payments made.

Lease prepayments in the balance sheet represent cost of land use rights paid to the People's Republic of China ("the PRC") land bureau. Land use rights are carried at cost less accumulated amortisation and impairment losses (Note 1(h)). Amortisation is charged to the income statement on a straight-line basis over the respective periods of the rights.

(q) Finance income and expenses

Finance income represents interests income from deposits placed with banks, which is recognised in the income statement as it accrues, using the effective interest method, and net foreign exchange gain.

Finance expenses comprise interest payable on borrowings, net of borrowing costs capitalised (Note 1(r)), calculated using the effective interest rate method, bank charges and net foreign exchange losses.

(r) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 Significant accounting policies (continued)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment of tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(t) Dividends

Dividends are recognised as a liability in the period in which they are declared.

1 Significant accounting policies (continued)

(u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a jointly controlled entity in which the Group is a venture;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2 Turnover

The principal activities of the Group are manufacturing and sale of linen yarns.

Turnover represents the sales value of goods sold to customers, net of value added tax and is after deduction of any sales discounts and returns.

3 Segment reporting

The Group's turnover and operating results are almost entirely generated from the manufacture and sale of linen yarns. Accordingly, no business segment analysis is provided. In presenting the information in respect of geographical segments, segment turnover is based on the geographical location of customers. The Group's assets and liabilities are almost entirely situated in the PRC and accordingly, no analysis of segment assets, liabilities and capital expenditure is provided.

The analysis of the geographical location of the operations of the Group during the year is set out below:

	2008 **RMB'000**	2007 RMB'000
Turnover		
PRC	**246,353**	241,892
Overseas		
– European Union	**145,156**	124,415
– Non-European Union	**56,722**	170,899
Total	**448,231**	537,206
Segment results		
PRC	**18,312**	35,342
Overseas		
– European Union	**17,249**	28,265
– Non-European Union	**2,813**	29,100
Total	**38,374**	92,707
Unallocated operating income and expenses	**(39,616)**	(29,889)
(Loss)/profit from operations	**(1,242)**	62,818
Net finance costs	**(23,361)**	(15,090)
Income tax	**1,776**	(2,696)
(Loss)/profit for the year	**(22,827)**	45,032

4 Other operating income

	2008 RMB'000	2007 RMB'000
Government grants	**1,229**	65
Gross rentals from investment properties	**727**	—
Sundry income	**1,228**	1,519
	3,184	1,584

During the year ended 31 December 2008, the Group was granted local government subsidies of RMB 1,229,000 (2007: RMB65,000) as encouragement for its development.

5 Personnel expenses

	2008 RMB'000	2007 RMB'000
Salaries, wages and other benefits	**56,140**	57,780
Contributions to defined contribution plans	**5,102**	3,101
	61,242	60,881

The Group participates in defined contribution pension plans managed by the PRC local government authorities whereby the Group is required to pay annual contributions at 18.5%~21% of the average salary level determined by the respective PRC authorities. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments of liabilities relating to the pension fund. The Group has no obligation for the payment of retirement benefits other than the contributions described above.

6 (Loss)/profit before taxation:

(Loss)/profit before tax is arrived at after charging/(crediting):

(a) Net finance costs

	2008 RMB'000	2007 RMB'000
Interest income	**(3,525)**	(2,331)
Foreign exchange gain, net	**(2,671)**	—
Finance income	**(6,196)**	(2,331)
Interest on bank loans	**29,532**	13,478
Less: borrowing costs capitalised	**(2,100)**	(842)
Net interest expenses	**27,432**	12,636
Bank charges	**2,125**	2,616
Foreign exchange losses, net	**—**	2,169
Finance expenses	**29,557**	17,421
Net finance costs	**23,361**	15,090

The borrowing costs have been capitalised at the weighted average rate of 6.70% (2007: 7.20%) per annum for the year ended 31 December 2008.

(b) Other items

	2008 RMB'000	2007 RMB'000
Cost of inventories*	**393,916**	428,555
Depreciation	**37,978**	30,389
Amortisation of lease prepayments	**849**	753
Provision for inventories	**9,314**	718
Operating lease charges on premises	**1,293**	487
Allowance for doubtful debts, net of reversals	**2,550**	1,167
Auditors' remuneration-audit services	**2,186**	1,830

* Cost of inventories includes RMB89,135,000 (2007: RMB76,850,000) relating to staff costs, depreciation expenses, amortisation of lease prepayments and provision for inventories which are also included in the respective total amounts disclosed separately above or in Note 5 for each type of expenses.

7 Income tax

(a) Taxation in the consolidated income statement represents:

	2008	2007
	RMB'000	RMB'000
Current tax:		
Provision for Hong Kong Profits Tax	**—**	11
Provision for PRC income tax	**4,214**	8,960
Income tax refund	**—**	(4,806)
(Over)/under provision in respect of prior years	**(101)**	38
	4,113	4,203
Changes in deferred tax (Note 7(c))	**(5,889)**	(1,507)
	(1,776)	2,696

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

(ii) In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. No provision for Hong Kong Profits Tax has been made during the year ended 31 December 2008 as the subsidiaries did not earn any assessable income for Hong Kong Profits Tax purposes.

(iii) The Group's subsidiary in Italy did not earn any taxable income for Italian income tax purposes. Accordingly, no provision for Italy income tax has been made during the year ended 31 December 2008.

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

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

7 Income tax (continued)

(a) Taxation in the consolidated income statement represents: (continued)

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law"). According to the New Tax Law, the applicable tax rates of the Group's subsidiaries in the PRC are unified at 25% with effect from 1 January 2008 except Zhaosu Jindi Flax Co.,Ltd.("Zhaosu Jindi") which is engaged in preliminary processing of agriculture products and is exempted from PRC income tax. Pursuant to the transitional arrangement under the New Tax Law, Jiangsu Ziwei and Jiangsu Jinyuan will continue to enjoy the tax-exemption or 50% reduction on the applicable income tax rate under the New Tax Law until the expiry of the Tax Holidays previously granted under the FEIT Law, and thereafter they are subject to the unified rate of 25%.

(v) The Group was not granted any tax refunds during the year ended 31 December 2008. Pursuant to the relevant PRC Tax Law and regulations, the Group was granted a tax refund of RMB 1,562,000 for re-investment of profits earned and a tax refund of RMB 3,244,000 for purchase of equipment produced in the PRC during the year ended 31 December 2007.

(b) Reconciliation between income tax and accounting (loss)/profit at applicable tax rates:

	2008 RMB'000	2007 RMB'000
(Loss)/profit before tax	**(24,603)**	47,728
Expected tax on (loss)/profit before tax, calculated at the PRC unified tax rate of 25% (2007: 26.4%*)	**(6,150)**	12,600
Rate differential	**(10)**	1,194
Tax effect of non-deductible expenses	**1,295**	3,109
Tax holiday enjoyed by PRC subsidiaries	**—**	(8,835)
Tax effect of unused tax losses and deductible temporary differences not recognised	**3,099**	—
Change in tax rate	**—**	(131)
Income tax refund	**—**	(4,806)
(Over)/under provision in respect of prior years	**(101)**	38
Others	**91**	(473)
Income tax	**(1,776)**	2,696

* Expected tax on profit before tax of 2007 is calculated based on the applicable tax rate of Zhejiang Jinyuan, the Group's major operating subsidiary that was subject to PRC income tax during the year ended 31 December 2007.

7 Income tax (continued)

(c) Deferred tax assets recognised

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from	Provision for inventories	Allowance for doubtful debts	Accruals	Tax losses	Unrealised profits	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	—	—	—	—	—	—	—
Credited to the income statement for the year	251	318	506	—	—	432	1,507
At 31 December 2007	251	318	506	—	—	432	1,507
At 1 January 2008	251	318	506	—	—	432	1,507
Credited/(charged) to the income statement for the year	2,127	397	(68)	2,752	1,012	(331)	5,889
At 31 December 2008	**2,378**	**715**	**438**	**2,752**	**1,012**	**101**	**7,396**

7 Income tax (continued)

(d) Deferred tax assets/(liabilities) not recognised

At 31 December 2008, deferred tax assets of RMB 2,288,000 (2007: Nil) and RMB 811,000 (2007: Nil) in respect of the tax losses and deductible temporary differences respectively for certain subsidiaries have not been recognised because it is not probable that sufficient future taxable profit will be available against which the related subsidiaries can utilise the benefits therefrom.

At 31 December 2008, temporary differences relating to the undistributed profits of a subsidiary amounting to RMB 6,254,000 (2007: Nil). Deferred tax liabilities of RMB 313,000 (2007: Nil) have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of this subsidiary and it has been determined that it is probable that profit will not be distributed in the foreseeable future.

(e) Prepaid income tax in the consolidated balance sheet represents:

	The Group	
	2008	2007
	RMB'000	RMB'000
Balance at beginning of the year	**(1,314)**	(122)
Provision for income tax for the year	**4,214**	8,971
Entitlement to income tax refund for the year	**—**	(4,806)
(Over)/under provision in respect of prior years	**(101)**	38
Income tax paid during the year	**(6,288)**	(5,395)
Balance at the end of the year	**(3,489)**	(1,314)

8 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2008				
	Directors' fees RMB'000	Salaries allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution for retirement benefit schemes RMB'000	Total RMB'000
Executive directors					
Ren Wei Ming	—	1,000	—	19	1,019
Shen Yueming	—	650	—	19	669
Zhang Hong Wen	—	400	—	19	419
Non-executive directors					
Ngan Kam Wai Albert	120	—	—	—	120
John Michael May	120	—	—	—	120
Independent non-executive directors					
Yang Donghui	96	—	—	—	96
Yu Chongwen	72	—	—	—	72
Lau Ying Kit	144	—	—	—	144
	552	2,050	—	57	2,659

8 Directors' remuneration (continued)

	2007				
	Directors' fees RMB'000	Salaries allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution for retirement benefit schemes RMB'000	Total RMB'000
Executive directors					
Ren Wei Ming	—	1,000	—	17	1,017
Shen Yueming	—	650	—	17	667
Zhang Hong Wen	—	400	—	17	417
Non-executive directors					
Ngan Kam Wai Albert	120	—	—	—	120
John Michael May	120	—	—	—	120
Independent non-executive directors					
Yang Donghui	96	—	—	—	96
Yu Chongwen	72	—	—	—	72
Lau Ying Kit	144	—	—	—	144
	552	2,050	—	51	2,653

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2007: two) are directors whose emoluments are disclosed in Note 8.

The aggregate of the emoluments in respect of the other two (2007: three) individuals are as follows:

	2008 RMB'000	2007 RMB'000
Salary and other emoluments	**3,537**	1,729
Contribution to retirement benefit schemes	**567**	14
	4,104	1,743

9 Individuals with highest emoluments (continued)

The emoluments of the two (2007: three) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
RMB Nil – RMB 1,000,000	**1**	3
RMB 1,000,001 – RMB 4,000,000	**1**	—

No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in current year and prior year.

10 (Loss)/profit attributable to equity holders of the Company

The consolidated (loss)/profit attributable to equity holders of the Company include a loss of RMB3,095,000 (2007: a loss of RMB1,767,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2008 RMB'000	2007 RMB'000
Amount of consolidated loss attributable to equity holders dealt with in the Company's financial statements	**(3,095)**	(1,767)
Final dividend from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	**18,180**	24,359
The Company's profit for the year (Note 25(b))	**15,085**	22,592

11 Dividends

Dividends payable to equity holders of the Company attributable to the year

	2008 **RMB'000**	2007 RMB'000
Final dividend proposed after balance sheet date of RMB Nil per share (2007: RMB0.025)	**—**	15,563
	—	15,563

The final dividend proposed after the balance sheet date of 31 December 2007 has not been recognised as a liability at 31 December 2007. The calculation of final dividend per share of 2007 is based on 622,500,000 ordinary shares in issue as at 31 December 2007.

Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year

	2008 **RMB'000**	2007 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of RMB0.025 per share (2007: RMB0.0375)	**15,563**	23,344
	15,563	23,344

12 Basic and diluted (loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to the shareholders of ordinary shares of RMB 22,827,000 (2007: a profit of RMB 45,032,000) and the weighted average of 622,500,000 (2007: 622,500,000) ordinary shares in issue during the year.

No dilutive potential ordinary shares were in issue as at 31 December 2008 (2007: Nil).

13 Property, plant and equipment

The Group

	Plant and buildings RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
Balance at 1 January 2007	79,737	224,671	11,215	1,111	32,395	349,129
Additions	871	9,839	1,419	1,927	80,651	94,707
Transfer in/(out)	20,205	22,002	474	—	(42,681)	—
Disposals	—	—	(442)	(219)	—	(661)
Balance at 31 December 2007	100,813	256,512	12,666	2,819	70,365	443,175
Balance at 1 January 2008	100,813	256,512	12,666	2,819	70,365	443,175
Additions	2,076	5,835	2,909	471	80,048	91,339
Transfer in/(out)	31,067	105,272	100	—	(136,439)	—
Transfer to investment properties (Note 14)	(11,731)	—	—	—	—	(11,731)
Disposals	—	—	(2)	—	—	(2)
Balance at 31 December 2008	122,225	367,619	15,673	3,290	13,974	522,781
Accumulated depreciation:						
Balance at 1 January 2007	(5,752)	(38,079)	(2,792)	(133)	—	(46,756)
Charge for the year	(4,195)	(23,832)	(2,053)	(309)	—	(30,389)
Written back on disposals	—	—	359	24	—	383
Balance at 31 December 2007	(9,947)	(61,911)	(4,486)	(418)	—	(76,762)
Balance at 1 January 2008	(9,947)	(61,911)	(4,486)	(418)	—	(76,762)
Charge for the year	(5,077)	(29,454)	(2,443)	(485)	—	(37,459)
Transfer to investment properties (Note 14)	940	—	—	—	—	940
Written back on disposals	—	—	2	—	—	2
Balance at 31 December 2008	(14,084)	(91,365)	(6,927)	(903)	—	(113,279)
Carrying amounts:						
At 31 December 2008	108,141	276,254	8,746	2,387	13,974	409,502
At 31 December 2007	90,866	194,601	8,180	2,401	70,365	366,143

All plant and buildings are located in the PRC on land under medium term leases.

14 Investment properties

	The Group	
	2008	2007
	RMB'000	RMB'000
Cost:		
Balance at beginning of year	**—**	—
Transfer from property, plant and equipment (Note 13)	**11,731**	—
Balance at end of year	**11,731**	—
Accumulated depreciation:		
Balance at beginning of year	**—**	—
Transfer from property, plant and equipment (Note 13)	**(940)**	—
Charge for the year	**(519)**	—
Balance at end of year	**(1,459)**	—
Net book value:		
At end of year	**10,272**	—
At beginning of year	**—**	—

Investment properties represent certain units of office premises rented out under the terms of operating leases during 2008. The fair value of the investment properties as at 31 December 2008, as determined by the directors based on the valuation analysis on an open market value basis with reference to recent market transactions of similar properties, to be approximately RMB 12,562,000. The valuations were carried out by an independent appraiser, Jiaxing Chang Xin Certified Public Accountants, who have among their staff Fellows of China Appraisal Society with recent experience in the location and the category of property being valued.

Rental income of RMB 727,000 (see Note 4) was earned by the Group during the year ended 31 December 2008 (2007: Nil).

15 Lease prepayments

	The Group	
	2008	2007
	RMB'000	RMB'000
Cost		
Balance at beginning of year	**40,338**	39,122
Additions	**70**	1,216
Balance at end of year	**40,408**	40,338
Amortisation		
Balance at beginning of year	**2,191**	1,438
Amortisation during the year	**849**	753
Balance at end of year	**3,040**	2,191
Carrying amounts		
At end of year	**37,368**	38,147
At beginning of year	**38,147**	37,684

Lease prepayments represent costs paid to the PRC land bureau in obtaining land use rights in respect of land located in the PRC with a lease period of 50 years when granted.

16 Investments in subsidiaries

	The Company	
	2008	2007
	RMB'000	RMB'000
Unlisted equity, at cost	**370,221**	370,221

16 Investments in subsidiaries (continued)

All of the following entities are subsidiaries as defined under Note 1(c) and have been consolidated into the Group's financial statements. The class of shares held is ordinary unless otherwise stated.

				Proportion of ownership interest			
Name of company	Place of incorporation and operation	Issued and fully paid-up share/ authorised capital	Paid-up/ registered capital	Group's effective interest	Held by company	Held by subsidiary	Principal activities
Overseas Kingdom Limited ("Overseas Kingdom")	British Virgin Islands ("BVI")	HK$0.01/ HK$500	—	100%	100%	—	Investment holding
Kingdom Group Holdings Limited ("Hong Kong Kingdom")	Hong Kong	HK$1,250,000/ HK$1,250,000	—	100%	—	100%	Investment holding
Zhejiang Jinyuan	PRC	—	USD36,320,000/ USD36,320,000	100%	—	100%	Manufacture and sale of linen yarns
Jiangsu Jinyuan	PRC	—	USD11,500,000/ USD11,500,000	100%	—	100%	Manufacture and sale of linen yarns
Rugao Jinda Flax Co., Ltd. ("Rugao Jinda")	PRC	—	RMB5,000,000/ RMB5,000,000	100%	—	100%	Manufacture and sale of semi-finished goods of linen yarns
Asia Harvest Enterprises Limited ("Asia Harvest")	Hong Kong	HK$1/ HK$10,000	—	100%	—	100%	Trading
Jiangsu Ziwei	PRC	—	USD10,000,000/ USD10,000,000	100%	—	100%	Manufacture and sale of linen yarns
Zhaosu Jindi	PRC	—	RMB20,000,000/ RMB20,000,000	100%	—	100%	Manufacture and sale of flax fibres
Xinyuan Jindi Flax Co., Ltd. ("Xinyuan Jindi")	PRC	—	RMB10,000,000/ RMB10,000,000	100%	—	100%	Not yet commenced business
Kingdom Europe S.R.L.	Italy	EUR100,000/ EUR100,000	—	100%	—	100%	Trading

16 Investments in subsidiaries (continued)

(i) Zhejiang Jinyuan and Jiangsu Ziwei are wholly foreign owned enterprises established in the PRC.

(ii) Jiangsu Jinyuan is a sino-foreign equity joint venture established in the PRC.

(iii) Rugao Jinda, Zhaosu Jindi and Xinyuan Jindi are domestic companies established in the PRC.

17 Inventories

Inventories in the balance sheet comprise:

	The Group	
	2008	2007
	RMB'000	RMB'000
Raw materials	**95,270**	96,700
Work in progress	**23,208**	14,162
Finished goods	**165,675**	70,607
Goods in transit	**28,228**	91,278
	312,381	272,747

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Carrying amount of inventories sold	**384,602**	427,837
Provision for inventories	**9,314**	718
	393,916	428,555

18 Trade and other receivables

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills receivable	**196,179**	216,846	**—**	—
Less: allowance for doubtful debts (Note 18(b))	**(3,176)**	(1,272)	**—**	—
Net trade and bills receivable	**193,003**	215,574	**—**	—
Deposits and prepayments	**31,492**	32,472	**—**	—
Amounts due from related parties (Note 30)	**1,569**	—	**—**	—
Amounts due from subsidiaries	**—**	—	**272,082**	271,849
	226,064	248,046	**272,082**	271,849

All trade and bills receivable are expected to be recovered within one year.

Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms.

18 Trade and other receivables (continued)

(a) Ageing analysis

Included in trade and other receivables are trade and bills receivable (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	The Group	
	2008	2007
	RMB'000	RMB'000
Current	**165,933**	188,004
Less than 1 month past due	**12,564**	12,235
More than 1 month but less than 3 months past due	**4,640**	10,543
More than 3 months but less than 12 months past due	**5,738**	4,792
More than 12 months past due	**4,128**	—
Total amount past due	**27,070**	27,570
	193,003	215,574

Customers are normally granted credit terms of 30 to 180 days, depending on the credit worthiness of individual customers. Further details of the Group's credit policy are set out in Note 26(a).

(b) Impairment of trade and bills receivable

Impairment losses in respect of trade and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
At 1 January	**1,272**	509
Impairment loss recognised	**2,963**	1,167
Reversal of allowance for doubtful debts recovered	**(413)**	—
Uncollectible amounts written off	**(646)**	(404)
At 31 December	**3,176**	1,272

18 Trade and other receivables (continued)

(b) Impairment of trade and bills receivable (continued)

RMB 2,817,000 (2007: RMB 1,501,000) of the Group's trade receivable were individually determined to be impaired as at 31 December 2008. The individually impaired receivables related to customers who have ceased trading with the Group and have indicated to the Group that they would have difficulties in settling the outstanding balances. Management consider that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB 2,817,000 (2007: RMB 1,272,000) were recognised against these individually impaired receivables as at 31 December 2008. The Group does not hold any collateral over these balances.

(c) Trade and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	**165,933**	188,004
Less than 1 month past due	**9,478**	12,235
More than 1 month but less than 3 months past due	**3,943**	10,543
More than 3 months but less than 12 months past due	**5,717**	4,563
More than 12 months past due	**4,125**	—
Total amount past due	**23,263**	27,341
	189,196	215,345

Receivables that were neither past due nor impaired relate to a wide range of 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 of settlement with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19 Pledged deposits

The Group's bank deposits of RMB 47,352,000 (2007: RMB 66,678,000) are pledged to banks as security for the Group's banking and borrowing facilities (Note 22). The pledge over bank deposits is releasable upon the termination of related banking and borrowing facilities.

20 Fixed deposits with banks

Fixed deposits with banks on the consolidated balance sheet of RMB 10,350,000 (2007: Nil) represent bank deposits that are over 3 months of maturity at acquisition.

21 Cash and cash equivalents

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with banks within three months of maturity	**7,228**	12,000	**—**	—
Cash at bank and in hand	**90,321**	146,256	**2,629**	1,340
	97,549	158,256	**2,629**	1,340

22 Bank loans

		The Group	
		2008	2007
		RMB'000	RMB'000
Current			
Secured bank loans		**162,839**	57,115
Bank advances under discounted bills	(ii)	**38,370**	25,760
Unsecured bank loans		**140,381**	107,839
Current portion of non-current bank loans:			
– secured bank loans		**15,000**	10,000
– unsecured bank loans		**30,000**	5,000
		386,590	205,714
Non-current			
Secured bank loans		**15,000**	25,000
Unsecured bank loans		**60,000**	65,000
Less: current portion			
– secured bank loans		**(15,000)**	(10,000)
– unsecured bank loans		**(30,000)**	(5,000)
		30,000	75,000
Total		**416,590**	280,714

The Group's non-current bank loans are repayable as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 year	**45,000**	15,000
Over 1 year but less than 2 years	**30,000**	45,000
Over 2 years but less than 5 years	**—**	30,000
	30,000	75,000
Total	**75,000**	90,000

22 Bank loans (continued)

(i) As at 31 December 2008, the banking facilities and bank loans of certain subsidiaries were secured by certain property, plant and equipment, land use rights and bank deposits of the Group with a carrying amount of RMB 139,250,000 (2007: RMB 97,532,000), RMB 32,208,000 (2007: RMB 31,565,000), and RMB 47,352,000 (2007: RMB 66,678,000) respectively.

(ii) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bills receivable and the related proceeds of the same amount are included in the Group's "Trade and bills receivable" and "Bank advances under discounted bills" at the balance sheet date.

(iii) As at 31 December 2008, total revolving banking and borrowing facilities available to the Group amounted to RMB 375,950,000 (2007: RMB 400,624,000) of which RMB 145,952,000 (2007: RMB 159,364,000) had been utilised.

23 Trade and other payables

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills payable	**85,487**	159,477	**—**	—
Non-trade payables and accrued expenses	**24,737**	38,691	**—**	—
Amount due to a subsidiary	**—**	—	**2,000**	—
	110,224	198,168	**2,000**	—

All trade and other payables are expected to be settled within one year.

Amount due to a subsidiary are unsecured, interest-free and have no fixed repayment terms.

An ageing analysis of trade and bills payable is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Due within 1 month or on demand	**31,382**	97,300
Due after 1 month but within 3 months	**45,732**	23,924
Due after 3 months but within 6 months	**7,740**	33,269
Due after 6 months but within 12 months	**633**	4,984
	85,487	159,477

24 Share capital

	The Group and the Company			
	2008		2007	
Authorised:	**Number of shares**	**Amount HK$'000**	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each	**3,000,000,000**	**30,000**	3,000,000,000	30,000

Issued and fully paid:

	2008			2007		
	Number of shares	**Amount HK$'000**	**RMB'000 equivalent**	Number of shares	Amount HK$'000	RMB'000 equivalent
At 1 January and 31 December	**622,500,000**	**6,225**	**6,272**	622,500,000	6,225	6,272

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25 Reserves

(a) The Group

	Note	Share premium	Merger reserve	PRC statutory reserve	Exchange reserve	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 25(b)(i)	Note 25(a)(i)	Note 25(a)(ii)	Note 25(a)(iii)		
As at 1 January 2007		268,001	196,816	27,128	—	154,321	646,266
Profit for the year		—	—	—	—	45,032	45,032
Transfer to reserve		—	—	7,182	—	(7,182)	—
Dividend approved and paid during the year		—	—	—	—	(23,344)	(23,344)
As at 31 December 2007		268,001	196,816	34,310	—	168,827	667,954
As at 1 January 2008		268,001	196,816	34,310	—	168,827	667,954
Loss for the year		—	—	—	—	(22,827)	(22,827)
Transfer to reserve		—	—	862	—	(862)	—
Exchange difference on translation of financial statements of overseas subsidiaries		—	—	—	(927)	—	(927)
Dividend approved and paid during the year	11	—	—	—	—	(15,563)	(15,563)
As at 31 December 2008		268,001	196,816	35,172	(927)	129,575	628,637

25 Reserves (continued)

Nature and purpose of the Group's reserves

(i) Merger reserve

Merger reserve represents the difference between the then shareholders' total capital contributions to Hong Kong Kingdom over the nominal value of the shares issued by the Company in exchange thereof as at the date of a reorganisation (the "Reorganisation") of the Group to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange. Details of the Reorganisation are set out in the Prospectus of the Company dated 30 November 2006.

(ii) PRC statutory reserve

General reserve fund

The subsidiaries in the PRC are required to transfer at least 10% of their profit after taxation, as determined under the PRC accounting regulations, to the general reserve fund until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The general reserve fund can be used to make good losses and convert into share capital by the issue of new shares to shareholders in proportion to their existing equity holdings.

Enterprise expansion fund

The transfers from retained earnings to the enterprise expansion fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries and were approved by the respective boards of directors.

The enterprise expansion fund can be used to convert into share capital, to acquire fixed assets and to increase current assets.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting polices set out in Note 1(d).

25 Reserves (continued)

(b) The Company

	Share premium RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2007	268,001	370,213	(324)	637,890
Profit for the year	—	—	22,592	22,592
Dividends approved and paid during the year	—	—	(23,344)	(23,344)
As at 31 December 2007	268,001	370,213	(1,076)	637,138
As at 1 January 2008	268,001	370,213	(1,076)	637,138
Profit for the year	—	—	15,085	15,085
Dividends approved and paid during the year	—	—	(15,563)	(15,563)
As at 31 December 2008	268,001	370,213	(1,554)	636,660

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Contributed surplus

Contributed surplus represents the excess of the fair value of the shares of Hong Kong Kingdom determined on the basis of the consolidated net assets of Hong Kong Kingdom at the date of the Reorganisation over the nominal value of the shares issued by the Company in exchange thereof.

26 Financial risk management and fair value

Exposure to credit, interest rate, liquidity and foreign currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, 7% (2007: 10%) and 22% (2007: 43%) of the total trade and other receivables was due from the largest customer and five largest customers respectively within the Group's business segment.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of trade and other receivables in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18.

26 Financial risk management and fair value (continued)

(b) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group adopts a policy of ensuring that over 50% of its interest-bearing borrowings are effectively on a fixed rate basis through the contractual terms of the interest-bearing borrowings. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing borrowings at the balance sheet date:

	The Group			
	2008		2007	
	Effective interest rate	**Carrying value RMB'000**	Effective interest rate	Carrying value RMB'000
Fixed rate borrowings:				
Bank loans	**3.768%-8.385%**	**341,590**	6.12%-7.54%	190,714
		341,590		190,714
Variable rate borrowings:				
Bank loans	**5.94%-7.74%**	**75,000**	7.29%-7.65%	90,000
		75,000		90,000
Total net borrowings		**416,590**		280,714
Net fixed rate borrowings as a percentage of total net borrowings		**82%**		68%

26 Financial risk management and fair value (continued)

(b) Interest rate risk (continued)

(ii) Sensitivity analysis

As at the balance sheet date, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's net loss after tax and decrease/increase consolidated equity by approximately RMB 731,000 (2007: decrease/increase the Group's net profit after tax and consolidated equity by approximately RMB 701,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss/profit after tax and consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those floating rate non-derivative instruments held by the Group which expose the Group to cash flow interest rate risk at the balance sheet date. The impact on the Group's loss/profit after tax and consolidated equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2007.

(c) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to the receivables, payables, loans and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars, Hong Kong Dollars and Euros.

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

26 Financial risk management and fair value (continued)

(c) Currency risk (continued)

In respect of trade and other receivables, trade and other payables and bank loans denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate where necessary to address short-term imbalances.

(i) Exposure to foreign currencies

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Difference resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

The Group

	As at 31 December 2008		
	United States Dollars RMB'000	**Hong Kong Dollars RMB'000**	**Euros RMB'000**
Trade and other receivables	**29,393**	**—**	**15,778**
Cash and cash equivalents	**5,413**	**3,392**	**1,398**
Trade and other payables	**(23,605)**	**(13,034)**	**(8,047)**
Bank loans	**(47,024)**	**—**	**—**
Overall net exposure	**(35,823)**	**(9,642)**	**9,129**

	As at 31 December 2007		
	United States Dollars RMB'000	Hong Kong Dollars RMB'000	Euros RMB'000
Trade and other receivables	76,121	—	—
Cash and cash equivalents	12,768	12,903	—
Trade and other payables	(119,810)	—	—
Bank loans	(66,150)	—	—
Overall net exposure	(97,071)	12,903	—

26 Financial risk management and fair value (continued)

(c) Currency risk (continued)

(i) Exposure to foreign currencies (continued)

The Company

	As at 31 December 2008 Hong Kong Dollars RMB'000
Cash and cash equivalents	**2,629**
Overall net exposure	**2,629**

	As at 31 December 2007 Hong Kong Dollars RMB'000
Trade and other receivables	253,523
Cash and cash equivalents	1,340
Overall net exposure	254,863

26 Financial risk management and fair value (continued)

(c) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous increase/(decrease) in the Group's results and consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2008		2007	
	Increase/ (decrease) in the Group's loss after tax RMB'000	**Increase/ (decrease) in consolidated equity RMB'000**	Increase/ (decrease) in the Group's profit after tax RMB'000	Increase/ (decrease) in consolidated equity RMB'000
United States Dollars				
– 5% strengthening of RMB	**(1,383)**	**1,383**	4,243	4,243
– 5% weakening of RMB	**1,383**	**(1,383)**	(4,243)	(4,243)
Hong Kong Dollars				
– 5% strengthening of RMB	**(359)**	**359**	(645)	(645)
– 5% weakening of RMB	**359**	**(359)**	645	645
Euros				
– 5% strengthening of RMB	**453**	**(453)**	—	—
– 5% weakening of RMB	**(453)**	**453**	—	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss/profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes difference that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2007.

26 Financial risk management and fair value (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. As at 31 December 2008, the Group had cash and bank deposits totaling RMB155,251,000 of which RMB47,352,000 had been pledged to banks to secure banking facilities granted, the majority of which are revolving in nature. As at 31 December 2008, the Group had revolving banking facilities of RMB375,950,000 of which RMB145,952,000 had been drawn down. All of these revolving banking facilities were granted by stated-owned banks in the PRC including Bank of China, Agricultural Bank of China and China Construction Bank. Amongst these revolving banking facilities, RMB150,450,000 expire in 2009 while RMB225,500,000 do not expire until after 2009. The directors believe that the Group will be able to obtain continued borrowing facilities from these banks so that when required by the Group, the bank loans due for repayment within the next 12 months can be successfully replaced with new loans drawn down from existing revolving banking facilities or new borrowing facilities. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay. At the balance sheet date, the Group did not have any derivative financial liabilities.

	Contractual undiscounted cash outflow				Balance sheet carrying amount
	Within 1 year or on demand	1-2 years	>2 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2008					
Trade and other payables	**110,224**	**—**	**—**	**110,224**	**110,224**
Bank loans	**398,088**	**31,782**	**—**	**429,870**	**416,590**
	508,312	**31,782**	**—**	**540,094**	**526,814**
2007					
Trade and other payables	198,168	—	—	198,168	198,168
Bank loans	219,178	50,046	32,295	301,519	280,714
	417,346	50,046	32,295	499,687	478,882

26 Financial risk management and fair value (continued)

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007 due to either the short maturities of these financial instruments or variable market interest rate for long-term bank borrowings.

27 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure and liquidity position (Note 26 (d)) to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of debt-to-equity ratio. For this purpose the Group defines debt and equity as total liabilities and total equity respectively.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the debt-to-equity ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions. In order to maintain or adjust the ratios, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

The debt-to-equity ratio at 31 December 2008 and 2007 was as follows:

		The Group		**The Company**	
	Note	**2008**	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans	22	**416,590**	280,714	**—**	—
Trade and other payables	23	**110,224**	198,168	**2,000**	—
Total liabilities		**526,814**	478,882	**2,000**	—
Total equity		**634,909**	674,226	**642,932**	643,410
Debt-to-equity ratio		**83%**	71%	**0.3%**	0%

28 Operating leases commitments

Non-cancellable operating lease rentals were payable as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Less than one year	**1,241**	221
Between one and five years	**4,305**	—
	5,546	221

The Group leases certain properties located in the PRC and Italy as the Group's offices. The leases run for an initial period of 1-6 years, with an option to renew the leases after that date.

29 Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2008 and 2007 but not provided for in the consolidated financial statements were as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Contracted for	**5,294**	33,789
Authorised but not contracted for	**—**	39,500
	5,294	73,289

30 Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2008 and 2007:

Name of party	Relationship
Zhejiang Kingdom Creative Co., Ltd. ("Kingdom Creative")	Controlled by the controlling shareholder of the Company's ultimate holding company
Millionfull Company Limited ("Millionfull")	One of the Company's shareholders

The Group also had a related party relationship with its directors and senior officers.

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following related party transactions:

(a) Transactions with the Company's shareholder and company controlled by the controlling shareholder of the Company's ultimate holding company

(i) During the year ended 31 December 2008, the Group leased an office located in the PRC from Kingdom Creative and paid operating lease charges of RMB200,000 (2007: RMB200,000) to Kingdom Creative.

(ii) During the year ended 31 December 2008, the Group sold products totaling RMB 1,499,000 to Millionfull (2007: Nil) and paid expenses of RMB195,000 (2007: Nil) on behalf of Millionfull.

(b) Balance with related parties

	2008 RMB'000	2007 RMB'000
Amounts due from:		
Millionfull	**1,569**	—
	1,569	—

30 Related party transactions (continued)

(c) Key management personnel remuneration

	2008	2007
	RMB'000	RMB'000
Short-term employee benefits	**3,039**	3,409
Post-employment benefits	**104**	65
	3,143	3,474

Total remuneration is included in "personnel expenses" (Note 5).

(d) Contribution to defined contribution retirement plans

Details of post-employment benefit plans for the Group's employees are disclosed in Note 5.

As at 31 December 2008 and 31 December 2007, there was no material outstanding contribution to post-employment benefit plans.

31 Accounting estimates and judgements

Key sources of estimation uncertainty are as follow:

(i) Impairment losses on trade and other receivables

Impairment losses for trade and other receivables are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

(ii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

31 Accounting estimates and judgements (continued)

(iii) Valuation of inventories

As disclosed in Note 1(g), inventories are measured at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amounts the inventories are expected to realise. These estimates take into consideration fluctuations of selling price or costs relating to events occurring after the year end to the extent that such events confirm conditions existing at the balance sheet date. As widely reported, financial markets in the United States, Europe and Asia where the Group's customers are located have been experiencing extreme disruption in recent months, resulting in a decrease of the demand for and selling price of the Group's products. As the Group's products are not a traded commodity with quoted and observable market prices, the directors have to exercise a considerable level of judgement in assessing the net realisable value of inventory and the extent to which the recent decrease in selling prices has confirmed the conditions existing at the balance sheet date and whether further selling price reductions for the products will be necessary in order for the Group to sell the inventories held at the balance sheet date. In this regard, the directors have estimated the net realisable value of the Group's inventories as at the balance sheet date with reference to the latest selling price according to received firm sales orders and assuming that a further downward price adjustment ranging from 4% - 11%, depending on the types of products, will be required to realise the inventories in excess of the firm sales orders. On this basis, an inventory provision of RMB 9,314,000 was charged to the income statement for the year ended 31 December 2008 (2007: RMB 718,000) in order to write down certain inventories to their estimated net realisable value of RMB 106,311,000 at 31 December 2008 (2007: RMB3,790,000). The directors believe that the basis of estimating the net realisable value of the Group's inventories at the balance sheet date described above is reasonable based on their historical experience and the directors' assessment about the current market conditions in the industry. However these values could change significantly as a result of competitor actions and measures to be taken by the government in various countries in response to global financial crisis. The carrying value of inventories at the balance sheet date might therefore increase/decrease if the directors' estimates of the net realisable value were lower/higher than the actual results. The directors reassess the estimations at each balance sheet date.

32 Parent and ultimate holding company

At 31 December 2008, the directors consider the immediate and ultimate controlling party of the Group to be Kingdom Investment Holdings Limited, which is incorporated in British Virgin Islands. This entity does not produce financial statements available for public use.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2008

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

The following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting period beginning on or after unless specified
IFRIC 13, Customer loyalty programmes	1 July 2008
IFRIC 16, Hedges of a net investment in a foreign operation	1 October 2008
Amendments to IAS 32, Financial instruments: presentation and IAS 1, Presentation of financial instruments -Puttable financial instruments and obligations arising on liquidation	1 January 2009
Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards and IAS 27, Consolidated and separate financial statements -Cost of an investment in a subsidiary, jointly-controlled entity or associate	1 January 2009
IFRIC 15, Agreements for the construction of real estate	1 January 2009
IFRS 8, Operating Segments	1 January 2009
Revised IAS 1, Presentation of financial statements	1 January 2009
Revised IAS 23, Borrowing costs	1 January 2009
Amendment to IFRS 2, Share-based payment -Vesting conditions and cancellations	1 January 2009

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2008 (continued)

	Effective for accounting period beginning on or after unless specified
Amendments to IFRS 7, Financial instruments: Disclosures - Improving disclosures about financial instruments	1 January 2009
Improvements to IFRSs	1 January 2009 or 1 July 2009
Amendments to IFRIC 9, Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement-Embedded derivatives	The amendments are effective for annual period ending on or after 30 June 2009
Revised IFRS 3, Business combinations	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amendments to IAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to IAS 39, Financial instruments: recognition and measurement -Eligible hedged items	1 July 2009
Revised IFRS1, First-time adoption of International Financial Reporting Standards	1 July 2009
IFRIC 17, Distributions of non-cash assets to owners	1 July 2009
IFRIC 18, Transfers of assets from customers	Applies to transfers of assets from customers received on or after 1 July 2009

Financial highlights

The summary of the results and of the assets and liabilities of Kingdom Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and 浙江金元亞麻有限公司 (Zhejiang Jinyuan Flax Co., Ltd.*) ("Zhejiang Jinyuan") for each of the five years ended 31 December 2008 is extracted from the audited financial statements of the Group's annual reports for the years ended 31 December 2008, 31 December 2007 and 31 December 2006, and the accountants' reports of the Company and Zhejiang Jinyuan included in the prospectus of the Company dated 30 November 2006.

RESULTS

	The Group					Zhejiang Jinyuan
	Year ended 31 December 2008 RMB'000	Year ended 31 December 2007 RMB'000	Year ended 31 December 2006 RMB'000	Year ended 31 December 2005 RMB'000	Period from 17 November 2004 to 31 December 2004 RMB'000	Period from 1 January 2004 to 16 November 2004
Turnover	**448,231**	537,206	537,364	452,349	31,621	262,077
Cost of sales	**(393,916)**	(428,555)	(390,689)	(318,288)	(21,750)	(180,233)
Gross profit	**54,315**	108,651	146,675	134,061	9,871	81,844
Other operating income	**3,184**	1,584	6,308	2,587	120	210
Distribution costs	**(17,700)**	(15,945)	(16,701)	(14,802)	(716)	(6,721)
Administrative expenses	**(38,292)**	(29,571)	(22,118)	(14,753)	(1,070)	(4,073)
Other operating expenses	**(2,749)**	(1,901)	(902)	(626)	—	(419)
(Loss)/profit from operations	**(1,242)**	62,818	113,262	106,467	8,205	70,841
Net finance costs	**(23,361)**	(15,090)	(17,649)	(11,940)	(1,236)	(10,342)
(Loss)/profit before taxation	**(24,603)**	47,728	95,613	94,527	6,969	60,499
Income tax	**1,776**	(2,696)	(5,247)	—	—	—
(Loss)/profit for the year/period	**(22,827)**	45,032	90,366	94,527	6,969	60,499

ASSETS AND LIABILITIES

	As at 31 December 2008	As at 31 December 2007	As at 31 December 2006	As at 31 December 2005	As at 31 December 2004	As at 16 November 2004
Total assets	**1,161,723**	1,153,108	1,082,220	670,161	574,842	489,591
Total liabilities	**(526,814)**	(478,882)	(429,682)	(380,725)	(407,015)	(334,755)
Net assets	**634,909**	674,226	652,538	289,436	167,827	154,836

The English names of the PRC entities mentioned herein marked "" are translated from their Chinese names. If there are any inconsistencies, the Chinese names shall prevail.*


亚麻带着天然的优雅，悄然融入我们的生活，
容自信于淡定，纳高贵于闲适。
一种信念，在举手投足间蔓延开来，
那就是舒适的亚麻态度。
Linen are a part of our daily life.
peaceful, confident, elegant and comfortable.
A conviction are growing in our daily life,
that is flax attitude.

服装是人的第二层皮肤，它的舒适度极大的影响着我们的生活质量，亚麻服饰以其舒服、自然的特性日渐受到那些追求着装品位的都市新贵们的青睐。
As our second skin, comfort is paramount to the styling of all garments. The preservation of our environment and the fashion trend for everything natural will introduce a new attitude and preference among our younger generations for linen products.
Quality life originates from linen
质感生活，来源于亚麻
现在的亚麻绉布、柔光亚麻等让服饰变得更加柔软、舒适，白色、米色、淡灰、蓝色等自然色彩与麻质衣料的自然、朴实风格浑然一体，精致的细节设计，让麻质衣物的粗犷风格在恰当的时候遇到精致，在细节处体现与众不同的品位，也更能深刻地对比出亚麻服饰的清新和优雅。
Crepon linen and soft linen make clothing extra soft and comfortable, and colors like white, beige, light grey and blue perfectly match the natural and simple style of linen fabric. Exquisite detail designs appropriately present the delicate side of tough linen garment. It is still the exquiste detail designs that demonstrate the superior taste, and what's more, the freshness and elegance displayed by contrast.

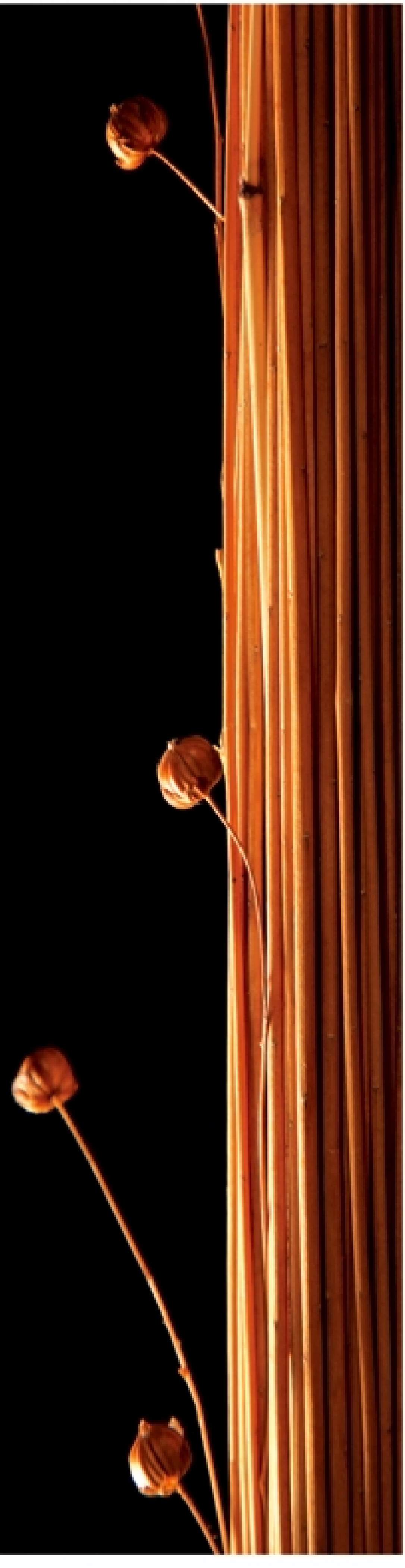
亚麻源于水、大地和阳光
Flax from the water, earth and sunshine

亚麻布透气、护体、保健、使人精神气爽，与人的生理节奏相协调，因为它来自于大地、水和阳光。

Linen fabrics provide the human body with good ventilation, protection and hygiene in a refreshing way. Linen is always in natural harmony with mankind because it is made of a natural fibre with the essence of the good earth, sunshine and water.

www.kingdom-china.com

kingdom@kingdom-china.com



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KINGDOM

KingdomLinen

KINGDOM HOLDINGS LIMITED

我们生产 We produce

有机亚麻纱	organic linen yarn
丝光亚麻纱	mercerized linen yarn
获得Oeko−Tex 100 认证的生态亚麻纱	certified Oeko-Tex standard 100 linen yarn

Nutritious Ingredients in Flax

亚麻种子含粘胶和油，故有润滑、缓和刺激的作用，可用于治疗局部炎症。内服治疗消化道、呼吸道及泌尿道炎症。
亚麻苦试能调解小肠的分泌和运动机能。
亚麻油含多量不饱和脂肪酸，故用来预防高血脂症和动脉粥样硬化。

Linseed contains mucilage and oil, ideal for lubrication and stimulation, and is used to cure partial inflammation. Taken orally it could cure inflammation in alimentary canal, aspiratory canal, and urinary canal
Some elements in linseed can adjust secretion and movement of human small intestines.
Linseed oil contains ample non-saturation fatty acid, used in prevention of hardening of blood vessels.

生活的营养很多源于亚麻

适当地补充欧米伽3将有利于提高人们的生命质量，亚麻油是ω－3 脂肪酸最丰富的来源，大约包含55%－65%的必需脂肪酸α－亚麻酸。

Omega-3 is an important diet supplement today. Linseed oil, which contains 55%-65% fatty acid α-flax acid, is one of the most important sources of Omega-3 fatty acid.

美国遗传学营养健康中心的创办人西莫普罗斯博士从1984年开始研究欧米伽饮食均衡问题，从营养和健康的角度为人类提供更为科学的饮食方式。欧米伽理论的形成源于人体两大必需的脂肪酸：α－亚麻酸（欧米伽3）和亚油酸（欧米伽6），研究发现，在人体摄入的脂肪中，如果欧米伽3（ω－3）和欧米伽6（ω－6）这两组必需脂肪酸的比例小于
1：4，人体的机能将最为高效，降低诱发心血管、癌症、糖尿病、肥胖症、关节炎、哮喘等各类疾病的风险。

适当地补充欧米伽3将有利于提高人的生命质量，亚麻油是ω－3脂肪酸最丰富的来源，大约包含55%－65%的必需脂肪酸α－亚麻酸，也包含天然抗氧化物β－胡萝卜素（维生素A）和类胡萝卜素，常食用亚麻油以有益脂肪取代有害脂肪，配合西莫普罗斯博士提出的欧米伽膳食计划，使补充欧米伽3更为简单易行。

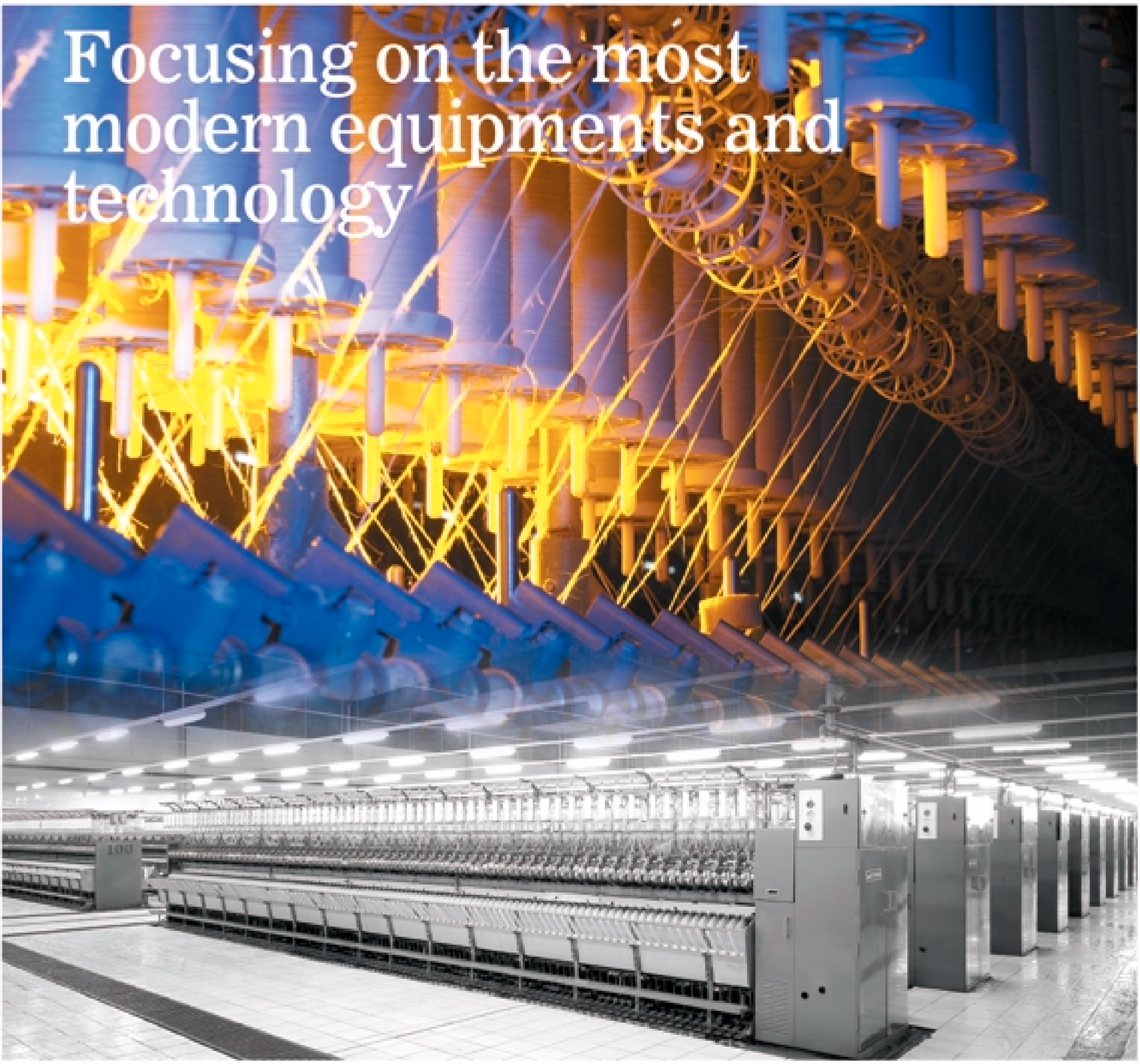
Artemis P. Simopoulos, MD, the Founder and President of The Center for Genetics, Nutrition and Health, studied the Omega Diet (or the Omega Plan) since 1984 to provide more scientific solutions to diet from nutrition and health. The Omega Diet theory is based on two human essential fatty acids: α-flax acids (Omega-3) and linoleic acid (Omega-6). The research finds among the fats human body takes in, if the ratio of Omega-3 and Omega-6 is smaller than 1/4, chances are that human body function tends to be more efficient, reducing the risks of diseases like cardiovascular problems, cancers, diabetes, adiposity, arthritis and asthma.
Appropriate intake of Omega-3 fatty acid (α-flax acid) improves human physical conditions, while linseed oil is one of the most important sources of Omega-3, containing 55%-65% of it, indispensable to human body. And what's more, it contains anti-oxidant beta-Carotene and carotenoids. Regular intake of flax oil provides healthy fat. Together with implementing Dr. Simopoulos' Omega Plan, omega-3 intake will be easier and more convenient.

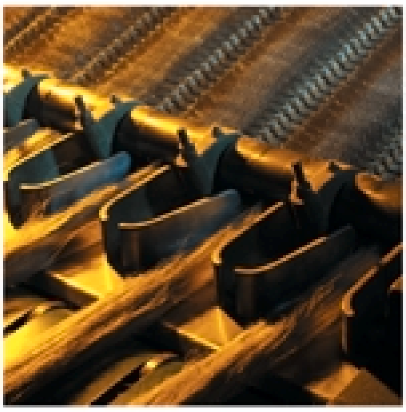
(cited from Artemis P. Simopoulos and Jo Robinson, The Omega Diet, 1999)

设备和技术一直致力于行业发展前沿

认真追求每一个细节是金达人的信念。在亚麻纱的制作过程中，除了最好的机器，最敬业的员工也是很必要的因素。金达的态度是，最好的员工跟最好的机器设备对于生产最好的亚麻纱来说一样的重要，从来就是缺一不可的。

Being in pursuit of earnest in every detail is the faith of Kingdom staff. The production of linen yarn needs not only the best machineries, but also the most serious employees. It is Kingdom's attitude that the best employees and the best equipment are the same important to the best linen yarn, both indispensable.





Outstanding technology leads to outstanding products

出色技术成就出色产品

金达的技术发展水平确保生产的亚麻纱能够拥有最舒适的质感，以满足人们对于环保绿色健康产品的自然需求。

Kingdom Group's improvement in technology technology ensures the best comfort guaranteed by linen yarn, meeting people's requirement for natural and environmental friendly products.

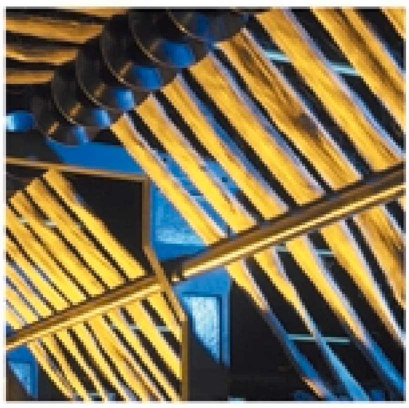
金达公司对高品质的亚麻纱一直致力于全世界最好的，公司的设备主要是从中国、法国、德国、意大利购买的，但是我们更关注我们自己对设备不断的改进和自主创新来满足和适应生产管理和市场的需求。从不满足现状和不断进取的精神使我们投入大量资金用于先进机械的引进，先进技术的学习运用及鼓励公司自主创新，目的就是一个——为了取得高质量的产品。

公司十分注重管理科学性，不仅通过了ISO9002质量管理体系和ISO14001环境安全体系的认证，公司向客户提供的亚麻纱产品还通过了Oeko–Tex Sandard100绿色生态纺织品检测。公司一直关注着亚麻纱行业动态，及时收集各种最新技术设备，了解整个亚麻纱行业走向。

金达对产品的检测具有最严格的要求，制定了一整套完整的严格检测标准体系，并引进了世界最先进的USTER检测设备，该设备能实现同步100%的质量控制以及精确的纱疵切除，可以提高纱线在当前全球纺织品市场的价值。它能对产品进行有步骤地对条子、粗纱和纱线的质量控制，保证了纱线机械设定的优化和必要的质量。USTER实验室纱线检测设备还提供了被世界各地接受并作为标准的纱线质量数据，严格保证了金达的亚麻纱品质是世界最好的产品之一。

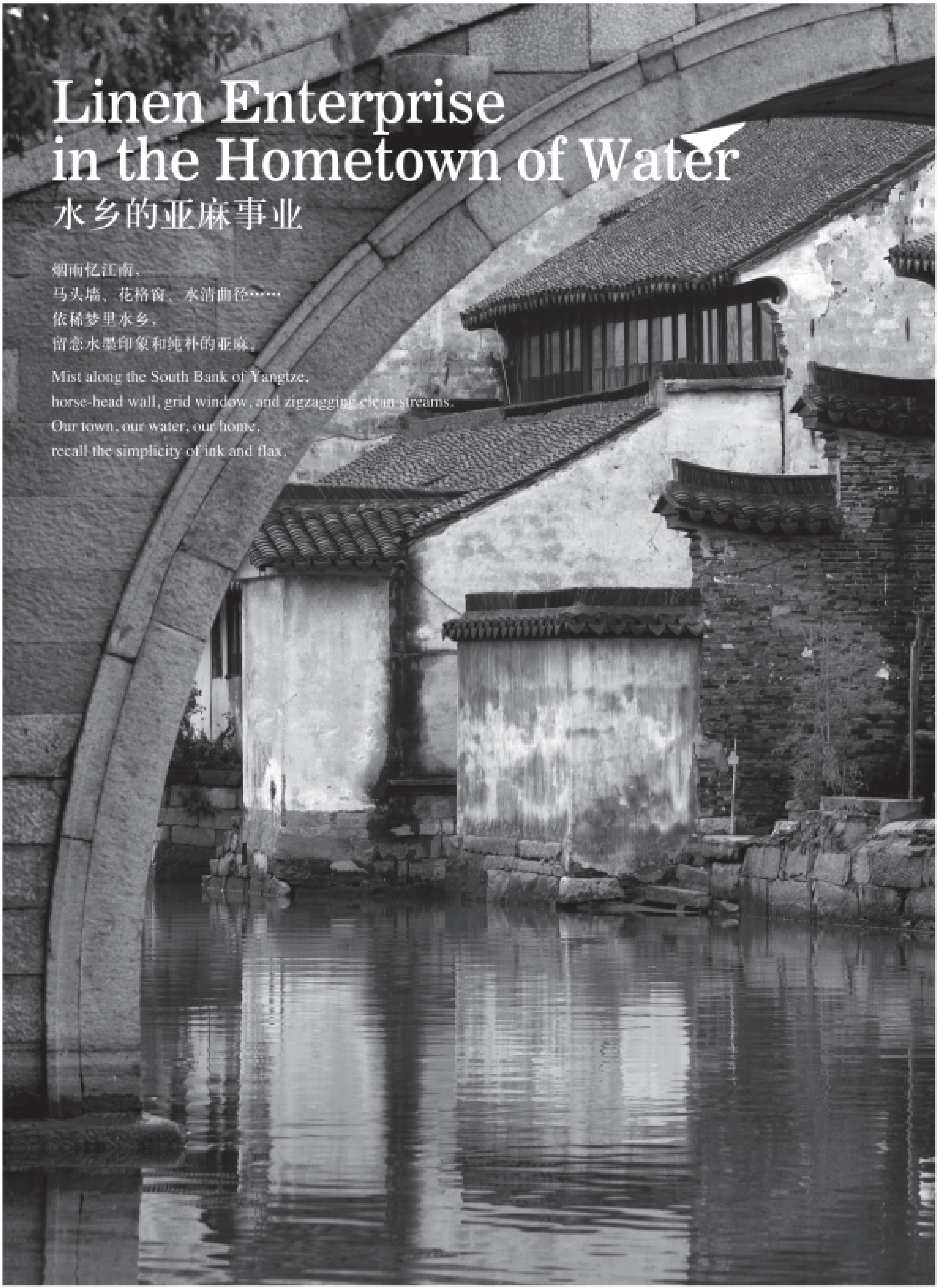
To make the finest yarns, we purchase the latest machineries from China, France, Germany and Italy. To maintain self-innovation, we continually adapt and improve our equipments, work flow and research. Our goal is the best quality to suit the demands of our customers.

In Kingdom Group we are always conscientious of the qualities of our products and our responsibility to our staff, our customers, our society and our environment. We have been successfully certified for ISO9002 Quality Management System and ISO14001 Environment Management System. Our linen yarns are recognized to conform to Oeko-Tex Standard100. All linen yarns manufactured by Kingdom Group must go through the most rigorous quality inspections. We have installed the latest testing equipments from USTER in our plants, which are used in real time production condition in several steps of the manufacturing process to ensure total quality control in our production. USTER Laboratory also provides us periodically with specifications accepted worldwide with which we benchmark ourselves.



最高品质的亚麻纱，离不开最好的技术，最先进的生产，检测设备，金达从原料的选择到设备的配备，都是按照最好的标准来要求的。

Kingdom Professionals use the best in each breed in selecting raw materials and machineries, coupled with the latest technology and advanced testing laboratories, in making the finest yarns.



Linen Enterprise in the Hometown of Water

水乡的亚麻事业

烟雨忆江南，
马头墙、花格窗、水清曲径……
依稀梦里水乡，
留恋水墨印象和纯朴的亚麻。

Mist along the South Bank of Yangtze,
horse-head wall, grid window, and zigzagging clean streams.
Our town, our water, our home,
recall the simplicity of ink and flax.

江南总是给人以富庶、祥和美丽的感受。千百年来，人们从来没有停止过赞美它、歌颂它，即使现代文明一日千里，可是历史沉淀下来的文化精髓还是经得起任何推敲，依然独树一帜的固守一方远古的清丽。

For centuries our ancestors had written songs and poems glorifying the South Bank and its history, culture and harmony. Today the region, well prepared to preserve its peace and heritage, is facing up to the currents of globalization and rapid economic changes.

The hometown of waterway nurtures a new development for flax

水乡蕴育亚麻的新发展

在中国美丽的“江南水乡”浙江，江苏，中国亚麻工业的发展对世界亚麻历史的延续和丰富内涵注入了生机。

The South Bank of the Yangtze, covering parts of Jiangsu and Zhejiang Provinces, is the embryonic center of the Chinese linen industry.

这是一个古来就有“丝绸之府”美誉的江南小镇，在岁月的光影里，她未曾改变小桥流水的雅致神韵，走近她，就能被她的宁静，祥和而感动。马头墙，花格窗，清丽的建筑风格永远留在我们记忆的深处，灰白的墙壁和雨珠顺着屋檐落地的滴答声，烙进每一个喜爱她的人的心中，形成了源远流长的江南小镇的文化情怀。

从这里走出的亚麻无不传承着这里的别样情怀，散发着来自水乡江南的淡定，从容而悠久的文化气息，在缤纷的纺织界显的分外高雅。

我们金达就坐落于这样的江南文化名城。有着城市赋予的真切和认真，以及我们自身对亚麻的热爱，我们专心经营着我们的事业，努力把这一有着古老文明的亚麻事业开创出新的明天。我们精心研究设计，致力于为客户提供各类高品质的亚麻纱，一直追求让自己高品质的亚麻纱立足于行业发展的前沿，用上等的原料经技术人员精心挑选，用心做好每一个细小环节是我们的传统。

我们在中国新疆，伊犁河谷两岸发展亚麻种植业，在江南水乡浙江，江苏发展亚麻工业，我们让这个古老的国度，这种悠久的文化，对世界亚麻历史的延续丰富内涵注入了新的生机。

我们一直致力于高品质亚麻纱的制造，开发和推广，并以自己的产业的发展向世界证明我们是一家充满活力的企业。

合作和创新对我们来说是最重要的事情，希望得到您的支持并与我们建立更多的合作，共同携手，为亚麻这个古老的话题续写新的传说。

For generations this has been the Heaven of Silk in the South Bank. The harmonious surroundings, with the architectures and the waters, bring about soul searching tranquility. Wooden-grid windows, greyish white wall, horse-head coping, and the sound of raindrops from eaves-a typical image of a town on the South Bank is impressed in everyone s mind, shaping an unforgettable long standing history and culture. Unlike other textiles, the linen goods from here exude peace, gentleness, softness and elegance, qualities that put them a class above the everyday commodities. This little haven is the home base of Kingdom Group. With leading edge research and development, we, armed with passion, diligence and dedication, strive to produce fine linen yarns with top quality flax to satisfy our most demanding customers. To be strict with every single detail is the tradition of Kingdom Group.

With flax planting on both banks of Yily River in Xinjiang and spinning mills in Zhejiang and Jiangsu, Kingdom Group is striving to scale new heights, adding new vitality in the long flax developing history.

With teams of dedication professionals we are at the fore front in the development and promotion of linen yarns.

We would always treasure new friends and partners who would co-operate with us in developing new frontiers for flax with breakthrough success to match those of the past centuries.

这里有着悠久的亚麻历史，这里的亚麻融入了小镇独有的从容淡定，让亚麻带着江南的婉约，走向世界的舞台……

Textile is a life blood of our region, and linen is a part of our daily activities. With confidence and dedication we embrace globalization into out linen industry.

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