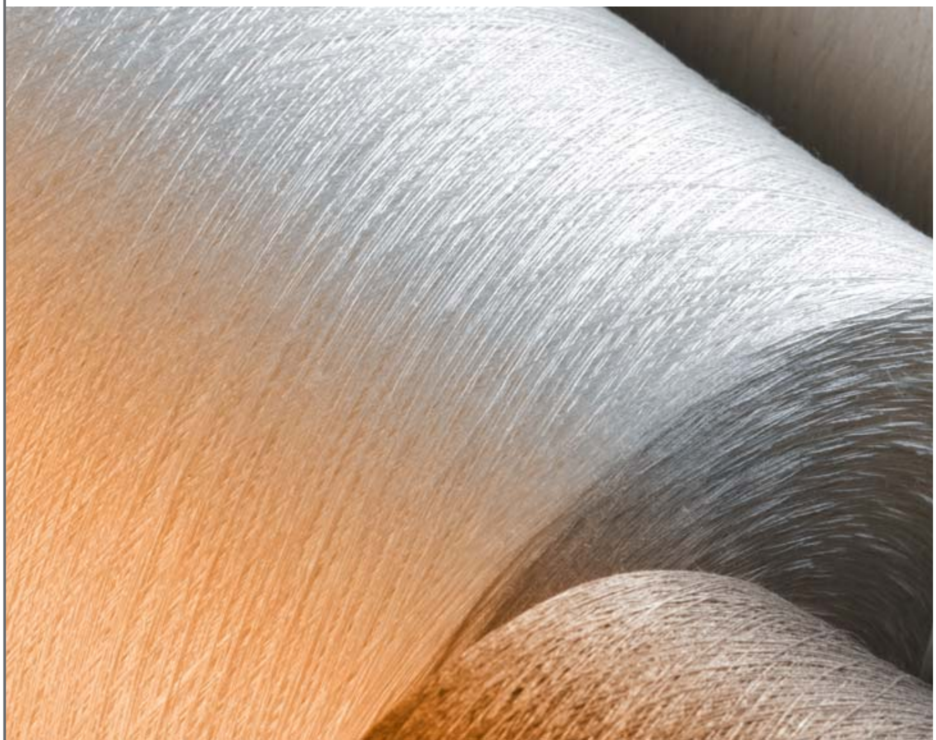
KINGDOM

ANNUAL REPORT

2007
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连哈比尔尕山汇，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流的作用下，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 Palukenu Mountains in the north, Haketawu and Nalati Mountains in the south and bisected by Wusun 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

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Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

Level 28,
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1 Queen's Road East,
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.

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 2007.

During the year under review, the Group made good progress with its strategic development. Turnover amounted to RMB537,206,000 (2006: RMB537,364,000). Gross profit, which was impacted by an increase in raw material costs as a result of a poor European flax harvest fell to RMB108,651,000 (2006: RMB146,675,000); profit attributable to shareholders amounted to RMB45,032,000 (2006: RMB90,710,000). The board of directors (the "Board") of the Company recommends a final dividend of RMB0.025 per share.

Consumer preference for natural products, a comfortable and healthy lifestyle and increased demand for linen yarn materials with the characteristics of "green products" not only expanded in European countries where there has historically been good demand for linen yarns but also increases in China and Eastern Europe. The Group therefore saw sales growth attributable to a rise in local consumption and more stringent requirements for environmentally sound products. Meanwhile the quotas for textiles exported from China to Europe was terminated on 1 January 2008, which has been in force for two years. European markets have opened their doors again for linen yarns representing opportunity for the linen yarns industry of China as well as other countries of the world.

During the year Kingdom actively invested resources in new facilities and technologies to capture new markets. The Group commenced construction of a new factory in Jiangsu which is expected to be fully operational by mid-2008. This factory will use new technologies developed with German partners and is dedicated to the production of innovative linen yarns. In order to access raw materials for linen yarns in China, Kingdom extended its operations upstream and set up a flax scutching plant in Xinjiang, which is considered to be China's leading flax growing region. When this plant is fully operational, the Group can produce more raw material itself, ensuring quality and keeping costs down.

While the quota system was in force in Europe. In 2007 Kingdom successfully established its first overseas subsidiary in Italy, thus strengthening contact with its customers and positioning itself for growth in overseas markets.

Looking forward, the Group will focus on providing high quality and differentiated linen yarns with a wide variety of thread counts. Through improving production capacity, widening the product mix, extending its operations upstream and optimising production technologies, Kingdom will strengthen its position in the Chinese and global markets.

In 2007 Kingdom achieved its progress through the dedication of its entire staff. On behalf of the Board I would like to express my gratitude to our staff for their endeavours and contributions and my sincere appreciation to the customers, suppliers and shareholders for their support. The year of 2008 will mark a new milestone for the Group and we are dedicated to working together to build upon the achievements to date of the Kingdom Group.

Ren Wei Ming
Chairman

Haiyan County, PRC, 22 April 2008

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!

INDUSTRY OVERVIEW

Linen yarns have natural, good and unique characteristics. Their applications are expanding. As the market demand for environment protecting products is increasing, the steady growth in demand for linen yarns in the global market will continue. European countries are still the main users of linen yarns. China is experiencing a growth in its economy and a change in consumption demand, representing a potential market for linen yarns. India is also a new emerging market for a rapid growth in demand for linen yarns.

China has transformed as a well-developed production base for linen yarns due to its abundant natural resources and in-depth knowledge of the industry. As at 31 December 2007, the total export of linen yarns amounted to 16,929.79 tonnes in China, making it the largest supplier of linen yarns in the world continuously.

The European Union formally announced the cancellation of all quota limitations on China's linen yarns export on 1 January 2008, posing enormous opportunities for the Chinese linen yarn industry. Such industry should respond with high-quality brands, advanced technologies, differential products and economies of scale in order to be outstanding, despite rising costs as a result of rapid growth in the economy and industry-wide consolidation.

BUSINESS REVIEW

During the year under review, the Group operated two production bases located in Haiyan County, Zhejiang Province and Rugao City, Jiangsu Province. The total annual capability exceeded 10,000 tonnes. Kingdom was the largest enterprise of linen yarns in the world in terms of actual capability and market share in 2007.

By listing its shares on the Stock Exchange of Hong Kong Limited at the end of 2006, the Group has access to stronger financial resources and a platform linking the Group with international markets, leading to larger support to the operations of the Group. In 2007, the Group actively expanded its production scale, exerted greater efforts in promoting its brands and tapped into overseas markets in order to facilitate the extending of the upstream of production chain in preparation for a rapid increase in orders as a result of the cancellation of the quota system by the European Union and greater demand from the domestic market in the future.

Tapping into overseas markets

The Group succeeded in setting up a subsidiary in Italy at the end of 2007, offering after-sales services with higher quality to customers in Italy and other European countries, as well as raising added value to its products to improve service quality to customers after the cancellation of the quota system in the European Union, in order to expand its market share.

Research and development of products

Benefiting from the support of the Chinese Government, the Group invested RMB17,240,000 to import equipment for research and development from France, Italy, Switzerland and Japan. Through utilizing the technologies developed with foreign manufactures, the Group actively improved production efficiency and its product quality and improved its development capability for new products. During the year under review, the Group has succeeded in developing linen yarns products with a high degree of strength, widening our product mix.

In addition, the Group succeeded in opening the first constant temperature and constant humidity test centre in the Chinese linen yarns industry in September of 2007. Equipment used at the centre is imported from Switzerland, conducting more precise tests for various linen yarn products at world-class standards.

Endeavors in research and development by the Group have been recognised. Two patents-related plastic tubes used for linen yarns were granted. Zhejiang Jinyuan Flax Co., Ltd., a subsidiary of the Group, was granted the "certificate for production of organic linen yarns" by Holland Control Alliance.

Promotion of brands

In addition to three major brands ("紫薇", "Crape Myrtle" and "Kingdom"), the Group launched three sub-brands (i.e. Sport, Opera and Peony) based on "Kingdom", catering for the European markets. By way of strategic segmentation of markets, the Group selectively participates in world markets of the highest qualities, raising its market share.

Brands of the Group represent high quality. During the year under review, the brands were recognised by the authority again. The "紫薇" brand was awarded with "Famous Brand of China" and the "Certificate for Product Exemption from Quality Surveillance Inspection" by the State General Administration of The People's Republic of China For Quality Supervision and Inspection and Quarantine.

Expansion of scale

The construction of a new production base with an area of 15,680 square meters located in the Jiangsu base factory of the Group is almost complete. Such production base is expected to formally commence production at the end of May of 2008 and will be dedicated to the production of differential linen yarn products with an estimated total annual capacity of approximately 4,000 tonnes, the first factory in China with such capacity. The Group believes the new production base can expand its production capacity, improve production capacity for diversified products, and enhance economies of scale.

In addition, the Group completed the main structures of the first phase construction of a raw material base located in Zhaosu County, Xinjiang at the end of 2007 and is currently installing equipment. It is expected to commence operations in May of 2008 with total annual capacity amounting to approximately 2,500 tonnes. The application for the second phase construction of the project has been approved. Completion of the construction and the commencement of operations is expected to be at the end of 2008, with total annual capacity amounting to 3,000 tonnes. The new factory will introduce advanced technologies from Europe to reap flax and process rain and dew flax, ensuring a consistent supply of high quality raw materials and reducing linen yarn production costs. After the commencement of operations in the two projects, it is estimated that about 35% of raw materials demand by the Group can be satisfied by itself.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2007, the Group's turnover amounted to approximately RMB537,206,000 (2006: RMB537,364,000). The Group relies on its high-quality brands and dominating market position to keep a basic balance situation and keep its turnover at a stable level despite a decrease in market demand as a result of slower growth in the global economy.

The following table summarizes the classification of the Group's main products and turnover arising from sales outlets during the relevant period:

Classification of products

Counts of linen yarns	**Turnover**	
	2007	2006
8.5-19 Nm	**63,929,000**	64,540,000
20-30 Nm	**292,015,000**	279,348,000
31-60 Nm	**156,675,000**	156,313,000
Others	**24,587,000**	37,163,000

Selling area:	**Turnover**	
	2007	2006
PRC	**241,892,000**	231,349,000
European Union	**124,415,000**	124,251,000
Non-European Union	**170,899,000**	181,764,000

Gross profit and gross profit margin

During the year under review, a natural disaster suddenly occured in Europe, mounting upward pressure on cost for linen yarns. The Group promptly increased its purchase of materials from China and implemented more rigorous cost control measures, but gross profit was adjusted to RMB108,651,000 (2006: RMB146,675,000). The gross profit margin was approximately 20.2% (2006: 27.3%).

Expenses

The Group's selling and distribution expenses amounted to approximately RMB15,945,000 (2006: RMB16,701,000), and accounted for approximately 3.0% of the total turnover for 2007 (2006: 3.1%).

The Group's administrative expenses amounted to approximately RMB29,571,000 (2006: RMB22,118,000), and accounted for approximately 5.5% of the total turnover for 2007 (2006: 4.1%). Administrative expenses increased as a result of the increase in the number of management staff and their remunerations, an increase in audit and advisory fees, as well as pre-operating expenses for the newly established company in Italy.

Net finance costs were approximately RMB15,090,000 (2006: RMB17,649,000).

Profit attributable to shareholders

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2007 amounted to approximately RMB45,032,000 (2006: RMB90,710,000), a decrease of approximately 50% compared to that of the previous year. The Group's net profit margin for the year ended 31 December 2007 was approximately 8.4% (2006: 16.9%). Net profit margin decreased compared to that of the previous year, due to a decrease in gross profit margin, an increase in administrative expenses and an appreciation in RMB.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group had net current assets of approximately RMB343,159,000 (2006: RMB337,481,000). The Group finances its operations with internally generated resources and bank borrowings. As at 31 December 2007, the Group had cash and bank deposits of approximately RMB158,256,000 (2006: RMB330,010,000). The current ratio of the Group was approximately 185.0% (2006: 183.4%).

Shareholders' fund of the Group as at 31 December 2007 was approximately RMB674,226,000 (2006: RMB652,538,000). As at 31 December 2007, the bank borrowings of the Group, repayable within 12 months from the balance sheet date, amounted to approximately RMB205,714,000 (2006:RMB193,800,000), while long-term borrowings amounted to approximately RMB75,000,000 (2006: RMB25,000,000), together giving a gross debt gearing (i.e. total borrowings/shareholders' fund) of approximately 41.6% (2006: 33.5%).

As at 31 December 2007, other than the bank borrowings already utilized, the Group has obtained facilities granted by certain banks in the amount of RMB241,260,000.

The financial strength of the Group has been greatly improved after its listing on the Stock Exchange. The Board believes that taking into account the capital expenditures to be made within 2008, the Group's existing financial resources will be sufficient for the Group's future expansion plans.

CAPITAL COMMITMENTS

Capital commitments in respect of purchases of property, plant and equipment outstanding at 31 December 2007 but not provided for in the consolidated financial statements were RMB73,289,000.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group had no contingent liabilities.

CHARGES ON GROUP ASSETS

As at 31 December 2007, the Group's bank deposits of RMB66,678,000 had been pledged to banks as security for the Group's bank loans and other banking facilities. The pledged bank deposits will be released upon the termination of relevant banking facilities. In addition, properties, plants and equipment and land use rights with an aggregate carrying amount of RMB97,532,000 and RMB31,565,000 respectively were pledged as security for the Group's bank loans.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition or disposal of the Company´s subsidiaries and associated companies during the year ended 31 December 2007.

FOREIGN EXCHANGE RISK

The Group is exposed to currency risks primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars and Hong Kong Dollars.

The following table details the Group's exposure at 31 December 2007 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.

	USD'000	HKD'000
Trade and other receivables	10,421	—
Bank deposits	1,748	13,779
Trade and other payables	(16,402)	—
Bank borrowings	(9,056)	—

HUMAN RESOURCES AND STAFF POLICY

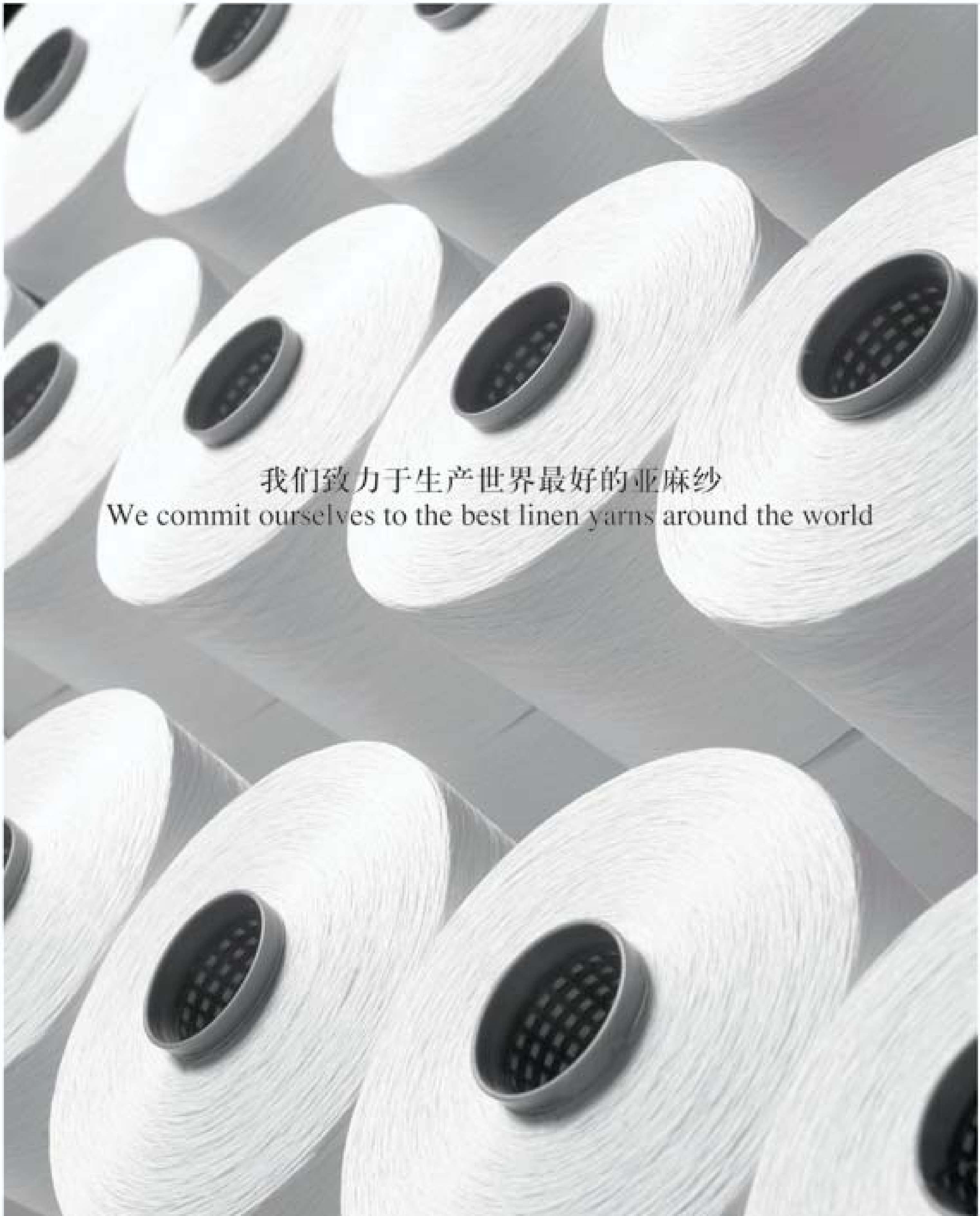
As at 31 December 2007, the Group had a total of 2,564 (2006: 2,463) employees, 64 of which are university graduates; 123 of which have professional certifications; 3 of which are foreign experts in linen yarns. Total staff costs incurred during the year 2007 amounted to RMB61,000,000 (2006: RMB43,000,000). The Group offers comprehensive and competitive remuneration, retirement scheme and benefit packages to its employees. Share options under the share option scheme of the Company and discretionary bonuses may be granted to the Group's staff based on their performance. 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 the rates specified in the relevant PRC laws and regulations.

The remuneration policy of the employees of the Company is formulated by the Board with reference to the employee's respective qualification and experience, responsibilities undertaken, contribution to the Company, and the prevailing market level of remuneration of similar position. The remuneration of 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 Company'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.

OUTLOOK

In order to capture the enormous opportunities facing the Chinese linen yarn industry resulting from the cancellation of the quota system in the European Union on the import of Chinese textiles to Europe and the progressively growing demand for high quality linen yarns in other world markets, the Group will use the new factory of linen yarns in Jiangsu and raw material base in Xinjiang in the future to raise production capacity and secure the supply of raw materials, in order to actively march forward to our development targets with high counts, high quality and diverse linen yarns. Kingdom will use its proprietary research abilities and cooperate with overseas partners to improve production technologies, further enhancing production efficiency, widening product mix, and protecting intellectual property rights to key technologies. In addition, through increased efforts and knowledge in marketing its brands by pitting it against other major players in the industry, Kingdom has consolidated its brands ranking in the world and their position in the markets.


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 of the Company ("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 set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2007.

CODE PROVISION A.2.1

Details are set out below in the section headed "Chairman and Chief Executive Officer" in this corporate governance report.

CODE PROVISIONS B.1.4 and C.3.4

Under code provisions B.1.4 and C.3.4 of the Code, the Company should make available the terms of reference of its Remuneration Committee and Audit Committee, which is suggested by the Code to be complied with by making them available on request and by including the information on the Company's website. The terms of reference of the Company's Remuneration Committe and Audit Committee are available on request. Although the Company has established its own website, the requirement with regard to providing such information on a website has not been complied with. It is expected that the terms of reference will be available on the Company's website in 2008 in compliance with the requirement.

Code Provision C.2.1

Under code provision C.2.1 of the Code, the Directors should at least annually conduct a review of the effectiveness of the system of internal control of the Group.

As the Group had appointed the PRC auditors of a subsidiary of the Company to review the internal controls of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2007 and such PRC auditors opined in the internal control audit report dated 31 March 2008 that they were satisfied with the effectiveness of the internal control of the Group, the Directors have not conducted any other review of the effectiveness of the internal control of the Group during the year.

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 of all Directors, all the Directors confirm that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions for the year ended 31 December 2007 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 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)*	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	4/4	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/ 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 37 to 38 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 have 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 have entered into letters of appointment with the Company and is appointed for an initial term of 1 year commencing from 13 November 2007.

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 the guidelines set out in rule 3.13 of the Listing Rules, each of the independent non-executive Directors have confirmed his independence and continues to be considered by the Company to be independent.

REMUNERATION OF DIRECTORS

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 2007, the Remuneration Committee comprised of one executive Director and two independent non-executive Directors, namely Mr. Zhang Hong Wen (Chairman of the 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 2007 and prior to the publishing of this report. At the meeting, the Remuneration Committee reviewed the remuneration policies of the Directors and the senior executives and approved the remuneration packages of the executive Directors for the year 2008.

NOMINATION OF DIRECTORS

There is no nomination committee in the Group for the time being.

Candidates to be nominated as Directors are experienced, high calibre individuals.

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. Yang Donghui and Mr. Yu Chongwen shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as Directors.

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	1,830

The responsibilities of the external auditors with respect to the 2007 financial statements are set out in the section headed "Auditors' Report" on pages 37 to 38. 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 who are all independent non-executive Directors, namely, Mr. Lau Ying Kit, Mr. Yang Donghui and Mr. Yu Chongwen. Mr. Lau Ying Kit, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman.

During the year, the Audit Committee held two meetings to review the interim and annual reports of the Company for 2007.

At the meeting, the Audit Committee reviewed the interim and the final results for 2007 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 are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Also, there has been no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

As the Group had appointed the PRC auditors of a subsidiary of the Company to review the internal control of the Group and such PRC auditors opined in the internal control audit report dated 31 March 2008 that they were satisfied with the effectiveness of the internal control of the Group, the Directors had not conducted any other review of the effectiveness of the internal control of the Group during the year.


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 48, 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 been in the silk 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 29 to 30 of this annual report.

Mr. Shen Yueming (沈躍明), aged 46, 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 was appointed as director of Haiyan Ziwei in December 2001, before joining the Group in March 2003. He then joined Kingdom Creative and he has been a director of Kingdom Creative since April 2000.

Mr. Zhang Hong Wen (張鴻文), aged 41, is an executive Director. He is the financial controller of Zhejiang Jinyuan and a director and financial controller of 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 58, 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 29 to 30 of this annual report.

Mr. John Michael May, aged 53, 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 62, 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 45, 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*) (formerly known as 中國紡織大學 (China Textiles 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 34, is an independent non-executive Director. He is the chief financial officer of China Glass Holdings Limited (Stock code: 3300), a listed company in Hong Kong principally engaged in glass production. Mr. Lau holds a Bachelor degree from Victoria University of Technology, Australia and is an associate member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in November 2006.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Cheng Yee Fai, Fred (鄭怡輝), aged 49, 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 49, 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 42, 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 39, 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*).

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

亚麻不像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 of directors (the "Board") of the Company'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 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 18 to the financial statements.

Details of the analysis of the Group's performance for the year by geographical segments are set out in note 5 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 39.

DIVIDENDS

The Board recommended the payment of a final dividend of RMB0.025 per ordinary share for the year ended 31 December 2007.

RESERVES

Movements in the reserves of the Group during the year are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands amounted to RMB637,138,000.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately RMB87,000.

SHARE CAPITAL

Details of the movements in the share capital of the Group are set out in note 25 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 100.

PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 December 2007, the Group acquired property, plant and equipment of approximately RMB64,733,000. Details of the movements are set out in note 16 to the financial statements.

DIRECTORS

The directors of the Company (the "Directors") during the financial year ended 31 December 2007 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. Yang Donghui and Mr. Yu Chongwen shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as Directors.

DIRECTORS' SERVICE CONTRACTS

Save for Mr. John Michael May, 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 31 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 the Directors' remuneration are set out in note 11 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 23 to 25.

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

As at 31 December 2007, 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 for Securities Transactions by Directors of Listed Issuers ("Model Code"):

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

	Ordinary shares of HKD 0.01 each			
Name of Director	**Personal interests** (Note 1)	**Corporate interests**	**Total number of shares held**	**Approximately percentage of issued share capital (%)**
Mr. Ren Wei Ming	2,502,000	273,600,000 (Note 2)	276,102,000	44.35
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 (as defined below). Mr. Ngan therefore holds a controlling interest in Millionfull and is deemed under the SFO to be interested in the Shares held by Millionfull.

Share options

As at 31 December 2007, no share options were granted to the Directors of the Company or any of their associates.

Save as disclosed above, as at 31 December 2007, 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 2007, 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	Approximate percentage of issued share capital (%)
Kingdom Investment Holdings Limited ("Kingdom Investment (BVI)")	Beneficial owner	273,600,000	43.95
Millionfull International Co., Ltd. ("Millionfull")	Beneficial owner	64,800,000	10.41
Caledonia Investments plc	Beneficial owner	66,825,000	10.73
ABN AMRO Bank N.V.	Beneficial owner	55,944,000	8.98
ABN AMRO Holding N.V.	Interest in controlled corporation *(Note)*	55,944,000	8.98
RFS Holdings B.V.	Interest in controlled corporation *(Note)*	55,944,000	8.98
The Royal Bank of Scotland Group plc	Interest in controlled corporation *(Note)*	55,944,000	8.98

Note: ABN AMRO Bank N.V. ("ABN Bank") is a wholly owned subsidiary of ABN AMRO Holding N.V. ("ABN Holding"), which in turn a subsidiary of RFS Holdings B.V. ("RFS Holdings"). The Royal Bank of Scotland Group plc ("RBS Group") owns 38.28% of RFS Holdings. Each of ABN Holding, RFS Holdings and RBS Group is deemed under the SFO to be interested in the 55,944,000 shares of the Company held by ABN Bank.

Save as disclosed above, as at 31 December 2007, 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 34.45% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 12.56%. Purchases from the Group's five largest suppliers accounted for approximately 70.66% of the total purchases for the year and purchase from the Group's largest supplier amounted to approximately 20.7%.

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 transaction

Save as disclosed above, during the year, the Group had the following exempt continuing connected transaction which is to expire on 31 December 2008, details of which were disclosed in the prospectus of the Company dated 30 November 2006 (the "Prospectus"):

Lease agreement

The Group has been leasing office premises from Kingdom Creative, an associate of Mr. Ren Wei Ming and hence a connected person, since July 2003.

Rental and other terms for the above lease arrangement was negotiated between the parties on an arm's length basis with reference to the then prevailing market rates.

A tenancy agreement has been entered into by the Group with Kingdom Creative in respect of the above-mentioned office premises for a term up to and until 31 December 2008 at an annual rental of RMB200,000. To the extent that each of the applicable percentage ratios (other than the profit ratio) of this transaction does not exceed 0.1%, this transaction is exempted from all reporting, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

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

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

(ii) either on normal commercial terms or, on terms no less favourable to the Company than terms available to or from independent third parties; and

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

The Directors have engaged the auditors to perform certain agreed-upon procedures on the aforesaid continuing connected transaction on a sample basis and the auditors have, based on the work performed, provided a letter to the Directors stating that:

(i) the transaction has been approved by the Directors;

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

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

(iv) the transaction did not exceed the relevant annual limits as set out in the Prospectus.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2007 are set out in note 23 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. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year.

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 8 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

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 2007, 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 organisation 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 22 April 2008.

CORPORATE GOVERNANCE

The Group's principal corporate governance practices are set out on page 15 to 21.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2008 to 28 May 2008, both days inclusive, during which period no transfer of shares will be effected. In order to establish entitlement to the proposed final dividend which is to be approved in the forthcoming annual general meeting, and attending and voting at the annual general meeting, all transfers 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 21 May 2008.

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, 22 April 2008

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 39 to 99, which comprise the consolidated and company balance sheets as at 31 December 2007, 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' judgment, 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit 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

22 April 2008

Consolidated income statement

for the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Turnover	4	**537,206**	537,364
Cost of sales		**(428,555)**	(390,689)
Gross profit		**108,651**	146,675
Other operating income	7	**1,584**	6,308
Distribution costs		**(15,945)**	(16,701)
Administrative expenses		**(29,571)**	(22,118)
Other operating expenses		**(1,901)**	(902)
Profit from operations		**62,818**	113,262
Finance income		**2,331**	1,468
Finance expenses		**(17,421)**	(19,117)
Net finance costs	9(a)	**(15,090)**	(17,649)
Profit before income tax	9	**47,728**	95,613
Income tax	10(a)	**(2,696)**	(5,247)
Profit for the year		**45,032**	90,366
Attributable to:			
Equity holders of the Company	26(a)	**45,032**	90,710
Minority interest		**—**	(344)
Profit for the year		**45,032**	90,366
Dividends payable to equity holders attributable to the year			
– Final dividend proposed after balance sheet date	14	**15,563**	23,344
		15,563	23,344
Basic and diluted earnings per share (RMB)	15	**0.07**	0.20

The notes on pages 45 to 99 form part of these financial statements.

Consolidated balance sheet

at 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	16	**366,413**	302,373
Lease prepayments	17	**38,147**	37,684
Deferred tax assets	10(c)	**1,507**	—
		406,067	340,057
Current assets			
Inventories	19	**272,747**	164,671
Prepaid income tax	10(d)	**1,314**	122
Trade and other receivables	20	**248,046**	171,934
Pledged deposits	21	**66,678**	75,426
Cash and cash equivalents	22	**158,256**	330,010
		747,041	742,163
Current liabilities			
Bank loans	23	**205,714**	193,800
Trade and other payables	24	**198,168**	210,882
		403,882	404,682
Net current assets		**343,159**	337,481
Total assets less current liabilities		**749,226**	677,538
Non-current liabilities			
Bank loans	23	**75,000**	25,000
Net assets		**674,226**	652,538
Capital and reserves			
Share capital	25	**6,272**	6,272
Reserves	26(a)	**667,954**	646,266
Total equity		**674,226**	652,538

Approved and authorised for issue by the board of directors on 22 April 2008.

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

The notes on pages 45 to 99 form part of these financial statements.

Balance sheet of the Company

at 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Investments in subsidiaries	18	**370,221**	370,221
Current assets			
Trade and other receivables	20	**271,849**	205,271
Cash and cash equivalents	22	**1,340**	79,473
		273,189	284,744
Current liabilities			
Trade and other payables	24	**—**	10,803
Net current assets		**273,189**	273,941
Net assets		**643,410**	644,162
Capital and reserves			
Share capital	25	**6,272**	6,272
Reserves	26(b)	**637,138**	637,890
Total equity		**643,410**	644,162

Approved and authorised for issue by the board of directors on 22 April 2008.

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

The notes on pages 45 to 99 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2007

	Attributable to equity holders of the Company							
	Share capital RMB'000 (Note 25)	**Share premium** RMB'000 (Note 26(a))	**Capital reserve** RMB'000 (Note 26(a))	**Merger reserve** RMB'000 (Note 26(a))	**PRC statutory reserve** RMB'000 (Note 26(a))	**Retained earnings** RMB'000	**Minority interests** RMB'000	**Total** RMB'000
As at 1 January 2006	1,318	165,339	30,167	—	14,265	76,474	1,873	289,436
Arising from reorganisation	(1,310)	(165,339)	(30,167)	196,816	—	—	—	—
Issuance of share by placing and public offer	1,511	262,984	—	—	—	—	—	264,495
Capitalisation issue	4,527	(4,527)	—	—	—	—	—	—
Issuance of share under the over-allotment option related to the Placement	226	39,350	—	—	—	—	—	39,576
Share issuance expenses	—	(29,806)	—	—	—	—	—	(29,806)
Profit for the year	—	—	—	—	—	90,710	(344)	90,366
Transfer to reserve	—	—	—	—	12,863	(12,863)	—	—
Acquisition of interest in a subsidiary from a minority shareholder	—	—	—	—	—	—	(1,529)	(1,529)
As at 31 December 2006	6,272	268,001	—	196,816	27,128	154,321	—	652,538
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 (Note 14)	—	—	—	—	—	(23,344)	—	(23,344)
As at 31 December 2007	**6,272**	**268,001**	**—**	**196,816**	**34,310**	**168,827**	**—**	**674,226**

The notes on pages 45 to 99 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Profit before taxation		**47,728**	95,613
Adjustments for:			
– Depreciation		**30,389**	25,990
– Amortisation of lease prepayment		**753**	724
– Provision for inventories		**718**	—
– Loss on disposal of property, plant and equipment		**80**	49
– Provision for bad and doubtful debts		**1,167**	509
– Interest expenses		**12,636**	17,064
– Interest income		**(2,331)**	(1,468)
Operating profit before changes in working capital		**91,140**	138,481
Increase in inventories		**(108,794)**	(12,114)
Increase in trade and other receivables		**(61,260)**	(97,868)
(Decrease)/increase in trade and other payables		**(17,238)**	36,196
Cash (used in)/generated from operations		**(96,152)**	64,695
Interest expense paid		**(13,478)**	(17,064)
PRC income tax (paid)/refunded		**(5,395)**	2,341
Net cash (used in)/generated from operating activities		**(115,025)**	49,972
Investing activities			
Acquisition of property, plant and equipment		**(104,303)**	(57,283)
Proceeds from disposal of property, plant and equipment		**198**	710
Payment for lease prepayments		**(1,216)**	(3,740)
Acquisition of additional interests in a subsidiary from a minority shareholder		**—**	(1,529)
Interest received		**2,331**	1,468
Decrease/(increase) in pledged deposits		**8,748**	(3,121)
Net cash used in investing activities		**(94,242)**	(63,495)

The notes on pages 45 to 99 form part of these financial statements.

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for the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Financing activities			
Proceeds from issuance of shares, net of issuance expenses		**—**	274,265
Proceeds from loans and borrowings		**259,366**	344,991
Repayment of loans and borrowings		**(197,452)**	(336,289)
Dividends paid to equity holders		**(23,344)**	—
Net cash generated from financing activities		**38,570**	282,967
Net (decrease)/increase in cash and cash equivalents		**(170,697)**	269,444
Cash and cash equivalents at 1 January		**330,010**	60,566
Effect of foreign exchange rates change		**(1,057)**	—
Cash and cash equivalents at 31 December	22	**158,256**	330,010

The notes on pages 45 to 99 form part of these financial statements.

1 Reorganisation

Kingdom Holdings Limited ("the Company") was 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. Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group on 23 November 2006. This was accomplished by the Company acquiring the entire equity interests of Kingdom Group Holdings Limited, the then holding company of subsidiaries, except for Overseas Kingdom Limited, as set out in Note 18. Details of the Reorganisation are set out in the Prospectus of the Company dated 30 November 2006. The Company's shares were listed on the Stock Exchange on 12 December 2006.

2 Significant accounting policies

(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 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. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 Significant accounting policies (continued)

(b) Basis of presentation

The Group is regarded as a continuing entity resulting from the Reorganisation of entities under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation. Accordingly, the consolidated results of the Group for the years ended 31 December 2006 and 2007 include the results of the Company and its subsidiaries with effect from 1 January 2006 or, if later, since their respective dates of incorporation or at the date that common control was established as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheets at 31 December 2006 and 31 December 2007 have been prepared on the basis that the current group structure was in place with effective from 1 January 2006. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

(c) Basis of measurement

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.

(d) Accounting estimates and judgements

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.

Information about judgements made by management in applying accounting policies that have the most significant effect on the amounts recognised in financial statements and significant areas of estimation uncertainty are discussed in Note 32.

2 Significant accounting policies (continued)

(e) Basis of consolidation

(i) Subsidiaries

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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (Note 2(i)).

(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative periods presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognised directly in equity.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Minority interests

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

2 Significant accounting policies (continued)

(f) 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.

(g) 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 2(i)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are substantially complete, at which time it commences to be depreciated in accordance with the Group's depreciation policy (Note 2 (g) (iii)).

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.

(ii) 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.

2 Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

(iii) 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

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(h) 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.

(i) Impairment

(i) Financial assets

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.

An impairment loss in respect of a financial asset measured 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.

2 Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (Note 2(h)) and deferred tax assets (Note 2(t)) 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. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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 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.

2 Significant accounting policies (continued)

(j) 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 2(i)), 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 2(i)).

(k) 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.

(l) 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.

(m) 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 profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) 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

Obligation 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.

2 Significant accounting policies (continued)

(o) 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.

(p) 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) Sales of goods

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

(ii) 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.

(q) 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 as an integral part of the total lease expense, over the term of the lease.

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 2(i)). Amortisation is charged to the income statement on a straight-line basis over the respective periods of the rights.

2 Significant accounting policies (continued)

(r) 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.

Finance expenses comprise interest payable on borrowings, net of borrowing costs capitalised (Note 2(s)), calculated using the effective interest rate method, bank charges and net foreign exchange losses.

(s) Borrowing cost

Borrowing costs are expensed in profit and loss 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 sales.

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.

(t) Income tax

Income tax on the income statement for the year comprises current and movements in deferred tax. Current tax and movement in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relates 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.

2 Significant accounting policies (continued)

(t) Income tax (continued)

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 dividend are recognised at the same time as the liability to pay the related dividend is recognised.

(u) Dividends

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

(v) 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.

(w) 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.

2. Significant accounting policies (continued)

(x) Related parties

For the purposes of these financial statements, parties are 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 plans 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.

3 Changes in accounting policies

The IASB has issued a number of new and revised IFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of IFRS 7, Financial instruments: Disclosures and the amendment to IAS 1, Presentation of financial statements: Capital disclosure, there have been some additional disclosures provided as follows:

As a result of the adoption of IFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in Note 27.

3 Changes in accounting policies (continued)

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in Note 28.

Both IFRS 7 and the amendment to IAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (Note 35).

4 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.

5 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:

	2007 RMB'000	2006 RMB'000
Turnover		
PRC	**241,892**	231,349
Overseas		
– European Union	**124,415**	124,251
– Non-European Union	**170,899**	181,764
Total	**537,206**	537,364
Segment results		
PRC	**35,342**	51,204
Overseas		
– European Union	**28,265**	40,206
– Non-European Union	**29,100**	49,021
Total	**92,707**	140,431
Unallocated operating income and expenses	**(29,889)**	(27,169)
Profit from operations	**62,818**	113,262
Net finance costs	**(15,090)**	(17,649)
Income tax expenses	**(2,696)**	(5,247)
Profit for the year	**45,032**	90,366

6 Acquisition of minority interests

During the year ended 31 December 2006, the Group acquired an additional 40% equity interest in Rugao Jinda Flax Co., Ltd. ("Rugao Jinda") from Zhejiang Kingdom Investment Management Co., Ltd.("Kingdom Investment"), an entity controlled by the Company's ultimate owner, at a cash consideration of RMB1,600,000. As a result of this acquisition, Rugao Jinda became a wholly-owned subsidiary of the Group.

7 Other operating income

	2007	2006
	RMB'000	RMB'000
Government grants	**65**	4,881
Sundry income	**1,519**	1,427
	1,584	6,308

During the year ended 31 December 2007, the Group was granted local government subsidies of RMB65,000 (2006: RMB4,881,000) as encouragement for its development.

8 Personnel expenses

	2007	2006
	RMB'000	RMB'000
Salaries, wages and other benefits	**57,780**	40,724
Contributions to defined contribution plans	**3,101**	1,957
	60,881	42,681

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.

9 Profit before taxation:

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

(a) Net finance costs

	2007 RMB'000	2006 RMB'000
Interest income	**(2,331)**	(1,468)
Finance income	**(2,331)**	(1,468)
Interest on bank loans	**13,478**	17,064
Less: borrowing costs capitalised	**(842)**	—
Net interest expenses	**12,636**	17,064
Bank charges	**2,616**	1,913
Foreign exchange losses, net	**2,169**	140
Finance expenses	**17,421**	19,117
Net finance costs	**15,090**	17,649

The borrowing costs have been capitalised at the weighted average rate of 7.20% per annum for the year ended 31 December 2007. No borrowing cost was capitalised during the year ended 31 December 2006.

(b) Other items

	2007 RMB'000	2006 RMB'000
Cost of inventories*	**428,555**	390,689
Depreciation	**30,389**	25,990
Amortisation of lease prepayments	**753**	724
Provision for inventories	**718**	—
Operating lease charges on premises	**487**	524
Allowance for doubtful debts	**1,167**	509
Auditors' remuneration-audit services	**1,830**	1,589

* Cost of inventories includes RMB76,850,000 (2006: RMB57,542,000) 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 8 for each type of expenses.

10 Income tax

(a) Taxation in the consolidated income statement represents:

	2007 RMB'000	2006 RMB'000
Current tax:		
Provision for Hong Kong Profits Tax	**11**	—
Provision for PRC income tax	**8,960**	7,272
Income tax refund	**(4,806)**	(2,218)
Under provision in respect of prior years	**38**	193
	4,203	5,247
Changes in deferred tax	**(1,507)**	—
	2,696	5,247

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

(ii) The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% of the estimated assessable profits for the year (2006: 17.5%).

(iii) The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable tax rate of the Group's operating subsidiaries in the PRC ranged from 24% to 33% for the year ended 31 December 2007 (2006: 24% to 33%).

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"). At 31 December 2007, Jiangsu Ziwei and Jiangsu Jinyuan are still within the Tax Holiday period granted under the FEIT Law.

10 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. 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%.

(iv) Pursuant to the relevant PRC tax law and regulations applicable, the Group was granted a tax refund of RMB1,562,000 for re-investment of profits earned (2006: Nil), and a tax refund of RMB3,244,000 for purchase of equipment produced in the PRC (2006: RMB2,218,000) during the year ended 31 December 2007.

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

	2007 **RMB'000**	2006 RMB'000
Profit before tax	**47,728**	95,613
Expected tax on profit before tax, calculated at the applicable tax rate concerned (@26.4%*)	**12,600**	25,242
Rate differential	**1,194**	(853)
Tax effect of non-deductible expenses	**3,109**	1,382
Tax holiday enjoyed by PRC subsidiaries	**(8,835)**	(18,499)
Change in tax rate	**(131)**	—
Income tax refund	**(4,806)**	(2,218)
Under provision in respect of prior years	**38**	193
Others	**(473)**	—
Income tax expense	**2,696**	5,247

* Expected tax on profit before tax 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.

10 Income tax (continued)

(c) Deferred tax assets

Recognised deferred tax assets in the consolidated balance sheet are attributable to the items set out below:

Deferred tax arising from	Provision for inventories	Allowance for doubtful debts	Accruals	Pre-operating expenses	Capitalised borrowing costs	Total
	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	147	285	1,507
At 31 December 2007	**251**	**318**	**506**	**147**	**285**	**1,507**

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Balance at beginning of the year	**(122)**	(7,710)
Provision for income tax for the year	**8,971**	7,272
Entitlement to income tax refund for the year*	**(4,806)**	(2,218)
Under provision in respect of prior years	**38**	193
Income tax (paid)/refunded during the year	**(5,395)**	2,341
Balance at the end of the year	**(1,314)**	(122)

* This represents the tax refund relating to the re-investment of profits earned and purchase of equipment produced in the PRC as mentioned in Note 10 (a)(iv).

11 Directors' remuneration

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

	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

11 Directors' remuneration (continued)

	2006				
	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	—	551	180	5	736
Shen Yueming	—	292	150	5	447
Zhang Hong Wen	—	222	95	5	322
Non-executive directors					
Ngan Kam Wai Albert	15	—	—	—	15
John Michael May	15	—	—	—	15
Independent non-executive directors					
Yang Donghui	12	—	—	—	12
Yu Chongwen	9	—	—	—	9
Lau Ying Kit	18	—	—	—	18
	69	1,065	425	15	1,574

12 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2006: three) are directors whose emoluments are disclosed in Note 11.

The aggregate of the emoluments in respect of the other three (2006: two) individuals are as follows:

	2007 RMB'000	2006 RMB'000
Salary and other emoluments	**1,729**	1,157
Discretionary bonuses	**—**	—
Contribution to retirement benefit schemes	**14**	5
	1,743	1,162

12 Individuals with highest emoluments (continued)

The emoluments of the three (2006: two) individuals with the highest emoluments are within the following bands:

	2007 Number of individuals	2006 Number of individuals
RMB Nil – RMB1,000,000	**3**	2

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.

13 Profit attributable to equity holders of the Company

The consolidated profit attributable to equity holders of the Company include a loss of RMB1,767,000 (2006: RMB324,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit/(loss) for the year:

	2007 RMB'000	2006 RMB'000
Amount of consolidated loss attributable to equity holders dealt with in the Company's financial statements	**(1,767)**	(324)
Final dividend from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	**24,359**	—
The Company's profit/(loss) for the year (Note 26 (b))	**22,592**	(324)

14 Dividends

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

	2007	2006
	RMB'000	RMB'000
Final dividend proposed after balance sheet date of RMB0.025 per share (2006: RMB0.0375)	**15,563**	23,344
	15,563	23,344

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The calculation of final dividend per share is based on 622,500,000 ordinary shares in issue as at 31 December 2007 (2006: 622,500,000 ordinary shares).

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

	2007	2006
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of RMB0.0375 per share (2006: Nil)	**23,344**	—
	23,344	—

15 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to the shareholders of ordinary shares of RMB45,032,000 (2006: RMB90,710,000) and the weighted average of 622,500,000 (2006: 458,465,753) ordinary shares in issue during the year.

Weighted average number of ordinary shares

	2007 Number of shares	2006 Number of shares
Ordinary shares issued at 1 January	**622,500,000**	—
Share issued upon incorporation (Note 25(i))	—	1
Issuance of shares upon the Reorganisation (Note 25(iii))	—	749,999
Capitalisation issue (Note 25(iv))	—	449,250,000
Effect of issuance of shares for placing and public offering (Note 25(v))	—	8,219,178
Effect of issuance of shares under the over-allotment option related to the placement (Note 25(vi))	—	246,575
Weighted average number of ordinary shares at 31 December	**622,500,000**	458,465,753

No dilutive potential ordinary shares were in issue as at 31 December 2007 (2006: Nil).

16 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 2006	70,677	198,100	7,763	573	8,649	285,762
Additions	7,644	12,803	2,413	538	41,335	64,733
Transfer in/(out)	1,416	15,134	1,039	—	(17,589)	—
Disposals	—	(1,366)	—	—	—	(1,366)
Balance at 31 December 2006	79,737	224,671	11,215	1,111	32,395	349,129
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
Accumulated depreciation:						
Balance at 1 January 2006	(2,193)	(18,159)	(986)	(35)	—	(21,373)
Charge for the year	(3,559)	(20,527)	(1,806)	(98)	—	(25,990)
Written back on disposals	—	607	—	—	—	607
Balance at 31 December 2006	(5,752)	(38,079)	(2,792)	(133)	—	(46,756)
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)
Carrying amounts:						
At 31 December 2007	90,866	194,601	8,180	2,401	70,365	366,413
At 31 December 2006	73,985	186,592	8,423	978	32,395	302,373

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

17 Lease prepayments

	The Group	
	2007	2006
	RMB'000	RMB'000
Cost		
Balance at beginning of year	**39,122**	35,382
Additions	**1,216**	3,740
Balance at end of year	**40,338**	39,122
Amortisation		
Balance at beginning of year	**1,438**	714
Amortisation for the year	**753**	724
Balance at end of year	**2,191**	1,438
Carrying amounts		
At end of year	**38,147**	37,684
At beginning of year	**37,684**	34,668

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.

18 Investments in subsidiaries

	The Company	
	2007	2006
	RMB'000	RMB'000
Unlisted equity, at cost	**370,221**	370,221

18 Investments in subsidiaries (continued)

All of the following entities are subsidiaries as defined under Note 2(e) 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	People's Republic of China ("PRC")	—	USD34,842,628/ USD36,320,000	100%	—	100%	Manufacture and sale of linen yarns
Jiangsu Jinyuan	People's Republic of China ("PRC")	—	USD11,500,000/ USD11,500,000	100%	—	100%	Manufacture and sale of linen yarns
Rugao Jinda	People's Republic of China ("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	People's Republic of China ("PRC")	—	USD10,000,000/ USD10,000,000	100%	—	100%	Not yet commenced business
Zhaosu Jindi Flax Co., Ltd. ("Zhaosu Jindi")	People's Republic of China ("PRC")	—	RMB20,000,000/ RMB20,000,000	100%	—	100%	Not yet commenced business
Xinyuan Jindi Flax Co., Ltd. ("Xinyuan Jindi")	People's Republic of China ("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%	Not yet commenced business

18 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.

19 Inventories

Inventories in the balance sheet comprise:

	The Group	
	2007	2006
	RMB'000	RMB'000
Raw materials	**96,700**	51,762
Work in progress	**14,162**	11,336
Finished goods	**70,607**	45,141
Goods in transit	**91,278**	56,432
	272,747	164,671

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Carrying amount of inventories sold	**427,837**	390,689
Provision for inventories	**718**	—
	428,555	390,689

20 Trade and other receivables

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills receivable	**216,846**	152,881	**—**	—
Less: allowance for doubtful debts (Note 20(b))	**(1,272)**	(509)	**—**	—
Net trade and bills receivable	**215,574**	152,372	**—**	—
Deposits and prepayments	**32,472**	19,562	**—**	500
Amounts due from subsidiaries	**—**	—	**271,849**	204,771
	248,046	171,934	**271,849**	205,271

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.

20 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	
	2007	2006
	RMB'000	RMB'000
Current	**188,004**	141,844
Less than 1 month past due	**12,235**	2,069
More than 1 month but less than 3 months past due	**10,543**	3,844
More than 3 months but less than 12 months past due	**4,792**	4,615
Total amount past due	**27,570**	10,528
	215,574	152,372

Customers are normally granted credit terms of 30 to 120 days, depending on the credit worthiness of individual customers. Further details regarding the Group's credit policy are set out in Note 27(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	
	2007	2006
	RMB'000	RMB'000
At 1 January	**509**	115
Impairment loss recognised	**1,167**	509
Uncollectible amounts written off	**(404)**	(115)
At 31 December	**1,272**	509

20 Trade and other receivables (continued)

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

RMB1,501,000 (2006: RMB2,718,000) of the Group's trade receivables were individually determined to be impaired as at 31 December 2007. 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 considered that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB1,272,000 (2006: RMB509,000) were recognised against these individually impaired receivables as at 31 December 2007. 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	
	2007	2006
	RMB'000	RMB'000
Neither past due nor impaired	**188,004**	141,844
Less than 1 month past due	**12,235**	2,069
More than 1 month but less than 3 months past due	**10,543**	3,844
More than 3 months but less than 12 months past due	**4,563**	2,406
Total amount past due	**27,341**	8,319
	215,345	150,163

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.

21 Pledged deposits

The Group's bank deposits of RMB66,678,000 (2006: RMB75,426,000) have been pledged to banks as security for the Group's banking and borrowing facilities (Note 23). The pledged bank deposits will be released upon the termination of relevant banking and borrowing facilities.

22 Cash and cash equivalents

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with banks within three months of maturity	**12,000**	4,000	**—**	—
Cash at bank and in hand	**146,256**	326,010	**1,340**	79,473
	158,256	330,010	**1,340**	79,473

23 Bank loans

		The Group	
		2007	2006
		RMB'000	RMB'000
Current			
Secured bank loans		**57,115**	83,800
Bank advances under discounted bills	(ii)	**25,760**	—
Unsecured bank loans		**107,839**	75,000
Current portion of non-current bank loans:			
– secured bank loans		**10,000**	5,000
– unsecured bank loans		**5,000**	30,000
		205,714	193,800
Non-current			
Secured bank loans		**25,000**	30,000
Unsecured bank loans		**65,000**	30,000
Less: current portion			
– secured bank loans		**(10,000)**	(5,000)
– unsecured bank loans		**(5,000)**	(30,000)
		75,000	25,000
Total		**280,714**	218,800

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Within 1 year	**15,000**	35,000
Over 1 year but less than 2 years	**45,000**	10,000
Over 2 years but less than 5 years	**30,000**	15,000
	75,000	25,000
Total	**90,000**	60,000

23 Bank loans (continued)

(i) As at 31 December 2007, 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 RMB97,532,000 (2006: RMB100,668,000), RMB31,565,000 (2006: RMB30,131,000), and RMB66,678,000 (2006: RMB75,426,000) 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 2007, total banking and borrowing facilities available to the Group amounted to RMB400,624,000 (2006: RMB301,050,000) of which RMB159,364,000 (2006: RMB164,651,000) had been utilised.

24 Trade and other payables

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and bills payable	**159,477**	173,674	**—**	—
Non-trade payables and accrued expenses	**38,691**	36,818	**—**	2,220
Amounts due to related parties (Note 31(b))	**—**	390	**—**	—
Amounts due to subsidiaries	**—**	—	**—**	8,583
	198,168	210,882	**—**	10,803

All trade and other payables (including amounts due to related parties) are expected to be settled within one year.

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

24 Trade and other payables (continued)

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Within 1 month	**97,300**	83,383
Over 1 month but less than 3 months	**23,924**	27,023
Over 3 months but less than 6 months	**33,269**	61,138
Over 6 months but less than 12 months	**4,984**	1,543
Over 12 months	**—**	587
	159,477	173,674

25 Share capital

Authorised:	The Group and the Company 2007 Number of shares	Amount HK$'000	2006 Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each (note (i) and (ii) below)	**3,000,000,000**	**30,000**	3,000,000,000	30,000

Issued and fully paid:

	2007			2006		
	Number of shares	Amount HK$'000	RMB'000 equivalent	Number of shares	Amount HK$'000	RMB'000 equivalent
At 1 January	**622,500,000**	**6,225**	**6,272**	—	—	—
Share issued upon incorporation (note (i) below)	**—**	**—**	**—**	1	—	—
Issuance of new shares pursuant to the reorganisation (note (iii) below)	**—**	**—**	**—**	749,999	8	8
Capitalisation issue (note (iv) below)	**—**	**—**	**—**	449,250,000	4,492	4,527
Issuance of shares by placing and public offering (note (v) below)	**—**	**—**	**—**	150,000,000	1,500	1,511
Issuance of shares under the over-allotment option related to the placement (note (vi) below)	**—**	**—**	**—**	22,500,000	225	226
At 31 December	**622,500,000**	**6,225**	**6,272**	622,500,000	6,225	6,272

25 Share capital (continued)

(i) The Company was incorporated in the Cayman Islands on 21 July 2006 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of par value HK$0.01 each. On 21 July 2006, 1 ordinary share of HK$0.01 in the Company was allotted and issued to the initial subscriber and this share was then transferred to Kingdom Investment Holdings Limited on the same day.

(ii) Pursuant to the written resolution of the sole shareholder of the Company passed on 11 August 2006, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$30,000,000 divided into 3,000,000,000 shares of HK$0.01 each by the creation of an additional 2,962,000,000 shares of HK$0.01 each.

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 meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(iii) On 23 November 2006, pursuant to the Reorganisation described in Note 1 to the financial statements, the Company issued an aggregate of 749,999 ordinary shares of HK$0.01 each in the Company to the then shareholders of Hong Kong Kingdom in consideration for acquiring their respective equity interests held in Hong Kong Kingdom.

(iv) On 15 November 2006, the Company authorised the issue of 449,250,000 ordinary shares of HK$0.01 each to the then shareholders of the Company in the proportion of their respective shareholdings in the Company by way of capitalisation of HK$4,492,500 (equivalent to RMB4,527,000) from the share premium account upon the listing of the Company's shares on the Stock Exchange. The above shares were issued on 12 December 2006.

(v) On 12 December 2006, 150,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$1.75 per share under the Hong Kong Public Offering ("the Offering") and the International Placing ("the Placement"). The proceeds of HK$1,500,000 (equivalent to RMB1,511,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$261,000,000 (equivalent to RMB262,984,000), before the share issue expenses, were credited to the share premium account.

(vi) On 28 December 2006, the underwriters of the Placement exercised the over-allotment option for the issuance of 22,500,000 ordinary shares of HK$0.01 each at HK$1.75 per share. The proceeds of HK$225,000 (equivalent to RMB226,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$39,150,000 (equivalent to RMB39,350,000), before the share issue expenses, were credited to the share premium account.

26 Reserves

(a) The Group

	Note	Share premium RMB'000	Capital reserve RMB'000 Note 26(a)(ii)	Merger reserve RMB'000 Note 26(a)(iii)	PRC statutory reserve RMB'000 26(a)(iv)	Retained earnings RMB'000	Total RMB'000
As at 1 January 2006		165,339	30,167	—	14,265	76,474	286,245
Arising from reorganisation	26(a)(iii)	(165,339)	(30,167)	196,816	—	—	1,310
Issuance of share by placing and public offer	26(a)(i)	262,984	—	—	—	—	262,984
Capitalisation issue	26(a)(i)	(4,527)	—	—	—	—	(4,527)
Issuance of share under the over-allotment option related to the placement	26(a)(i)	39,350	—	—	—	—	39,350
Share issuance expenses	26(a)(i)	(29,806)	—	—	—	—	(29,806)
Profit for the year		—	—	—	—	90,710	90,710
Transfer to reserve		—	—	—	12,863	(12,863)	—
As at 31 December 2006		268,001	—	196,816	27,128	154,321	646,266
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	14	—	—	—	—	(23,344)	(23,344)
As at 31 December 2007		268,001	—	196,816	34,310	168,827	667,954

26 Reserves (continued)

Nature and purpose of the Group's reserves

(i) Share premium

150,000,000 ordinary shares of HK$0.01 each in the Company were issued at HK$1.75 under the Offering and the Placement on 12 December 2006. An additional 22,500,000 ordinary shares of HK$0.01 each in the Company were issued at HK$1.75 on 28 December 2006 pursuant to the over-allotment option related to the Placement. The excess of the proceeds totaling HK$301,875,000 (equivalent to RMB304,071,000) over the nominal value of the total number of ordinary shares issued, less certain listing costs of HK$29,249,000 (equivalent to RMB29,806,000) incurred in connection with the issue of share capital, amounting to HK$270,901,000 (equivalent to RMB272,528,000), was credited to the share premium account of the Company.

Pursuant to an ordinary resolution passed at a directors' meeting held on 15 November 2006, 449,250,000 ordinary shares of HK$0.01 each in the Company were issued at par value on 12 December 2006 by way of capitalisation of HK$4,492,500 (equivalent to RMB4,527,000) from the share premium account.

The Company was incorporated on 21 July 2006. The share premium reflected in the consolidated financial statements as at 1 January 2006 represented the share premium of Hong Kong Kingdom, which was subsequently transferred to the merger reserve as at the date of Reorganisation (see Note(iii) below).

(ii) Capital reserve

Prior to 1 January 2006, Hong Kong Kingdom acquired equity interests of certain subsidiaries now comprising the Group from related parties. The excess of Hong Kong Kingdom's share of the net identifiable assets acquired over the consideration paid were regarded as equity transactions and recorded in the capital reserve, which was subsequently transferred to the merger reserve as at the date of Reorganisation (see Note (iii) below).

(iii) Merger reserve

On 15 November 2006, pursuant to the Reorganisation, the Company issued 749,999 ordinary shares of HK$0.01 each to the then shareholders of Hong Kong Kingdom in consideration of acquiring their respective equity interests held in Hong Kong Kingdom. 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 was transferred to the merger reserve in the consolidated financial statements as at the date of Reorganisation.

26 Reserves (continued)

Nature and purpose of the Group's reserves (continued)

(iv) 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.

26 Reserves (continued)

(b) The Company

	Share premium RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 21 July 2006 (date of incorporation)	—	—	—	—
Arising from reorganisation	—	370,213	—	370,213
Issuance of shares by placing and public offering	262,984	—	—	262,984
Capitalisation issue	(4,527)	—	—	(4,527)
Issuance of shares under the over-allotment option related to the placement	39,350	—	—	39,350
Share issuance expenses	(29,806)	—	—	(29,806)
Loss for the period	—	—	(324)	(324)
As at 31 December 2006	268,001	370,213	(324)	637,890
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

26 Reserves (continued)

(b) The Company (continued)

(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.

27 Financial instruments

Exposure to credit, interest rate, liquidity and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices 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. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 10% (2006: 19%) and 43% (2006: 45%) 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 20.

27 Financial instruments (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			
	2007		2006	
	Effective interest rate	**Carrying value RMB'000**	Effective interest rate	Carrying value RMB'000
Fixed rate borrowings:				
Bank loans	**6.12%-7.54%**	**190,714**	5.40%-7.04%	143,800
		190,714		143,800
Variable rate borrowings:				
Bank loans	**7.29%-7.65%**	**90,000**	6.03%	75,000
		90,000		75,000
Total net borrowings		**280,714**		218,800
Net fixed rate borrowings at a percentage of total net borrowings		**68%**		66%

27 Financial instruments (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 decrease/increase the Group's net profit after tax and consolidated equity by approximately RMB701,000 (2006: RMB493,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next annual balance sheet date. The analysis is prepared on the same basis for 2006.

(c) Foreign currency risk

The Group is exposed to currency risks primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars and Hong Kong Dollars.

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 rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

In respect of trade and other receivables, trade and other payables and borrowings held in currency other than the functional currency of the operations to which they relate, 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.

27 Financial instruments (continued)

(c) Foreign currency risk (continued)

The following table details the Group'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.

(i) Exposure to currency risk

The Group

	As at 31 December 2007	
	United States Dollars '000	**Hong Kong Dollars '000**
Trade and other receivables	**10,421**	**—**
Cash and cash equivalents	**1,748**	**13,779**
Trade and other payables	**(16,402)**	**—**
Bank loans	**(9,056)**	**—**
Overall net exposure	**(13,289)**	**13,779**

	As at 31 December 2006	
	United States Dollars '000	Hong Kong Dollars '000
Trade and other receivables	10,267	—
Cash and cash equivalents	683	283,320
Trade and other payables	(16,514)	—
Bank loans	(1,460)	—
Overall net exposure	(7,024)	283,320

27 Financial instruments (continued)

(c) Foreign currency risk (continued)

(i) Exposure to currency risk (continued)

The Company

	As at 31 December 2007	
	United States Dollars '000	**Hong Kong Dollars '000**
Trade and other receivables	**—**	**270,742**
Cash and cash equivalents	**—**	**1,432**
Overall net exposure	**—**	**272,174**

	As at 31 December 2006	
	United States Dollars '000	Hong Kong Dollars '000
Trade and other receivables	—	204,311
Cash and cash equivalents	—	79,101
Trade and other payables	(579)	(2,510)
Overall net exposure	(579)	280,902

27 Financial instruments (continued)

(c) Foreign currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the approximate increase/(decrease) in the Group's profit after tax and consolidated equity in response to a 5% strengthening/weakening of the Renminbi against the foreign currencies to which the group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is a currency other than the functional currencies of the lender or the borrower.

	2007	2006
	RMB'000	RMB'000
United States Dollars		
– 5% strengthening of RMB	**4,243**	2,638
– 5% weakening of RMB	**(4,243)**	(2,638)
Hong Kong Dollars		
– 5% strengthening of RMB	**(645)**	(14,232)
– 5% weakening of RMB	**645**	14,232

The sensitivity analysis above has been determined assuming that the changes in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the year until the next annual balance sheet date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group companies' 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 analysis is performed on the same basis for 2006.

27 Financial instruments (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. 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 date, the Group did not have any derivative financial liabilities.

	Carrying amount RMB'000	Undiscounted contractual cash flows RMB'000	Within 1 year or on demand RMB'000	1-2 years RMB'000	>2 years RMB'000
2007					
Trade and other payables	**198,168**	**198,168**	**198,168**	**—**	**—**
Bank loans	**280,714**	**301,519**	**219,178**	**50,046**	**32,295**
2006					
Trade and other payables	210,882	210,882	210,882	—	—
Bank loans	218,800	227,490	200,598	11,577	15,315

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2006 due to either the short maturities of these financial instruments or variable market interest rate for long-term bank borrowings.

28 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 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 the 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 2007, the Group's strategy, which was unchanged from 2006, 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 2007 and 2006 was as follows:

		The Group		The Company	
	Note	**2007**	2006	**2007**	2006
		RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans	23	**280,714**	218,800	**—**	—
Trade and other payables	24	**198,168**	210,882	**—**	10,803
Total liabilities		**478,882**	429,682	**—**	10,803
Total equity		**674,226**	652,538	**643,410**	644,162
Debt-to-equity ratio		**71%**	66%	**0%**	2%

29 Operating leases commitments

Non-cancellable operating lease rentals were payable as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Less than one year	**221**	459
Between one and five years	**—**	221
	221	680

The Group leases certain properties located in the PRC and Hong Kong as the Group's offices. The leases run for an initial period of 2-3 years, with an option to renew the leases after that date.

30 Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2007 and 2006 but not provided for in the consolidated financial statements were as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Contracted for	**33,789**	8,650
Authorised but not contracted for	**39,500**	90,000
	73,289	98,650

31 Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2007 and 2006:

Name of party	Relationship
Kingdom Investment Holdings Limited (“Kingdom Investment Holdings”)	The ultimate holding company
Mr. Ren Wei Ming	Controlling shareholder of the Company’s ultimate holding company (the “Controlling Shareholder”)
Zhejiang Kingdom Creative Co., Ltd. (“Kingdom Creative”)	Controlled by Mr. Ren Wei Ming
Kingdom Investment	Controlled by Mr. Ren Wei Ming
Haiyan Kingdom Import and Export Co., Ltd. (“Kingdom Import and Export”)	Controlled by Mr. Ren Wei Ming
Unique Source Chem-Textile Group, Inc (“Unique Source”)	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:

31 Related party transactions (continued)

(a) Transactions with the ultimate holding company, the Company's shareholders and companies controlled by the Controlling Shareholder

(i) During the year ended 31 December 2007, the Group leased an office located in the PRC from Kingdom Creative and paid operating lease charges of RMB200,000 (2006: RMB200,000) to Kingdom Creative.

(ii) In addition to the transactions disclosed in Note 31(a)(i) above, the Group also entered into the following transactions during the year ended 31 December 2006.

	2006 RMB'000
Transactions with Kingdom Creative:	
– Sales of goods	1,862
– Sales of fixed assets	710
– Purchase of fixed assets	14,178
– Purchase of land use rights	3,646
– Utility fee paid by the Group on behalf	712
– Sewage processing fee charged	1,706
Transaction with Unique Source:	
– Purchase of raw materials	2,736
Transactions with Kingdom Import and Export	
– Sales of goods	4,186
Transactions with Kingdom Investment Holdings	
– Interest-free advances	390

After the listing of the Company's shares on the Stock Exchange on 12 December 2006, the Group did not have other transactions with these related parties.

(b) Balances with related parties

	2007 **RMB'000**	2006 RMB'000
Amounts due to:		
Kingdom Investment Holdings	—	390
	—	390

31 Related party transactions (continued)

(c) Key management personnel remuneration

	2007 RMB'000	2006 RMB'000
Short-term employee benefits	**3,409**	2,288
Post-employment benefits	**65**	25
Discretionary bonuses	**—**	425
	3,474	2,738

Total remuneration is included in "personnel expenses" (Note 8).

(d) Contribution to defined contribution retirement plans

Details of post-employment benefit plan for the Group's employees are disclosed in Note 8.

As at 31 December 2007 and 31 December 2006, there was no material outstanding contribution to post-employment benefit plans.

32 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.

(iii) Valuation of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of a similar nature. These could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. Management reassess the estimations at each balance sheet date.

33 Parent and ultimate holding company

At 31 December 2007, 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.

34 Non-adjusting post balance sheet events

(i) Dividend

The directors proposed a final dividend on 22 April 2008 (Note 14).

(ii) Post balance changes in applicable rate of Hong Kong Profits Tax

On 27 February 2008, the Financial Secretary of the Hong Kong SAR Government announced his annual Budget which proposes a cut in the profits tax rate from 17.5% to 16.5% with effect from 2008 and a one-off reduction of 75% of the tax payable for the year 2007 assessment subject to a ceiling of HK$25,000. The directors estimate that these proposed changes will have inconsequential financial impact to the financial statements.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2007

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 2007 and which have not been adopted in these financial statements:

	Effective for accounting period beginning on or after
IFRIC 11, IFRS 2-Group and treasury share transactions	1 March 2007
IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
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 IFRS2, Share-based payment – Vesting conditions and cancellations	1 January 2009
Revised IFRS 3, Business combinations	1 July 2009
Amendments to IAS 27, Consolidated and separate financial statements	1 July 2009

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.

In addition, HKFRS 8, Operating segments, which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

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 2007 is extracted from the audited financial statements of the Group of this annual report 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 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 RMB'000	Year ended 31 December 2003 RMB'000
Turnover	**537,206**	537,364	452,349	31,621	262,077	100,781
Cost of sales	**(428,555)**	(390,689)	(318,288)	(21,750)	(180,233)	(77,747)
Gross profit	**108,651**	146,675	134,061	9,871	81,844	23,034
Other operating income	**1,584**	6,308	2,587	120	210	11
Distribution costs	**(15,945)**	(16,701)	(14,802)	(716)	(6,721)	(2,346)
Administrative expenses	**(29,571)**	(22,118)	(14,753)	(1,070)	(4,073)	(2,264)
Other operating expenses	**(1,901)**	(902)	(626)	—	(419)	(156)
Profit from operations	**62,818**	113,262	106,467	8,205	70,841	18,279
Net finance costs	**(15,090)**	(17,649)	(11,940)	(1,236)	(10,342)	(5,504)
Profit before taxation	**47,728**	95,613	94,527	6,969	60,499	12,775
Income tax	**(2,696)**	(5,247)	—	—	—	(752)
Profit for the year/period	**45,032**	90,366	94,527	6,969	60,499	12,023

ASSETS AND LIABILITIES

	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	As at 31 December 2003
Total assets	**1,153,108**	1,082,220	670,161	574,842	489,591	277,188
Total liabilities	**(478,882)**	(429,682)	(380,725)	(407,015)	(334,755)	(184,859)
Net assets	**674,226**	652,538	289,436	167,827	154,836	92,329

The English names of the PRC entities mentioned herein marked "" are translated from their Chinese names. If there are any inconsistency, 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，它的舒适度很大的影响着我们的生活质量，亚麻服饰以其回归自然的特性日渐受到那些追求着高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、浅灰、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达到精致，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.

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金达控股有限公司

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昭苏金地亚麻有限公司

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欧洲金达亚麻公司

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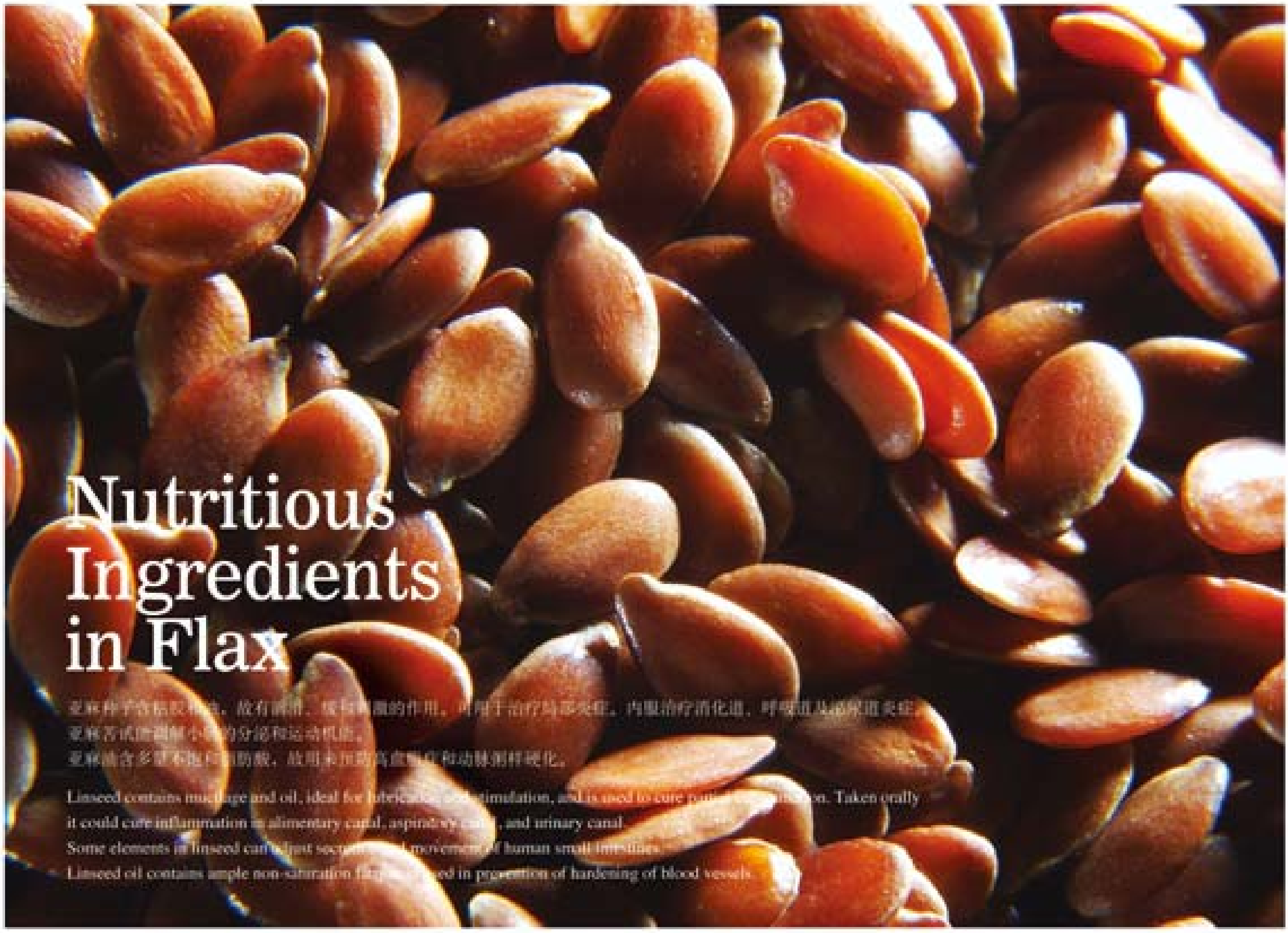
KINGDOM

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 fat, 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.

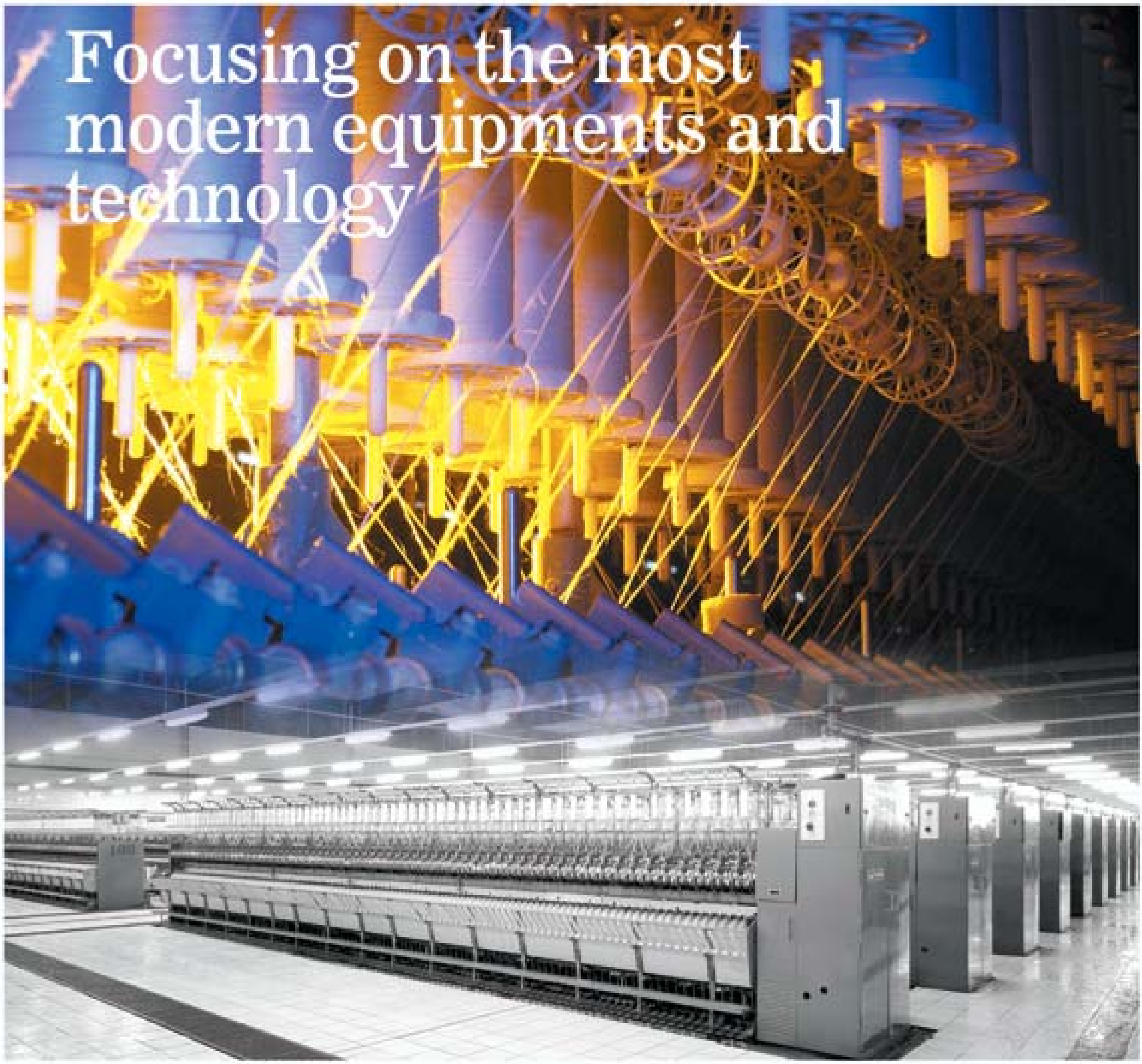
Appropriate intake of Omega-3 fatty acid (α-flax acid) improves human physical conditions, while linseed oil is one of the most important sources of Omega-3, containing 55%-65% of it, indispensable to human body. And what's more, it contains anti-oxidant beta-Carotene and carotenoids. Regular intake 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。

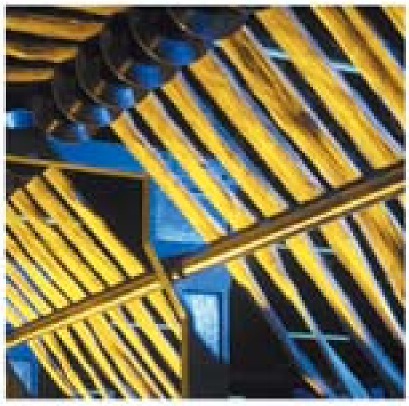
金达对产品的检测具有最严格的要求，制定了一整套完整的严格检测标准体系，并引进了世界最先进的USTER检测设备，该设备能实现同步100%的质量控制以及精确的纱疵切除，可以提高纱线在当前全球纺织品市场的价值。它能对产品进行有步骤地对条子，粗纱和纱线的质量控制，保证了纱线机械设定的优化和必要的质量。USTER实验室纱线检测设备还提供了被世界各地接受并作为标准的纱线质量数据，严格保证了金达的亚麻纱品质是世界最好的产品之一。

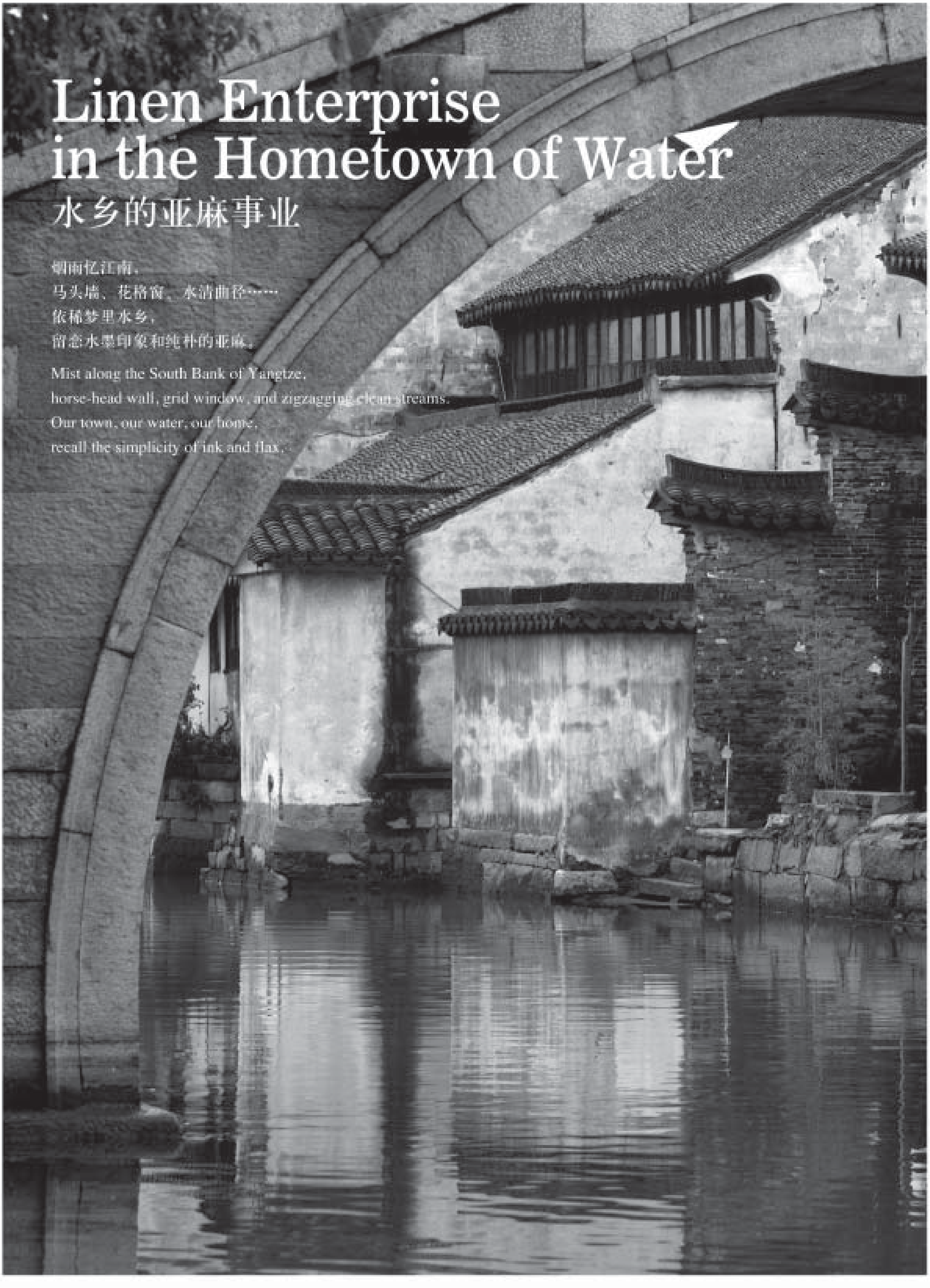
最高品质的亚麻纱，离不开最好的技术，最先进的生产，检测设备，金达从原料的选择到设备的配备，都是按照最好的标准来要求的。

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.

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.




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 writen 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，就能够触摸宁静、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朴秀情怀，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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