KINGDOM HOLDINGS LIMITED
金達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 528

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the "**Board**") of Kingdom Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2007 together with the comparative figures for the corresponding year as follows:

Consolidated income statement
for the year ended 31 December 2007

	Note	**2007** *RMB'000*	2006 *RMB'000*
Turnover	3	**537,206**	537,364
Cost of sales		**(428,555)**	(390,689)
Gross profit		**108,651**	146,675
Other operating income		**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	5(a)	**(15,090)**	(17,649)
Profit before income tax	5	**47,728**	95,613
Income tax	6	**(2,696)**	(5,247)
Profit for the year		**45,032**	90,366

	Note	2007 RMB'000	2006 RMB'000
Attributable to:			
Equity holders of the Company		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	7	15,563	23,344
		15,563	23,344
Basic and diluted earnings per share (RMB)	8	0.07	0.20

Consolidated balance sheet
at 31 December 2007

	Note	**2007**	2006
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**366,413**	302,373
Lease prepayments		**38,147**	37,684
Deferred tax assets		**1,507**	—
		406,067	340,057
Current assets			
Inventories		**272,747**	164,671
Prepaid income tax		**1,314**	122
Trade and other receivables	9	**248,046**	171,934
Pledged deposits		**66,678**	75,426
Cash and cash equivalents		**158,256**	330,010
		747,041	742,163
Current liabilities			
Bank loans		**205,714**	193,800
Trade and other payables	10	**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		**75,000**	25,000
Net assets		**674,226**	652,538
Capital and reserves			
Share capital		**6,272**	6,272
Reserves		**667,954**	646,266
Total equity		**674,226**	652,538

NOTES TO FINANCIAL RESULTS

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. 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**

The 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. The 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.

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

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

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 of the Company, 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) **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.

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.

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.

3 Turnover

The principal activities of the Group are manufacturing and sales 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.

4 **Segment reporting**

The Group's turnover and operating results are almost entirely generated from the manufacture and sales 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 People's Republic of China (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	2006
	RMB'000	*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

5 **Profit before taxation:**

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

(a) **Net finance costs**

	2007	2006
	RMB'000	*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	2006
	RMB'000	*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

6 **Income tax**

Taxation in the consolidated income statement represents:

	2007	2006
	RMB'000	*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.

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 rate 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) The Group was granted tax refunds of RMB1,562,000 and RMB3,244,000 during the year ended 31 December 2007, pursuant to the relevant PRC tax law and regulations applicable to re-investment of profits earned and purchase of equipment produced in the PRC respectively (2006: RMB2,218,000).

7 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: RMB 0.0375)	**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).

8 **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	—	1
Issuance of shares upon the Reorganisation	—	749,999
Capitalisation issue	—	449,250,000
Effect of issuance of shares for placing and public offering	—	8,219,178
Effect of issuance of shares under the over-allotment option related to the placement	—	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).

9 **Trade and other receivables**

Included in trade and other receivables as at 31 December 2007 was an amount of RMB215,574,000 (2006: RMB152,372,000) relating to trade and bills receivable (net of allowance for doubtful debts). An ageing analysis of trade and bills receivable (net of allowance for doubtful debts) is as follows:

	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.

10 **Trade and other payables**

Included in trade and other payables as at 31 December 2007 was an amount of RMB159,477,000 (2006: RMB173,674,000) relating to trade and bills payable. An ageing analysis of trade and bills payable is as follows:

	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

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 by China, the Group invested RMB17,240,000 to import equipment for research and development from France, Italy, Switzerland and Japan. Through using the technology developed with foreign manufactures, the Group actively improved production efficiency and its product quality and improved the 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 recognized. 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 breakdown of markets, the Group selectively participates in world markets of the highest qualities, raising its market share.

Brands of the Group are outstanding. During the year under review, the Group was recognized by the authority again. The "紫薇" brand was awarded with "Chinese Brand" 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 has been largely completed. Such production base is expected to formally commence production at the end of May of 2008 and will be dedicated to the production of the first batch of differential linen yarn products in China with an estimated total annual capability of approximately 4,000 tonnes. 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 first phase of main structures of a raw material base factory 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 review of the second phase of the project has been completed. Completion of the construction and the commencement of operations is expected to be at the end of 2008, with total annual capability 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 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 RMB 108,651,000 (2006: RMB 146,675,000). 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.

CHARGES ON GROUP ASSETS

As at 31 December 2007, the Group's bank deposits of RMB 66,678,000 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 RMB 97,532,000 and RMB 31,565,000 respectively were pledged as security for the Group's bank loans.

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 RMB 73,289,000.

SUFFICIENCY OF PUBLIC FLOAT

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

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2007, the Group had a total of 2,564 (2006: 2,463) employees. Total staff costs incurred during the year 2007 amounted to RMB61 million (2006: RMB43 million). 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.

The Group from time to time provides training courses both internally and externally for its employees.

CONTINGENT LIABILITIES

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

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.

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.

FINAL DIVIDEND

Subject to the approval at the forthcoming annual general meeting, the Board recommends the payment of a final dividend of RMB0.025 per ordinary share for the year ended 31 December 2007.

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.

The proposed final dividend of RMB0.025 per ordinary share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 28 May 2008, will be paid on or before 20 June 2008 to the shareholders whose names appear on the register of members of the Company as at 28 May 2008 (Hong Kong time).

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 31 December 2007 containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") will be despatched to shareholders and made available on the website of the Stock Exchange at *www.hkex.com.hk* and the website of the Company at www.kingdom-china.com in due course.

SCOPE OF WORK OF KPMG

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 as set out in the preliminary announcement have been agreed by the Group's auditors, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by KPMG on the preliminary announcement.

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 as its own code of contract regarding directors' securities transactions. Specific enquiries have been made with all Directors, who have confirmed 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.

AUDIT COMMITTEE

An Audit Committee was established by the Company to review and supervise the Company's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive Directors. Lau Ying Kit is the chairman of the Audit Committee.

The annual results of the Group have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company to establish policies, review and determine the remuneration of the Directors and their senior management. The Remuneration Committee comprises of two independent non-executive Directors and an executive Director. Zhang Hong Wen is the chairman of the Remuneration Committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The Directors believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules for the year ended 31 December 2007.

Code Provision A.2.1

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

Code 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 Committee 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 had not conducted any other review of the effectiveness of the internal control of the Group during the year.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on 28 May 2008 and notice of the annual general meeting will be published and despatched in the manner as required by the Listing Rules.

By Order of the Board
Kingdom Holdings Limited
Ren Wei Ming
Chairman

Haiyan County, PRC, 22 April 2008

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ren Wei Ming, Mr. Shen Yueming and Mr. Zhang Hong Wen, two non-executive Directors, namely Mr. Ngan Kam Wai Albert and Mr. John Michael May and three independent non-executive Directors, namely Mr. Yang Donghui, Mr. Yu Chongwen, and Mr. Lau Ying Kit.