KINGDOM

KINGDOM HOLDINGS LIMITED
金達控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 528

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 together with the comparative figures for the corresponding year as follows:

Consolidated income statement
for the year ended 31 December 2009

	Note	**2009** *RMB'000*	2008 *RMB'000*
Turnover	3	**491,165**	448,231
Cost of sales		**(435,148)**	(393,916)
Gross profit		**56,017**	54,315
Other operating income		**4,054**	3,184
Distribution expenses		**(18,625)**	(17,700)
Administrative expenses		**(34,597)**	(38,292)
Other operating expenses		**(3,091)**	(2,749)
Profit/(loss) from operations		**3,758**	(1,242)
Finance income		**2,320**	6,196
Finance expenses		**(22,397)**	(29,557)
Net finance costs	5(a)	**(20,077)**	(23,361)
Loss before taxation	5	**(16,319)**	(24,603)
Taxation	6	**(1,837)**	1,776
Loss for the year - attributable to equity shareholders of the Company		**(18,156)**	(22,827)
Basic and diluted loss per share (RMB)	8	**(0.03)**	(0.04)

Consolidated statement of comprehensive income
for the year ended 31 December 2009

	Note	**2009** **_RMB'000_**	2008 *RMB'000*
Loss for the year		**(18,156)**	(22,827)
Other comprehensive income for the year (after tax and reclassification adjustments):			
Exchange difference on translation of financial statements of overseas subsidiaries, net of tax (nil)		**149**	(927)
		149	(927)
Total comprehensive income for the year -attributable to equity shareholders of the Company		**(18,007)**	(23,754)

Consolidated balance sheet
at 31 December 2009

	Note	**2009** **RMB'000**	2008 RMB'000
Non-current assets			
Fixed assets			
- Investment properties		**—**	10,272
- Other property, plant and equipment		**393,298**	409,502
		393,298	419,774
Lease prepayments		**36,567**	37,368
Interest in an associate		**2,700**	—
Deferred tax assets		**5,827**	7,396
		438,392	464,538
Current assets			
Inventories		**223,143**	312,381
Biological assets		**561**	—
Prepaid income tax		**2,629**	3,489
Trade receivables, prepayments and other receivables	9	**280,176**	226,064
Pledged bank deposits		**56,941**	47,352
Fixed deposits with banks		**—**	10,350
Cash and cash equivalents		**95,517**	97,549
		658,967	697,185
Current liabilities			
Bank loans		**308,977**	386,590
Trade and other payables	10	**171,480**	110,224
		480,457	496,814
Net current assets		**178,510**	200,371
Total assets less current liabilities		**616,902**	664,909
Non-current liabilities			
Bank loans		**—**	30,000
Net assets		**616,902**	634,909
Capital and reserves			
Share capital		**6,272**	6,272
Reserves		**610,630**	628,637
Total equity		**616,902**	634,909

Notes to the financial statements

1 **Significant accounting policies**

(a) ***Statement of compliance***

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and related Interpretations promulgated by the International Accounting Standards Board ("IASB"), and the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the "Stock Exchange").

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. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

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

The consolidated financial statements for the year ended 31 December 2009 comprise Kingdom Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for biological assets which are measured at fair value less estimated point-of-sale costs.

2 **Changes in accounting policies**

The IASB has issued one new IFRS, a number of amendments to IFRS and new interpretations that are effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, Operating segments
- IAS 1 (revised 2007), Presentation of financial statements
- Amendments to IFRS 7, Financial instruments: Disclosure — improving disclosures about financial instruments
- Improvements to IFRSs (2008)
- Amendments to IAS 27, Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate

- IAS 23 (revised 2007), Borrowing costs

The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. The amendments had no material impact on the Group's financial statements. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the Group's financial statements.

The amendments to IAS 23 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group.

The impact of the remainder of these developments on the financial statement is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see Note 4). Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the company's income statement and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in the income statement, the company would recognise an impairment loss. In accordance with the transitional provisions in the amendments, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous period have not been restated.

3 **Turnover**

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

The Group's customer base is diversified and the Group does not have any single customer with whom transactions exceeded 10% of the Group's revenue during the years ended 31 December 2009 and 2008.

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**

In prior periods, segment information reported externally was analysed on the basis of business segments and geographical segments in accordance with the requirements of IAS 14.

As explained in Note 2, IFRS 8 requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. As the financial information regularly provided to the Group's chief operating decision maker does not contain profit or loss information by product and the Group's chief operating decision maker reviews the consolidated financial statements as a whole, the Group has determined that it only has one operating segment which is the manufacturing and sale of linen yarns. Accordingly, no segmental analysis is presented.

The Group's business is mainly based and operated in Mainland China. The following table sets out information about the geographical location of (i) the Group's revenue from external customers; (ii) the Group's fixed assets, lease prepayments and interest in an associate ("specified non-current assets"). The geographical location of customers is based on the location to which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets.

	Revenue from external customers		**Specified non-current assets**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**248,076**	246,353	**432,565**	457,142
Italy	**123,006**	114,670	**—**	—
Other countries	**120,083**	87,208	**—**	—
	243,089	201,878	**—**	—
Total	**491,165**	448,231	**432,565**	457,142

5 Loss before taxation

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

(a) ***Net finance costs***

	2009	2008
	RMB'000	*RMB'000*
Interest income	**(2,320)**	(3,525)
Foreign exchange gain, net	**—**	(2,671)
Finance income	**(2,320)**	(6,196)
Interest on bank loans	**19,808**	29,532
Less: interest expense capitalised into property, plant and equipment	**(483)**	(2,100)
Interest expenses, net	**19,325**	27,432
Bank charges	**2,059**	2,125
Foreign exchange loss, net	**1,013**	—
Finance expenses	**22,397**	29,557
Net finance costs	**20,077**	23,361

The borrowing costs have been capitalised at the weighted average rate of 5.36% (2008: 6.70%) per annum for the year ended 31 December 2009.

(b) ***Other items***

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories	**435,148**	393,916
Depreciation	**46,571**	37,978
Amortisation of lease prepayments	**801**	849
Provision for inventories	**16,043**	9,314
Operating lease charges on properties	**1,154**	1,293
Allowance for doubtful debts	**2,890**	2,550
Auditors' remuneration-audit services	**1,844**	2,186

6 Income tax

Taxation in the consolidated income statement represents:

	2009	2008
	RMB'000	*RMB'000*
Current tax:		
Provision for PRC income tax	**117**	4,214
Under/(over) provision in respect of prior years	**151**	(101)
	268	4,113
Changes in deferred tax	**1,569**	(5,889)
	1,837	(1,776)

(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) No provision for Hong Kong Profits Tax has been made during the year ended 31 December 2009 as the subsidiaries did not earn any assessable income for Hong Kong Profits Tax purposes.

(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.

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").

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law"). According to the New Tax Law, the applicable tax rates of the Group's subsidiaries in the PRC are unified at 25% with effect from 1 January 2008 except Zhaosu Jindi Flax Co.,Ltd. ("Zhaosu Jindi") which is engaged in preliminary processing of agriculture products and is exempted from PRC income tax. Pursuant to the transitional arrangement under the New Tax Law, Jiangsu Ziwei and Jiangsu Jinyuan will continue to enjoy 50% reduction on the applicable income tax rate under the New Tax Law in 2009 until the expiry of the Tax Holidays previously granted under the FEIT Law, and thereafter they are subject to the unified rate of 25%.

In addition, 7% withholding tax of RMB117,000 (2008: RMB938,000) is levied on the subsidiaries located outside PRC in respect of their interest income earned from loans to the subsidiaries located in the PRC under the New Tax Law. Apart from the above withholding tax, no provision for PRC income tax has been made during the year ended 31 December 2009 (2008: RMB3,276,000) as none of the subsidiaries located in the PRC earned any taxable profit for PRC income tax purpose.

(iv) The Group's subsidiary in Italy did not earn any taxable income for Italian income tax purposes. Accordingly, no provision for Italy income tax has been made during the year ended 31 December 2009.

7 Dividends

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

The board of directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

8 Basic and diluted loss per share

The calculation of basic and diluted loss per share is based on the loss attributable to the shareholders of ordinary shares of RMB18,156,000 (2008: RMB22,827,000) and the weighted average of 622,500,000 (2008: 622,500,000) ordinary shares in issue during the year.

No dilutive potential ordinary shares were in issue as at 31 December 2009 (2008: Nil).

9 Trade receivables, prepayments and other receivables

Included in trade receivables, prepayments and other receivables as at 31 December 2009 was an amount of RMB248,655,000 (2008: RMB193,003,000) 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:

	2009	2008
	RMB'000	*RMB'000*
Current	**211,619**	165,933
Less than 1 month past due	**20,744**	12,564
More than 1 month but less than 3 months past due	**8,897**	4,640
More than 3 months but less than 12 months past due	**7,395**	5,738
More than 12 months past due	**—**	4,128
Total amount past due	**37,036**	27,070
	248,655	193,003

Customers are normally granted credit terms of 30 to 150 days, depending on the credit worthiness of individual customers.

10 **Trade and other payables**

Included in trade and other payables as at 31 December 2009 was an amount of RMB 140,442,000 (2008: RMB85,487,000) relating to trade and bills payable.

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

	2009	2008
	RMB'000	*RMB'000*
Due within 1 month or on demand	**43,899**	31,382
Due after 1 month but within 3 months	**56,926**	45,732
Due after 3 months but within 6 months	**39,617**	7,740
Due after 6 months but within 12 months	**—**	633
	140,442	85,487

BUSINESS REVIEW

Industry overview

The year 2009 was the most challenging and difficult year for the PRC linen yarns manufacturing industry. Although China's economy stabilised and resumed growth and the market was generally favourable, while global economy, particularly the European and American markets, showed an upturn as the markets began to pick up at a relatively slow pace, the positive developments did not immediately reflect on the demands for linen yarn products, and the market dynamics of the industry had not seen any recovery during the year under review. Despite that, the Group further optimised the product structure of linen yarns and further increased the Group's market share to raise demands for high end products, and initial success was achieved with respect to structural adjustment and technological advancement.

Overall performance

During the year under review, the Group implemented a number of strategic measures to cope with adverse market circumstances, including focusing on exploring more varieties of high-end linen yarns products and adopting price adjustment initiatives. In addition, in response to the changes in domestic and overseas market environments, the Group flexibly allocated marketing efforts to deepen expansion in domestic markets, while also reaped satisfactory results from the Group's development strategies targeting the non-European markets. Benefiting from the effective price adjustments and measures implemented to cope with market conditions, the Group's sales of linen yarns increased during the year under review in a declining market, recording total sales volume of 10,740 tonnes. This is a significant surge of 34.9% compared to 7,961 tonnes in 2008. Total sales of linen yarns amounted to RMB491,165,000, of which RMB243,089,000, or 49.5%, was derived from export sales. Although the overall linen yarns export volume from China shrank by 1.4%, the linen yarns export volume of the Group in 2009 grew by 28.19% compared with the corresponding period of last year. This result further reinforced the Group's position as the leading exporter of linen yarns in China.

With respect to raw materials, the prices of raw materials further dropped in the first half of 2009. However, since the higher cost raw materials purchased in 2008 were still used during the year under review, the operating benefits from lower market price of raw materials only began to reflect gradually in the second half of 2009. The overall cost of sales of the Group during the year under review remained at a high level, which kept gross profit margin of the Group low.

The success of the Group's expansion strategy in non-European markets had offset the impact of the European markets on the Group. Meanwhile, the Group adopted more stringent measures to monitor procurement costs. Measures adopted include rational matching of different raw materials, formulating performance appraisals on various aspects of production workshops, as well as drawing up proposals on distribution of procurement on raw materials, the Group managed to reduce the extent of losses.

Development of the markets

In view of the infinite potential of demands for linen yarns in the PRC market, the Group had started active expansion in the domestic sales market in the previous years. The Group made great efforts in consummating the distribution network and focused on providing services to major customers in order to increase the number of orders from those major customers. This strategy adopted by the Group was proved to be appropriate and effective. The domestic sales during the year under review maintained at RMB248,076,000, accounted for 50.5% of the total sales of the Group.

For overseas markets, the Group concentrated on optimizing the overall arrangement of the sales network in overseas markets, in order to further consolidate the Group's position in these overseas markets, and to capture opportunities that arise in the future when these markets recover. During the year under review, the Group made exceptional achievements with the strategy of expanding into non-European Union markets; sales derived from non-European Union markets doubled that of 2008 to RMB100,175,000, boosting overall export sales of the Group to grow by 20.4% at RMB243,089,000, or 49.5% of total sales, in a market that had not been fully recovered.

Although the impact of the financial tsunami on the European markets was so severe that the sales of linen yarns recovered at a slow rate, the Group took into account the traditional high demands for linen yarns in European markets and was determined to maintain its market share and to quickly capture sales position once the economy picks up. As a result, the Group procured over 10 new customers in Italy during the year under review. This has further increased the Group's customer coverage in the region. In future, the European markets will continue to be a crucial foothold for the Group's development in the overseas markets. For the year of 2010, the Group's expansions into Europe will be predominantly focused on Eastern Europe and Northern Europe.

In respect of non-European markets, the Group focused its expansion into the target market of India and drove regional sales up by 15 times. In addition, the Japanese market, which the Group tapped into in 2008, recorded satisfactory sales with a growth of 2.3 times. Development in the Southeast Asian markets also flourished, the sales from the Southeast Asian markets are expected to account for 10% of the total production capacity of the Group in 2010. During the year under review, the Group succeeded in entering the Brazilian market by establishing a solid foundation, with customer procurement amounting to 110 tonnes. In 2010, in order to continue to roll out its global sales strategy and extend its existing overseas sales network, the Group will continue to enhance the market shares in the Indian and the Japanese markets.

Awards and achievements in research and development

During the year under review, the aims of the Group's research and development team were to improve product quality and lower production costs, and the team succeeded in developing new products, such as linen covered yarns, microwave- and radiation-proof linen yarns, linen chenille yarns, and knitting yarns. During the year under review, the Group was awarded patent for the device used for knitting slubby yarns (utility patent), and applied for 12 patents (including 5 invention patents, 6 utility patent and 1 design patent). All such applications had been accepted for registration by the patent departments. Besides, the new thin yarn machines of the Group had commenced test run, and completed technological modification to the spreading machines. These new developments have further improved the product quality of the Group and enhanced the competitiveness of the Group's products.

During the year under review, the Group obtained a number of accreditations and certifications, including the quality management system ISO9001:2000 and environment management system ISO14001:2004 of China Quality Mark Certification Group (中國方圓委), the GOTS (Global Organic Textile Standard) of the Netherlands Control Union (荷蘭管制聯盟), and the Oeko-Tex Standard 100 of Swiss Textile Testing Institute (瑞士紡織檢定有限公司).

Furthermore, the Group was honoured to be named the Chairman Company (理事長單位) of World Eminence Chinese Business Association, 2008-2009 Top 100 China Textile & Garment Industry Export Enterprises (二零零八-二零零九年度中國紡織服裝行業出口百強企業), 2008-2009 Top 500 Competitive China Textile & Garment Enterprises (二零零八-二零零九年度中國紡織服裝企業競爭力500強); 2008-2009 Top 10 Competitive China Linen Knitting Enterprises (二零零八-二零零九年度中國麻紡行業競爭力10強企業), and the Councillor Company of Linen Professional Committee (亞麻專業委員會主任單位), etc.

Production of raw materials

Since the global economy has yet to fully recover, the linen yarns raw material production base in Xinjiang produced lesser raw materials (869 tonnes) during the year under review. The figure is expected to climb up to 1,500 tonnes for the whole year of 2010, which is approximately 8% of the Group's demands for raw materials, and representing a growth of 5% of 2009. The raw materials produced by the Group will help stabilising and reducing the production costs of the Group. In addition, the by-products result from the course of production of raw materials can be sold to third parties, further expanding the revenue sources of the Group.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2009, the Group's turnover amounted to approximately RMB491,165,000 (2008: RMB448,231,000). The Group relies on its high-quality brands, flexible market tactics and dominating market position to capture the opportunities arising from the recovery of the global economy and increase turnover.

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

Area:	**Turnover**	
	2009	2008
	RMB	*RMB*
PRC	**248,076,000**	246,353,000
European Union	**142,914,000**	145,156,000
Non-European Union	**100,175,000**	56,722,000
Total	**491,165,000**	448,231,000

Gross profit and gross profit margin

During the year under review, the inventory of relatively high price raw materials and high cost finished goods at the beginning of the year resulted in higher costs in 2009 than that of 2008. Therefore, despite an increase in sales, gross profit from sales amounted to RMB56,017,000 (2008: RMB54,315,000), while gross profit margin for 2009 was approximately 11.4% (2008: 12.1%). In 2009, the Group emphasized emerging market sales in relation to total sales. Meanwhile, the Group implemented stringent cost control measures and effectively used the existing capacity of the raw material production bases.

Expenses

The Group's selling and distribution expenses in 2009 amounted to approximately RMB18,625,000 (2008: RMB17,700,000), and accounted for approximately 3.8% of the total turnover for 2009 (2008: 3.9%).

The Group's administrative expenses in 2009 amounted to approximately RMB34,597,000 (2008: RMB38,292,000), and accounted for approximately 7% of the total turnover for 2009 (2008: 8.5%). Administrative expenses decreased mainly due to the reduction of administrative expenses and streamlined management personnel.

Net finance costs in 2009 were approximately RMB20,077,000 (2008: RMB23,361,000). There was a decrease in financing cost, mainly due to decrease in the amount of bank borrowings, as well as the reduction in the interest rate on borrowings.

Loss attributable to equity shareholders of the Company

The Group's loss attributable to equity shareholders of the Company in 2009 amounted to approximately RMB18,156,000 (2008: RMB22,827,000). The Group's net loss margin in 2009 was approximately 3.7% (2008: 5.1%).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group had net current assets of approximately RMB178,510,000 (31 December 2008: RMB200,371,000). The Group finances its operations with internally generated resources and bank borrowings. As at 31 December 2009, the Group had cash and bank deposits of approximately RMB95,517,000 (31 December 2008: RMB107,899,000). The current ratio of the Group as at 31 December 2009 was approximately 137.2% (31 December 2008: 140.3%).

Shareholders' fund of the Group as at 31 December 2009 was approximately RMB616,902,000 (31 December 2008: RMB634,909,000). As at 31 December 2009, the bank borrowings of the Group, repayable within 12 months from the balance sheet date, amounted to approximately RMB308,977,000 (31 December 2008: RMB386,590,000), while there was no long-term borrowings (31 December 2008: RMB30,000,000), together giving a gross debt gearing (i.e. total borrowings/shareholders' funds) of approximately 50.1% (31 December 2008: 65.6%).

As at 31 December 2009, the Group had unutilised revolving banking facilities of RMB304,252,000.

The financial strength of the Group has been greatly improved since its listing on the Stock Exchange. The Board believes that after taking into account the capital expenditure planned to be made within 2010, the Group's existing financial resources will be sufficient for the Group's future needs.

CAPITAL COMMITMENTS

Capital commitments in respect of purchases of property, plant and equipment outstanding as at 31 December 2009 but not included in the consolidated financial statements were RMB2,428,000.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no contingent liabilities.

CHARGES ON GROUP ASSETS

As at 31 December 2009, the Group's bank deposits of RMB56,941,000 were pledged to banks as a security for the Group's bank loans and other banking facilities. The pledge over bank deposits is releasable upon the termination of relevant banking and borrowing facilities. In addition, certain property, plant and equipment, land use rights and inventories of the Group, with an aggregate carrying amount of RMB199,070,000, RMB22,770,000 and RMB70,247,000, respectively, were pledged as security for the Group's banking facilities and bank loans.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition or disposal of the Group's subsidiaries and associated companies during the year ended 31 December 2009.

FOREIGN EXCHANGE RISK

The Group's transactions are mainly denominated in RMB, United States Dollars, Euro and Hong Kong Dollars. During the year under review, the Group had basically the same value of imports and exports, therefore the Group was not exposed to any significant risks associated with foreign exchange fluctuations.

EMPLOYEES AND EMOLUMENTS POLICIES

As at 31 December 2009, the Group had a total of 1,959 employees (2008: 2,484 employees). Total staff costs incurred for the year ended 31 December 2009 amounted to RMB55,090,000 (2008: RMB61,242,000).

The Group offers comprehensive and competitive remuneration, retirement scheme and benefit packages to its employees. The Group is required to make contributions to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are each required to make contributions to fund the endowment insurance and unemployment insurance at rates specified in the relevant PRC laws and regulations.

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

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

PROSPECTS

The various stimulating economic policies of the PRC central government introduced in 2009 in view of the difficult industrial condition, benefit the technical reform and enhancement in and foster the development of the textile industry. The linen yarns industry gained support for overcoming operating hardship as a result. The domestic linen yarns market has a stable development with growth when the peak season comes as the global economy gradually recovers in 2010. There are signs of overall recovery in the textile industry. Meanwhile, the demand for natural fibre textile products greatly grows as the consumers become more conscious of environmental protection. The major product of the Group, linen yarns, a completely environmental-friendly natural fibre textile product, will take advantage of the favourable economic, policy and market environment. It is expected that the sales of linen yarns will gradually recover in 2010 and the Group may record a profit accordingly.

The Group has focused on the production of high-end products to enhance its market competitiveness and its ability to resist the risks. During the year under review, the sales of high count and patterned linen yarns exceeded 2,500 tonnes, which accounted for over 25% of the total sales in the year and fully reflected the production direction of the Group. Looking forward, the Group will continue to invest in the development of high-end products. The product orders of the Group for the first quarter of 2010 has been confirmed. The Group has successfully sold approximately 1,819 tonnes linen yarns during January and February 2010, which increased by approximately twice of the sales volume compared to approximately 603 tonnes during the same period of last year. The Group will increase its capacity to satisfy the growth of demand. It is expected both the production and sales will continuously grow in 2010.

For its marketing strategy, the Group will continue to place great emphasis on domestic and overseas sales with greater market expansion in 2010. We will set up sales agencies in Eastern Europe and South Africa when conditions are mature to make every effort to gain more market share. The Group intends to set up raw materials companies in Europe to consolidate the raw materials resources across Europe. A long term, effective and promising raw materials quality and quantity operating mechanism will be set up to ensure the Group's advantage in terms of supply. As for the domestic market, the Group's raw material plantation will focus on organic linen and the Group will strive to become a leading organic linen raw materials and yarns producer and supplier.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company has not redeemed any of its listed shares during the year ended 31 December 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year ended 31 December 2009.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained sufficient public float throughout the year ended 31 December 2009.

DIVIDENDS

The Company did not record a profit in 2009. The Board does not recommend the payment of a final dividend for the year ended 31 December 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 May 2010 to 17 May 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 11 May 2010.

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

The annual report of the Company for the year ended 31 December 2009 containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") is to 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.

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 2009.

Code Provision A.2.1

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

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

Code Provision E.1.3

Under Code Provision E.1.3 of the Code, a notice to shareholders is to be sent at least 20 clear business days before the annual general meeting. The notice to shareholders regarding the annual general meeting of the Company held on 26 May 2009 was sent on 30 April 2009, which was less than 20 business days prior to the annual meeting due to three days of Labour Day holidays starting from 1 May 2009. The Board will endeavour to ensure that sufficient notices covering all subsequent general meetings will be given to all shareholders of the Company in the future.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with all Directors, all the Directors confirm that they have complied with the provisions of the Model Code and the Company's code of conduct regarding Directors' securities transactions for the year ended 31 December 2009 and up to the date of the Company's announcement of annual results for 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 comprises 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 of the Audit Committee.

The annual results of the Group for the year ended 31 December 2009 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 the senior management of the Company. The Remuneration Committee comprises two independent non-executive Directors and an executive Director. Zhang Hong Wen is the chairman of the Remuneration Committee.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on 17 May 2010 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

Hong Kong, 29 March 2010

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