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KINGDOM

KINGDOM HOLDINGS LIMITED
金 達 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 528)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- Revenue increased by 13.2% to approximately RMB320.2 million for the six months ended 30 June 2011 from approximately RMB282.9 million for the six months ended 30 June 2010.

- Gross profit margin increased by 11.5 percentage points to 34.9% for the six months ended 30 June 2011 from 23.4% for the six months ended 30 June 2010.

- Profit attributable to owners of the parent recorded a substantial increase by 218.1% to approximately RMB57.9 million for the six months ended 30 June 2011 from approximately RMB18.2 million for the six months ended 30 June 2010.

- Basic earnings per share for the six months ended 30 June 2011 was RMB0.09, representing a 200% growth from RMB0.03 for the six months ended 30 June 2010.

The board of directors (the "**Board**") of Kingdom Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2011:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011 (unaudited)

		For the six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**320,155**	282,927
Cost of sales		**(208,552)**	(216,636)
Gross profit		**111,603**	66,291
Other income and gains	*4*	**8,439**	2,628
Selling and distribution costs		**(12,279)**	(15,475)
Administrative expenses		**(16,015)**	(13,054)
Other expenses		**(4,481)**	(4,843)
Finance costs		**(7,812)**	(7,027)
Share of profits/(losses) of an associate		**79**	(139)
PROFIT BEFORE INCOME TAX EXPENSE	*5*	**79,534**	28,381
Income tax expense	*6*	**(21,661)**	(10,180)
PROFIT FOR THE PERIOD		**57,873**	18,201
Attributable to:			
Owners of the parent		**57,873**	18,201
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB 0.09**	RMB 0.03
Diluted		**RMB 0.09**	RMB 0.03

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011 (unaudited)

		For the six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD		**57,873**	18,201
Exchange differences on translation		**(71)**	(214)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**57,802**	17,987
Attributable to:			
Owners of the parent		**57,802**	17,987

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011 (unaudited)

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**379,868**	383,433
Prepaid land lease payments		**34,527**	34,965
Intangible asset		**11,621**	–
Investment in an associate		**6,131**	6,052
Deferred tax assets		**6,005**	3,193
Total non-current assets		**438,152**	427,643
CURRENT ASSETS			
Inventories		**356,160**	279,434
Trade and notes receivables	*9*	**132,908**	120,434
Prepayments, deposits and other receivables		**33,758**	34,959
Due from a related company		**–**	52
Derivative financial instruments		**706**	3,713
Pledged deposits		**47,919**	62,057
Cash and cash equivalents		**204,568**	223,464
Total current assets		**776,019**	724,113
CURRENT LIABILITIES			
Interest-bearing bank loans		**232,388**	302,781
Trade payables	*10*	**197,698**	117,812
Other payables and accruals		**47,877**	27,592
Tax payable		**13,630**	14,827
Total current liabilities		**491,593**	463,012

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011 (unaudited)

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
NET CURRENT ASSETS		**284,426**	261,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**722,578**	688,744
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,780**	3,774
Total non-current liabilities		**5,780**	3,774
Net assets		**716,798**	684,970
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**6,272**	6,272
Reserves		**710,526**	652,210
Proposed final dividends		**–**	26,488
Total equity		**716,798**	684,970

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2011

1. CORPORATE INFORMATION

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. The Company's shares were listed on the Stock Exchange of Hong Kong (the "Stock Exchange") on 12 December 2006.

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

The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman KY1-1111, Cayman Islands; and its principal place of business is located at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except in relation to the new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) as set out in note 2.3 that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements, the adoption of these new and revised IFRSs has had no significant impact on the results and the financial position of the Group.

2.3 ADOPTION OF NEW AND REVISED IFRSs

During the six months ended 30 June 2011, the following new standards and interpretations are adopted by the Group:

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirements*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*

Apart from above, the Group has also adopted *Improvements to IFRSs 2010*, which sets out amendments to a number of IFRSs.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

3. OPERATING SEGMENT

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sales of linen yarns. Management reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group. Accordingly, no segmental analysis is presented.

Geographical information

An analysis of the Group's geographical information on revenue attributed to the regions on the basis of the customers' location for the six months ended 30 June 2011 is set out in the following table:

	Revenue from external customers	
	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**106,219**	106,390
Italy	**103,578**	83,025
Other countries	**110,358**	93,512
Total	**320,155**	282,927

The principal non-current assets employed by the Group are located at the PRC.

Information about a major customer

No revenue amounting to 10 percent or more of the Group's revenue was derived from sales to a single customer for the six months ended 30 June 2011 (2010: Nil).

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of linen yarns	**320,155**	282,927
Other income and gains		
Bank interest income	**1,678**	580
Foreign exchange gains, net	**5,033**	–
Government grants	**1,704**	1,732
Gain from changes in fair value of biological assets	**–**	30
Others	**24**	286
	8,439	2,628

5. PROFIT BEFORE INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**208,552**	216,636
Depreciation	**23,374**	21,638
Amortisation of prepaid land lease payments	**438**	425
Amortisation of an intangible asset	**298**	–
Minimum lease payments under operating lease:		
land and buildings	**496**	547
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**31,272**	29,878
Pension scheme contributions	**4,086**	3,413
Equity-settled share option scheme	**514**	–
	35,872	33,291
Foreign exchange difference, net	**(5,033)**	2,674
Reversal of inventory provision	**(1,047)**	(2,556)
Reversal of doubtful debts provision	**(364)**	(328)
Interest expenses	**7,812**	7,027
Bank interest income	**(1,678)**	(580)

6. INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current - PRC		
– Charge for the period	**20,554**	8,116
– Over-provision in respect of prior periods	**(214)**	–
Current – Italy tax	**616**	–
Deferred	**705**	2,064
Total tax charge for the period	**21,661**	10,180

(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 has been made for Hong Kong profits tax during the six months ended 30 June 2011 (2010: Nil) as the Group did not earn any assessable income for Hong Kong profits tax purposes during the period.

(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 (the "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 (the "Tax Holidays"). The years of 2003, 2005 and 2008 are the first profit making years for Zhejiang Jinyuan, Jiangsu Jinyuan and Jiangsu Ziwei, respectively.

During the Fifth Session of the Tenth National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. According to the New Corporate Income 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., which is engaged in the preliminary processing of agriculture products and is exempted from PRC income tax. Pursuant to the transitional arrangement under the New Corporate Income Tax Law, Jiangsu Ziwei will continue to enjoy 50% reduction on the applicable income tax rate under the New Corporate Income Tax Law in 2011 until the expiry of the Tax Holidays previously granted under the FEIT Law on 31 December 2012, and thereafter it is subject to the unified rate of 25%.

(iv) Kingdom Europe S.R.L. is subject to the tax rate of 31.4%, which comprises the Italian Corporate Income Tax rate of 27.5% and the Italian Regional Income Tax rate of 3.9%.

7. DIVIDENDS

The board of directors does not recommend the payment of interim dividend to the ordinary owners of the Company for the six months ended 30 June 2011 (2010: Nil).

8. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 622,500,000 (2010: 622,500,000) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No options were exercised during the six months ended 30 June 2011.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**57,873**	18,201

	Number of shares	
	2011	2010
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**622,500**	622,500
Effect of dilution – weighted average number of ordinary shares:		
Share options	**506**	–
	623,006	622,500

9. TRADE AND NOTES RECEIVABLES

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Trade receivables	**116,071**	101,586
Notes receivables	**17,770**	20,145
	133,841	121,731
Allowance for trade and notes receivables	**(933)**	(1,297)
	132,908	120,434

Customers are normally granted credit terms ranging from 30 to 150 days depending on the creditworthiness of individual customers.

An ageing analysis of the Group's trade and notes receivables (based on the due date and net of provisions for bad and doubtful debts), is as follows:

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Neither past due nor impaired	**110,675**	113,039
Less than 1 month past due	**11,395**	2,517
1-3 months past due	**5,781**	3,444
Over 3 months but less than 12 months past due	**4,341**	926
Over 12 months past due	**716**	508
	132,908	120,434

10. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2011, based on the payment due date, is as follows:

	At 30 June 2011 *RMB'000* (Unaudited)	At 31 December 2010 *RMB'000* (Audited)
Due within 1 month or on demand	**16,765**	24,461
Due after 1 month but within 3 months	**91,120**	58,359
Due after 3 months but within 6 months	**89,813**	34,992
	197,698	117,812

The above balances are unsecured and non-interest-bearing. The carrying amount of trade payables at each of the reporting period end approximates to their fair value due to their short-term maturity.

11. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group in the Company's subsidiaries. The Scheme became effective on 15 November 2006 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$0.01 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the six months ended 30 June 2011 (2010: Nil):

	Weighted average exercise price HK$	**Number of options**
	per share	*'000*
At 1 January and 30 June 2011	0.400	9,100

No share options were exercised during the six months ended 30 June 2011 (2010: Nil). The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options	**Exercise price**	**Exercise period**
'000	*HK$ per share*	
3,640	0.400	9 July 2012 to 8 July 2015
5,460	0.400	9 July 2013 to 8 July 2015
9,100		

The Group recognised a share option expense of HK$612,000, equivalent to RMB514, 000 during the six months ended 30 June 2011 (2010: Nil).

At the end of the reporting period, the Company had 9,100,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 9,100,000 additional ordinary shares of the Company and additional share capital of HK$91,000, equivalent to RMB76,000, and share premium of HK$3,549,000, equivalent to RMB2,951,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 9,100,000 share options outstanding under the Scheme, which represented approximately 1.46% of the Company's shares in issue as at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the first half of 2011, the linen manufacturing industry maintained its upward momentum. Demand in both domestic and international markets saw growth over the corresponding period in 2010. During the six months ended 30 June 2011, linen products successfully established their presence in the international high-end apparel market for their unique characteristics of eco-friendliness and naturalness, and even led the fashion in Europe, the United States and Japan. Linen products aroused the interest of international brands and the high-end linen textiles launched by those brands were well-received by the market. The market anticipates that such fashion trend will continue to be in style in the coming years.

In addition, due to the fine performance of linen in terms of air permeability and its ability to be able to dry quickly, together with the consistent innovation in weaving technique in recent years, linen yarn and many functional fabrics made with new blended fibres have offered new market opportunities for linen products. Such blended linen fabrics are now widely applied to various fields including high-end fashion, car seat sets and curtains. The Group, being a leading enterprise in the Chinese linen yarn manufacturing industry, successfully captured these favorable industry development trends and opportunities and has shown improvements in its performance as compared with the corresponding period in 2010.

Business Review

Overall performance

During the six months ended 30 June 2011, the Group had exerted great efforts into product research and development and focused on the expansion of market share in the high-end market. The result was encouraging as the Group managed not only to consolidate its leading position in the domestic market, but also to explore important overseas markets and emerging markets with potentials in response to the changing global economic conditions.

For the six months ended 30 June 2011, the Group's total sales of linen yarn amounted to approximately RMB320.2 million, representing an upsurge of approximately 13.2% as compared with the corresponding period in 2010, of which approximately RMB106.2 million was derived from domestic sales, accounted for approximately 33.2% of the total sales, and RMB214.0 million was generated from export sales, with a year-on-year growth of approximately 21.2% and accounted for approximately 66.8% of the total sales. The Group's exports witnessed a strong growth during the six months ended 30 June 2011, and constituted approximately 30.7% of China's total export value of linen yarn. With the export value up by approximately 21.2% as compared to the corresponding period in 2010 (first half of 2010: 41.8%), the Group substained its position as the leading exporter of linen yarn in China.

During the six months ended 30 June 2011, rising raw material cost driven by the surge and fluctuation in the market price of raw linen put pressure on the Group. However, given the Group's extensive market experience and its leading position within the industry, the Group managed to transfer most of the increased cost to consumers by prompt containment of raw material prices and timely adjustment to product prices. During the six months ended 30 June 2011, revenue of the Group leaped to approximately RMB320.2 million and gross profit increased to RMB111.6 million. Profit attributable to shareholders was approximately RMB57.9 million and earnings per share was RMB0.09.

Development of the markets

During the six months ended 30 June 2011, the Group endeavored to further extend its presence in overseas markets and strategically optimize the overall distribution of its sales network while consolidating in the domestic market. In the first half of 2011, the Group's vast development network covered major exporting regions such as Europe, Asia and India markets, and exporting countries including Italy, Korea, Turkey, India and Japan. Its marketing strategy of balanced distribution protected the Group from the impact of the economic conditions of particular regions and provided the Group with long-term stability. For the six months ended 30 June 2011, the Group's export sales accounted for approximately 66.8% of the total sales.

During the six months ended 30 June 2011, in view of the gradual recovery of the European Union ("EU") markets and the consequent market demand, the Group continued to focus on extending its presence in Portugal and Spain as well as actively developing its presence in emerging markets such as South America and North Africa. The Group further expanded its sales channels and achieved outstanding overall performance in market expansion.

Achievements in research and development

In the first half of 2011, the development of the Group's new key products were substantially completed. It is anticipated that new key products will be launched in the second half of 2011 and 2012. The success in research and development of new products marked the new height of the Company's strength in research and development and production technology.

It is anticipated that the new products to be launched in the second half of 2011 will be the first of its kind in the market with obviously enhanced quality and softness and wider application. With greater added-value and higher gross profit as compared with traditional linen yarn, it is expected that the new products will be the highlights of the Group's future growth. The Group will continue to enhance the value of existing products, to innovate and to improve its weaving technology in terms of both functionality and practicality.

New plants and raw material base

The technological modification of new model of preparatory machine for the Group's production plants in Jiangsu and Zhejiang is expected to be completed and put into operation in 2012. The new model will significantly enhance production efficiency.

In addition, in respond to the global enthusiasm for organic products, organic linen products are becoming more popular within the markets and among consumers. The Group seized the opportunity to take the lead in cultivating organic linen in its raw material base in Xinjiang, which was the very first move of organic linen cultivation in China and even around the world. The Group's organic linen products are certified as "Global Organic Textile Standard" (GOTS) and the production output for the first half of 2011 reached 398 tonnes. The Group will closely monitor the prevailing market trend and flexibly adjust its output in response to market demand.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2011, the Group's revenue increased significantly by 13.2% to approximately RMB320.2 million (for the six months ended 30 June 2010 approximately RMB282.9 million). The increase was mainly due to the increasing demand for linen yarn products in China and internationally and with flexible marketing strategies, the Group successfully seized the business opportunities in the industry.

The breakdown of the Group's revenue by regions are as follow:

Sales regions

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**106,219**	106,390
Italy	**103,578**	83,025
Other countries	**110,358**	93,512
Total	**320,155**	282,927

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2011, the average selling price of linen yarn products increased due to strong market demand, thus the Group's gross profit increased by 68.3% to approximately RMB111.6 million (for the six months ended 30 June 2010 approximately RMB66.3 million). Gross profit margin for the six months ended 30 June 2011 rose to approximately 34.9% (for the six months ended 30 June 2010 approximately 23.4%), primarily attributable to the recovery of market selling price, the lowered raw material cost under judicious and appropriate purchasing policies, and the improved product mix and increased share high-end products in its product portfolio.

With a view to maintaining its gross profit margin, the Group reinforced its cost control measures and promptly fixed the raw material prices and adjusted selling prices in light of the surge of linen material prices during the period, thereby successfully limited the increase in costs.

Other income and gains

For the six months ended 30 June 2011, the Group recorded a net exchange gain of approximately RMB5.0 million (for the six months ended 30 June 2010 net exchange loss recorded in other expenses: RMB2.7 million), mainly through appreciation of Euro against RMB for settlement of sales to the EU, and the realized effect of the foreign currency forward contracts.

Selling and distribution costs

For the six months ended 30 June 2011, the Group's selling and distribution costs amounted to approximately RMB12.3 million (for the six months ended 30 June 2010 approximately RMB15.5 million), which accounted for approximately 3.8% of the Groups total turnover for the first half of 2011 (for the six months ended 30 June 2010 5.5%). The decrease in selling and distribution costs was mainly due to the decrease in transportation cost during the period.

Administrative expenses

For the six months ended 30 June 2011, the Group's administrative expenses amounted to approximately RMB16.0 million (for the six months ended 30 June 2010 RMB13.1 million), representing an increase of approximately 22.1% as compared with the corresponding period in 2010. The increase was mainly due to the expenses incurred in the project improving management efficiency with hiring outsourced advisory company, the increase in staff cost as well as research and development cost.

Finance costs

For the six months ended 30 June 2011, finance costs amounted to approximately RMB7.8 million (for the six months ended 30 June 2010 RMB7.0 million), representing an increase of approximately 11.4%. The increase was mainly due to the increased interest rates regulated in the PRC.

Share of profits of an associate

For the six months ended 30 June 2011, share of profits of an associate, namely Huaning Flax Electronic Business (Zhejiang) Co. Ltd.（浙江華凝亞麻電子商務有限公司）was approximately RMB79,000 (for the six months ended 30 June 2010 loss of approximately RMB139,000). This associate was established on 28 December 2009 in the PRC which principal business is sale of linen yarn products and provision of transaction services.

Profit attributable to owners of the parent

For the six months ended 30 June 2011, the Group's profit attributable to owners of the parent recorded a substantial increase by 218.1% to approximately RMB57.9 million as compared to corresponding period of 2010 (for the six months ended 30 June 2010 approximately RMB18.2 million), the increase was primarily attributable to the recovery of market selling price, improved control on raw material costs and enhanced cost assessment.

Liquidity and financial resources

As at 30 June 2011, the Group had net current assets of approximately RMB284.4 million (as at 31 December 2010: RMB261.1 million). The Group finances its operations with internally generated resources and bank loans during the six months ended 30 June 2011.

As at 30 June 2011, the Group had cash and bank deposits of approximately RMB204.6 million (as at 31 December 2010: RMB223.5 million). The liquidity ratio of the Group as at 30 June 2011 was approximately 157.9% (as at 31 December 2010: 156.4%).

Total equity of the Group as at 30 June 2011, was approximately RMB716.8 million (as at 31 December 2010: RMB685.0 million).

As at 30 June 2011, the interest-bearing bank loans of the Group, repayable within 12 months from the financial position date, amounted to approximately RMB232.4 million (as at 31 December 2010: RMB302.8 million), while there was no long-term loans (31 December 2010: Nil), together giving a gross debt gearing (i.e. total loans/total equity) of approximately 32.4% (31 December 2010: 44.2%). The Board believes that the Group's existing financial resources are sufficient for the Group's required capital expenditure in the remaining period of 2011.

Capital Commitments

Capital commitments in respect of purchases of property, plant and equipment outstanding as at 30 June 2011 but not provided for in the interim financial report was approximately RMB20.1 million (31 December 2010: RMB4.3 million).

Contingent liabilities

As at 30 June 2011, the Group had no contingent liabilities.

Charges on group assets

As at 30 June 2011, the interest-bearing bank loans were secured by certain property, plant and equipment, prepaid land lease payments, and pledged deposits of the Group with a carrying amount of RMB65.0 million (31 December 2010: RMB66.8 million), RMB20.7 million (31 December 2010: RMB6.7 million), and RMB27.1 million (31 December 2010: RMB62.1 million), respectively.

Material investments

There was no material acquisition or disposal of the Group's subsidiaries and associated companies for the six months ended 30 June 2011.

Foreign currency risk

The Group's transactions are mainly denominated in RMB, United States Dollars, Euro and Hong Kong Dollars. For the six months ended 30 June 2011, the Group has monitored the changes and fluctuations on the exchange rate of such currencies on a regular basis. The Company also entered into certain foreign currency forward contracts by utilizing its credit line, which recorded as at 30 June 2011 an asset of derivative financial instruments of RMB0.7 million for the Group (31 December 2010: RMB3.7 million).

Remuneration policy and share option scheme

As at 30 June 2011, the Group had a total of 2,349 employees (as at 30 June 2010: 2,241 employees). Total staff costs incurred for the six months ended 30 June 2011 amounted to approximately RMB35.9 million (for the six months ended 30 June 2010 RMB33.3 million).

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 Company, who are authorised by the shareholders in the annual general meeting of the Company, 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 to its employees.

The Group has adopted a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to the Directors, including independent non-executive Directors, and other employees of the Group who contribute to the success of the Group's operations.

As at the date of this announcement, the Company had 9.1 million share options outstanding under the Scheme, which represented approximately 1.46% of the Company's shares in issue as at that date.

Prospects

In the wake of the gradual recovery of global economies and the Chinese government's rigorous policies on stimulating domestic demand, the linen manufacturing industry demonstrated a steady growth. Global sales of linen yarn experienced a greater growth in the first half of 2011. It is expected that the linen yarn market will maintain its strong impetus in the second half of 2011. Meanwhile, with the rising living and aesthetic standard of consumers, the concepts of "low carbon, greenness, eco-friendliness and naturalness" has become a growing concern to domestic and overseas consumers, resulting in the market trend towards pure natural linen products.

In order to maintain its strong competitive edge and risk resistance, the Group has set high-end products as a major component in its product mix. Looking ahead, the Group will consistently increase the input into high-end products by perfecting its existing product mix and exploring new high-end markets with the research and development of new products. The Group's new products, which are expected to be launched in the second half of 2011 and 2012, will not only possess higher added-value and thus larger room for profit, but also help enlarge the existing customer base of the Group.

Looking forward, the Group will keep up innovation through research and development, improvements to client and product compositions, energy saving and consumption cutting, while at the same time focusing on the production of high-end products, with a view to maximizing the return to the shareholders of the Company.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011.

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 for the deviation 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 Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the six months ended 30 June 2011.

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 separated and should not be performed by the same individual.

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry with all Directors, all Directors 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 six months ended 30 June 2011 and up to the date of this announcement.

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

The Company and any of its subsidiaries have not redeemed any of the Company's listed shares for the six months ended 30 June 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares for the six months ended 30 June 2011.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") has reviewed the interim results of the Company for the six months ended 30 June 2011. In particular, the Audit Committee has reviewed with the management of the Company and the external auditors on the accounting principles and practices adopted by the Group, held meetings to discuss the auditing, internal controls and financial reporting matters regarding the Group's unaudited interim financial statements for the six months ended June 30, 2011.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is available for viewing on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkex.com.hk and on the website of the Company at www.kingdom-china.com under the section "Investor Relations". The Interim Report will be despatched to shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The chairman of the Group, Mr. Ren Wei Ming, would like to take this opportunity to thank his fellow directors for their invaluable advice and guidance, and to each and every one of the staff of the Group for their hard work and loyalty to the Group.

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

Hong Kong,
25 August, 2011

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. Lo Kwong Shun Wilson and Mr. Lau Ying Kit.