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 2012

FINANCIAL HIGHLIGHTS

- Revenue decreased by 8.1% to approximately RMB294.3 million for the six months ended 30 June 2012 from approximately RMB320.2 million for the six months ended 30 June 2011.

- Gross profit margin decreased by 2.9 percentage points to approximately 32.0% for the six months ended 30 June 2012 from 34.9% for the six months ended 30 June 2011.

- Profit attributable to the owners of the parent decreased by 25.6% to approximately RMB43.1 million for the six months ended 30 June 2012 from approximately RMB57.9 million for the six months ended 30 June 2011.

- Basic earnings per share for the six months ended 30 June 2012 was RMB0.07, representing a 22.2% decline from RMB0.09 for the six months ended 30 June 2011.

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 2012:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012 (unaudited)

		For the six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**294,324**	320,155
Cost of sales		**(200,004)**	(208,552)
Gross profit		**94,320**	111,603
Other income and gains	*4*	**4,980**	8,439
Selling and distribution costs		**(14,416)**	(12,279)
Administrative expenses		**(16,356)**	(16,015)
Other expenses		**(4,488)**	(4,481)
Finance costs		**(6,243)**	(7,812)
Share of profits of an associate		**1,529**	79
PROFIT BEFORE INCOME TAX EXPENSE	*5*	**59,326**	79,534
Income tax expense	*6*	**(16,219)**	(21,661)
PROFIT FOR THE PERIOD		**43,107**	57,873
Attributable to:			
Owners of the parent		**43,107**	57,873
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB0.07**	RMB0.09
Diluted		**RMB0.07**	RMB0.09

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012 (unaudited)

		For the six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD		**43,107**	57,873
Exchange differences on translation of foreign operations		**(286)**	(71)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**42,821**	57,802
Attributable to:			
Owners of the parent		**42,821**	57,802

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012 (unaudited)

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**366,937**	378,226
Prepaid land lease payments		**37,588**	34,032
Intangible asset		**11,031**	11,323
Interest in an associate		**6,175**	6,069
Deferred tax assets		**7,801**	7,004
Total non-current assets		**429,532**	436,654
CURRENT ASSETS			
Inventories	*9*	**347,465**	235,995
Trade and notes receivables	*10*	**165,314**	149,338
Prepayments, deposits and other receivables		**46,009**	21,972
Derivative financial instruments		**–**	1,033
Pledged deposits		**70,530**	37,600
Cash and cash equivalents		**149,165**	163,502
Total current assets		**778,483**	609,440
CURRENT LIABILITIES			
Interest-bearing bank loans	*11*	**217,730**	164,100
Trade payables	*12*	**151,449**	58,349
Other payables and accruals		**29,237**	30,947
Dividend payable		**16,025**	–
Tax payable		**11,424**	22,415
Derivative financial instruments		**979**	–
Total current liabilities		**426,844**	275,811

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NET CURRENT ASSETS		**351,639**	333,629
TOTAL ASSETS LESS CURRENT LIABILITIES		**781,171**	770,283
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**11,427**	8,420
Total non-current liabilities		**11,427**	8,420
Net assets		**769,744**	761,863
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**6,272**	6,272
Reserves		**763,472**	720,265
Proposed final dividend		**–**	35,326
Total equity		**769,744**	761,863

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2012

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 Limited (the "Stock Exchange") on 12 December 2006.

The Group is principally engaged in the manufacture and sale 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 2012 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 2011.

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 for the six months ended 30 June 2012 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2011, 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 2012, the following new standards and interpretations are adopted by the Group:

IAS 12	*Income Taxes:* *Recovery of Underlying Assets (Amendment) effective 1 January 2012*
IFRS 7	*Financial Instruments:* *Disclosures-Enhanced Derecognition Disclosure Requirements (Amendment) effective 1 July 2011*
IFRS 1	*First-time Adoption of International Finance Reporting Standards:* *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment) effective 1 July 2011*

Apart from above, the Group has adopted *Improvements to IFRSs 2011*, which sets out amendments to a number of IFRSs.

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed financial information and there have been no significant changes to the accounting policies applied in these interim condensed financial information.

3. OPERATING SEGMENT

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of linen yarns. Management of the Company 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 region on the basis of the customer's location for the six months ended 30 June 2012 is set out in the following table:

	Revenue from external customers For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**77,798**	106,219
European Union	**119,875**	109,059
Non-European Union	**96,651**	104,877
Total	**294,324**	320,155

The principal non-current assets employed by the Group are located in 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 2012 (six months ended 30 June 2011: 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	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of linen yarns	**294,324**	320,155
Other income and gains		
Bank interest income	**529**	1,678
Foreign exchange gains, net	**–**	5,033
Government grants	**4,218**	1,704
Others	**233**	24
	4,980	8,439

5. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**200,004**	208,552
Depreciation	**23,723**	23,374
Amortisation of prepaid land lease payments	**438**	438
Amortisation of intangible assets	**298**	298
Minimum lease payments under operating lease – land and buildings	**452**	496
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**28,072**	31,272
Pension scheme contributions	**3,429**	4,086
Equity-settled share option expense	**386**	514
	31,887	35,872
Foreign exchange losses/(gains), net	**2,657**	(5,033)
Provision/(reversal) of inventory provision	**21**	(1,047)
Reversal of allowance for doubtful debts	**(1,024)**	(364)
Finance costs	**6,243**	7,812
Bank interest income	**(529)**	(1,678)

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	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
– Charge for the period	**13,944**	20,554
– Over provision in respect of prior periods	**–**	(214)
Current – Italy	**65**	616
Deferred	**2,210**	705
Total tax charge for the period	**16,219**	21,661

No significant change occurred in relation to the laws and regulations ruling the income tax for the Company or its subsidiaries during the six months ended 30 June 2012.

7. DIVIDENDS

The Board does not recommend any interim dividend to the ordinary owners of the Company for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

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

The calculation of the basic earnings per share amount 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 (six months ended 30 June 2011: 622,500,000) in issue during the reporting period.

The calculation of the diluted earnings per share amount is based on the profit for the reporting 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 reporting 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 2012.

9. INVENTORIES

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**160,298**	137,192
Work in progress	**14,590**	15,605
Finished goods	**123,735**	77,992
Goods in transit	**48,842**	5,206
	347,465	235,995

10. TRADE AND NOTES RECEIVABLES

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**135,181**	117,827
Notes receivable	**30,723**	33,125
	165,904	150,952
Allowance for trade and notes receivables	**(590)**	(1,614)
	165,314	149,338

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 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**133,149**	138,306
Less than 1 month past due	**8,621**	4,046
1-3 months past due	**15,530**	6,199
Over 3 months but less than 12 months past due	**7,790**	787
Over 12 months past due	**224**	–
	165,314	149,338

11. INTEREST-BEARING BANK LOANS

		30 June 2012	31 December 2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Current			
Secured bank loans	*(i)*	**127,730**	159,100
Unsecured bank loans		**90,000**	5,000
		217,730	164,100

Notes:

(i) As at 30 June 2012, the interest-bearing bank loans were secured by certain property, plant and equipment, prepaid land lease payments, inventories and pledged deposits of the Group with carrying amounts of approximately RMB50,964,000 (31 December 2011: approximately RMB48,470,000), approximately RMB20,187,000 (31 December 2011: approximately RMB28,738,000), approximately RMB40,000,000 (31 December 2011: approximately RMB40,000,000) and approximately RMB38,202,000 (31 December 2011: approximately RMB37,600,000), respectively.

(ii) The bank loans bear interest at rates ranging from 3.82% to 6.71% per annum (31 December 2011: 5.56% to 6.56% per annum).

12. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2012, based on the payment due date, is as follows:

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Due within 1 month or on demand	**17,149**	43,669
Due after 1 month but within 3 months	**130,656**	6,484
Due after 3 months but within 6 months	**3,216**	8,196
Due after 12 month	**428**	–
	151,449	58,349

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the first half of 2012, the slowdown of China's economy and the deteriorating European sovereign debt crisis had been adversely affecting the linen yarn industry. Both domestic and international market demands for linen yarn during the six months ended 30 June 2012 shrank from those in the corresponding period of 2011. Cotton yarn spinning, chemical fibers and textile industry all have suffered under the prevailing market environment. Linen fabric has the characteristic as being eco-friendly with good air permeability, as such linen fabric has been increasingly popular, especially in the high-end apparel market. With the Group's well recognized brand and flexible marketing strategies, the Group managed to record growth in external sales for the period under review as compared with the same period of last year.

Recently, European high-end apparel brands are moving their manufacturing facilities back to home countries. Apart from the garment industry, the increasing awareness of low-carbon life-style has driven the application of linen fabric in other industries, such as furniture, decoration and daily supplies. Linen yarn has become immensely popular in market in the post-financial crisis world, and its market demand has shown an upward trend in general. As a leader in the linen yarn spinning industry with years of track record, the Group is aiming to play a more influential role in promoting and development of linen yarn in the domestic market.

Business Review

Overall performance

For the six months ended 30 June 2012, the Group's turnover decreased by 8.1% to approximately RMB294.3 million; gross profit decreased by 15.5% to approximately RMB94.3 million. Profit attributable to owners of the parent decreased by 25.6% to approximately RMB43.1 million while earnings per share was RMB0.07. The Board did not recommend payment of any interim dividend for the six months ended 30 June 2012 to the ordinary equity holders of the Company.

During the period under review, the Group's total sales of linen yarn amounted to approximately RMB294.3 million, representing a decrease of 8.1% as compared with the corresponding period of last year. In particular, domestic sales accounted for 26.4% of the Group's sale, amounting to RMB77.8 million, while export sales, representing 73.6% of the Group's sales, increased by approximately 1.2% as compared with the corresponding period of last year. For the six months ended 30 June 2012, the Group's export sales accounted for approximately 32.3% of China's total export value of linen yarn. The Group held on its position as the leading exporter of linen yarn in China.

For the six months ended 30 June 2012, the quality of raw material – linen fiber was affected by poor climate conditions in Europe. Together with the unfavourable market circumstances, China's import volume of linen fiber from France and Belgium, the key producers of linen, have decreased significantly, recording a decrease of 52.5% between January and June this year, as compared with the same period of last year. Nevertheless, the Group was able to utilize its leadership in the linen market to maintain a healthy raw material inventory, so as to minimize operating risks and enhance our competitiveness in the market.

In view of the current upward trend of the linen yarn industry, the Group further expanded its capacity to meet the market demand for linen yarn and high-value added products such as linen dope-dyed fiber and differentiation linen fiber. The technological modification of the Group's existing production plants in Zhejiang and Jiangsu has enhanced its production efficiency and reduced production labor cost.

Market Development

For the six months ended 30 June 2012, the Group focused on research and development of linen yarn products and attempted to seize opportunities arising from the overall growth of the linen yarn market. Another focus of the Group was to optimize sales network. Apart from consolidating the Group's existing overseas market, the Group was also exploring new markets in South America. The linen yarn market of China is also a key part in the Group's development plan. Drawing on its competitive edges in scale of production and technical prowess, the Group reassured its position as a leading manufacturer of linen yarn in China.

For the first half of this year, the Group's sales in China, EU and non-EU markets accounted for 26.4%, 40.7% and 32.9% of the total sales volume, respectively. The Group is of the view that a reasonable sales framework will help to reduce market risks as well as to realize the strength of the Group's technical maturity in producing variety of linen yarn products.

The demand for high-end and value-added linen fabrics, such as dope-dyed fiber and differentiation linen fiber, has increased recently due to the recovery of high-end brands manufacturing industries in Europe and the U.S. as well as greater consumer recognition. The development of these high-end linen products are currently underway with mass production expected in the second half on this year or next year and will become an important growth driver for the Group in the coming years.

The Group has been closely monitoring the changes and development direction of the domestic textile market, and has participated in trade fairs regularly, which allowed more potential customers to gain a better understanding of the Group. Two of the trade fairs the Group joined during the six-month period ended 30 June 2012 were the China International Trade Fair for Fibres and Yarns in Beijing in March, and the Textile Products Exhibition in India in April.

During the period under review, the Group received the title of "National Innovative and Hi-tech Enterprise of the Linen Industry" from China Bast and Leaf Fibers Textile Association.

Achievements in Research and Development

In the first half of 2012, one of the Group's focuses was to develop dope-dyed fiber and differentiation linen fiber. The Group enjoyed significant advantages in these two new products in terms of technical prowess and pricing.

During the period under review, the Group had been heavily involved in research and development projects and obtained two invention patents, four utility patents and three design patents. The differentiation linen fiber of the Group was enlisted in the 2012 provincial new product trial-production plan, demonstrating the recognition of the government and related institutions towards the Group's effort in research and development.

Plants and Raw Material Base

For the six months ended 30 June 2012, the production capacity of the Group's new plants in Zhejiang and Jiangsu accounted for 55% and 45% of Group's total production capacity, respectively. The utility rate of each of the Group's plants reached 100% and the annual total production capacity reached 12,000 tonnes. To further enhance the production efficiency, both plants of the Group are currently undergoing technical upgrade, which is scheduled to complete by the end of 2012. The Group's production efficiency is expected to be further enhanced.

To further stabilize the supply of raw materials and to cater for the global trend of organic planting, the Group established linen base to cultivate organic linen in Xinjiang. The products are certified with the Global Organic Textile Standard (GOTS). During the six months ended 30 June 2012, the output from the Xinjiang production base reached 331 tonnes, representing approximately 5% of the total supply of raw materials to the Group.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2012, the Group's turnover amounted to approximately RMB294.3 million, representing a decrease of approximately 8.1% (for the six months ended 30 June 2011: approximately RMB320.2 million). Decrease in turnover was mainly due to the slow down of the domestic and overseas economic growth in the first half of the year, which adversely affected the domestic textile industry. For the six months ended 30 June 2012, the Group's turnover of exports amounted to RMB216.5 million, representing a growth of 1.2% (for the six months ended 30 June 2011: turnover of exports of approximately RMB213.9 million) as compared with the same period of last year, the increase was mainly due to the increasing market demand for high-end linen in Europe.

The breakdown of turnover by sales regions is as follows:

Sales regions:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**77,798**	106,219
EU	**119,875**	109,059
Non-EU	**96,651**	104,877
Total	**294,324**	320,155

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2012, the linen yarn market was dragged by a decrease of sales of domestic textile products causing a lower average selling price of linen yarn as compared with the same period of last year. Thus, the Group's gross profit recorded a decrease of 15.5% to approximately RMB94.3 million (for the six months ended 30 June 2011: gross profit of approximately RMB111.6 million). For the six months ended 30 June 2012, gross profit margin was 32.0% (gross profit margin for the same period of last year: 34.9%), which was attributable to the fall of selling price in the domestic linen yarn market and the volatile price of raw linens due to the climate of Europe (origin of the raw materials) affecting the quality of new linen.

As the present price of linen yarn is volatile, the Group will continue to implementing measures of expanding the high-end linen yarn market in Europe and utilizing the Company's inventory of raw linens to maintain and increase the gross profit margin, which can transfer the risk of increasing cost from shortage of raw materials, and effectively reduce the pressure of falling price in domestic linen yarn market.

Other Income and Gains

For the six months ended 30 June 2012, the Group obtained government grant of approximately RMB4.2 million (for the six months ended 30 June 2011: net exchange gain of approximately RMB5.0 million and government grant approximately RMB1.7 million).

Selling and Distribution Costs

For the six months ended 30 June 2012, the Group's selling and distribution costs amounted to approximately RMB14.4 million (for the six months ended 30 June 2011: approximately RMB12.3 million), which accounted for approximately 4.9% of the Group's total turnover (for the six months ended 30 June 2011: 3.8%). The increase in selling costs was mainly due to the increase in freight charges during the year.

Administrative Expenses

For the six months ended 30 June 2012, the Group's administrative expenses amounted to approximately RMB16.4 million (for the six months ended 30 June 2011: approximately RMB16.0 million), representing an increase of approximately 2.5% as compared with the same period of last year. The increase was mainly due to the increase in staff cost.

Finance Costs

For the six months ended 30 June 2012, net finance costs amounted to approximately RMB6.2 million (for the six months ended 30 June 2011: approximately RMB7.8 million), representing a decrease of approximately 20.5%. The decrease was mainly due to the decrease in bank borrowings, which resulted in corresponding reduction in finance costs.

Share of Profits of an Associate

For the six months ended 30 June 2012, 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 RMB1.5 million (for the six months ended 30 June 2011: approximately RMB79,000). 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 2012, the Group's profit attributable to owners of the parent decreased by 25.6% to approximately RMB43.1 million as compared with the same period of last year (for the six months ended 30 June 2011: approximately RMB57.9 million), the decrease was primarily attributable to the decrease of linen yarn market price during the period due to corresponding decrease in domestic demand.

Liquidity and Financial Resources

As at 30 June 2012, the Group had net current assets of approximately RMB351.6 million (as at 31 December 2011: approximately RMB333.6 million). The Group finances its operations with internally generated resources and bank loans during the six months ended 30 June 2012.

As at 30 June 2012, the Group had cash and bank deposits of approximately RMB149.2 million (as at 31 December 2011: approximately RMB163.5 million). The liquidity ratio of the Group as at 30 June 2012 was approximately 182.4% (as at 31 December 2011: 221.0%).

Total equity of the Group as at 30 June 2012 was approximately RMB767.7 million (as at 31 December 2011: approximately RMB761.9 million).

As at 30 June 2012, the Group had bank loans repayable within 12 months from the statement of financial position date of approximately RMB217.7 million (as at 31 December 2011: approximately RMB164.1 million) and no long-term loans (as at 31 December 2011: Nil). Together they represented a gross debt gearing (i.e. total borrowings/shareholders' funds) of approximately 28.3% (as at 31 December 2011: 21.5%). The Board believes that the Group's existing financial resources are sufficient for the Group's required capital expenditure in the remaining period of 2012.

Capital Commitments

As at 30 June 2012, outstanding contractual capital commitments of the Group in respect of purchase of property, plant and equipment not provided for in the interim report amounted to approximately RMB1.5 million (as at 31 December 2011: approximately RMB997,000).

Contingent Liabilities

As at 30 June 2012, the Group did not have any contingent liabilities.

Charge of Assets

As at 30 June 2012, the interest-bearing bank loans were secured by certain property, plant and equipment, prepaid land lease payments, inventories and pledged deposits of the Group with carrying amounts of approximately RMB51.0 million (as at 31 December 2011: approximately RMB48.5 million), approximately RMB20.2 million (as at 31 December 2011: approximately RMB28.7 million), approximately RMB40.0 million (as at 31 December 2011: approximately RMB40.0 million) and approximately RMB38.2 million (as at 31 December 2011: approximately RMB37.6 million), respectively.

Material Investments

There was no material acquisition or disposal of the Group's subsidiaries and associated companies during the six months ended 30 June 2012.

Foreign Currency Risk

The Group's transactions are mainly denominated in RMB, United States Dollars, Euro and Hong Kong Dollars. The exchange rate changes of such currencies were monitored regularly and managed appropriately. Currently, the Company also has certain foreign currency forward contracts entered into by utilizing its available credit line, and derivative financial instruments of approximately RMB979,000 (as at 31 December 2011: assets approximately RMB1,033,000) was recognized by the Group as liabilities as at 30 June 2012.

Remuneration Policy and Share Option Scheme

As at 30 June 2012, the Group had a total of 2,240 employees (30 June 2011: 2,349 employees). Total staff costs incurred for the six months ended 30 June 2012 amounted to approximately RMB41,300,000 (for the six months ended 30 June 2011: approximately RMB35,900,000).

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 security scheme in China. Moreover, the Group and its employees in China are each required to make contributions to fund pension insurance and unemployment insurance at rates specified in the relevant laws and regulations in China.

The remuneration policy for the employees of the Group is formulated by the Board with reference to the employee's respective qualification, experience, responsibilities and contributions to the Group, as well as the prevailing market rate of remuneration for a similar position. The remunerations of the directors of the Company (the "**Directors**") are determined by the Board and the remuneration committee of the Company with the mandate given by the shareholders at the annual general meeting of the Company having regard to the Group's operating results, individual performance and comparable market information. The Group also provides both internal and external training programmes for its employees from time to time.

The Group adopted a share option scheme (the"**Scheme**") on 15 November 2006 for the purpose of providing rewards and incentives to the Directors, including independent non-executive Directors, and other employees of the Group who have contributed to the success of the Group's operations.

As at 30 June 2012, the Company had 9,100,000 outstanding share options, representing approximately 1.46% of the Group's shares in issue, under the Scheme.

Prospects

For the first half of 2012, under the backdrop of continuous economic downturn in domestic and overseas markets, the textile industry had been affected by factors such as weaker international market demand, slowdown in domestic market and increasing gap between the prices of domestic and imported cottons, which resulting in aggravated losses of frontend enterprises, in the industry chain like cotton spinning and chemical fiber enterprises. Recognized for eco-friendliness, anti-bacterial function, moisture absorption and ventilation, linen yarn had been highly rated by the consumer market. In particular, with large-scale adoption of certain high-end branded linen fabrics, overall market demand for linen yarn has exhibited a strong upward trend in recent years. As the Group has been focusing on linen yarn production, it has outperformed competitors in the industry in terms of production scale and manufacturing technique. As such, the Group should seize the current market opportunities, enhance its competitive edges in the market and reinforce its influence in the industry.

With years of efforts in brand building, the Group has progressively consolidated its leading position in the domestic market, set a benchmark for the industry, and successfully diversified its footprint to overseas markets included Europe and the United States. The Company offers a great variety of linen yarn products, which cater for the needs of different markets. The Group is also committed to develop high-ended products with high added-value. The production of dope-dyed fiber and differentiation linen fiber has recently commenced, and it is anticipated that the Group will gain significant pricing power and technical prowess. With scientific and effective marketing strategy, the Group will not only grasp the potential market opportunity, but can also avert the risks from the turbulent market environment.

In view of the increasing market demand of linen yarn and fiercer competition from peers, the Group continue to enhance production efficiency and expand production capacity. Furthermore, the Group also engages in the research and development of high value-added products to build its brands and promote the use of linen fabric in the market. The Group is confident that it can create valuable return to the Group's shareholders.

INTERIM DIVIDEND

The Board has resolved not to recommend any interim dividend for the six months ended 30 June 2012.

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 the deviations 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**") from 1 January 2012 until 31 March 2012 and with the revised Code from 1 April 2012 until 30 June 2012.

Code Provision A.2.1

Under code provision A.2.1 of the Code, the roles of the chairman and chief executive officer of the Company 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 A.6.7

Under code provision A.6.7 of the Code, the independent non-executive Directors and the non-executive Directors should attend the general meetings of the Company. However, due to other business commitment, the independent non-executive Director, Mr. Yang Donghui, did not attend the annual general meeting of the Company held on 16 May 2012.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company 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, the 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 2012 and up to the date of this announcement.

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

The Company has not redeemed any of its listed shares for the six months ended 30 June 2012. 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 2012.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (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. Lo Kwong Shun Wilson. Mr. Lau Ying Kit, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee. The interim results of the Group for the period ended 30 June 2012 have been reviewed by the Audit Committee.

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**") (www.hkexnews.hk) and on the website of the Company at www.kingdom-china.com under the section "Investor Relations". The interim report of the Company for the six months ended 30 June 2012 will be despatched to its shareholders and will be available on the same websites of Stock Exchange and the Company in due course.

APPRECIATION

The chairman of the Company 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
Kingdom Holdings Limited
Ren Wei Ming
Chairman

24 August 2012
Hong Kong

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