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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 2013

FINANCIAL HIGHLIGHTS

- Revenue increased by 32.7% to approximately RMB390.5 million for the six months ended 30 June 2013 from approximately RMB294.3 million for the six months ended 30 June 2012.
- Gross profit margin decreased by 4.3 percentage points to approximately 27.7% for the six months ended 30 June 2013 from 32.0% for the six months ended 30 June 2012.
- Profit attributable to the owners of the parent increased by 10.9% to approximately RMB47.8 million for the six months ended 30 June 2013 from approximately RMB43.1 million for the six months ended 30 June 2012.
- Basic earnings per share was RMB0.08 for the six months ended 30 June 2013 and RMB0.07 for the six months ended 30 June 2012.

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 2013:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013 (unaudited)

		For the six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**390,548**	294,324
Cost of sales		**(282,197)**	(200,004)
Gross profit		**108,351**	94,320
Other income and gains	*4*	**8,363**	4,980
Selling and distribution costs		**(15,771)**	(14,416)
Administrative expenses		**(23,876)**	(16,356)
Other expenses		**(5,513)**	(4,488)
Finance costs		**(5,945)**	(6,243)
Share of profits of an associate		**(138)**	1,529
PROFIT BEFORE INCOME TAX EXPENSE	*5*	**65,471**	59,326
Income tax expense	*6*	**(17,623)**	(16,219)
PROFIT FOR THE PERIOD		**47,848**	43,107
Attributable to:			
Owners of the parent		**47,848**	43,107
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB0.08**	RMB0.07
Diluted		**RMB0.08**	RMB0.07

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 (unaudited)

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**47,848**	43,107
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(384)**	(286)
NET OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**(384)**	(286)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**(384)**	(286)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**47,464**	42,821
Attributable to:		
Owners of the parent	**47,464**	42,821

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013 (unaudited)

	Notes	**30 June 2013** **RMB'000** **(Unaudited)**	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**377,650**	366,033
Investment property		**3,840**	–
Prepaid land lease payments		**55,912**	56,579
Intangible asset		**10,515**	10,818
Interest in an associate		**5,646**	5,784
Deferred tax assets		**6,891**	8,322
Total non-current assets		**460,454**	447,536
CURRENT ASSETS			
Inventories	*9*	**271,265**	240,570
Trade and notes receivables	*10*	**184,018**	218,077
Prepayments, deposits and other receivables		**68,406**	43,393
Derivative financial instruments		**4,384**	68
Pledged deposits		**67,247**	35,900
Cash and cash equivalents		**218,854**	163,643
Total current assets		**814,174**	701,651
CURRENT LIABILITIES			
Trade payables	*12*	**134,722**	43,186
Other payables and accruals		**35,490**	43,506
Interest-bearing bank loans	*11*	**239,077**	215,684
Dividend payable		**3,051**	–
Tax payable		**14,005**	13,428
Amount due to a related party		**–**	55
Total current liabilities		**426,345**	315,859

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2013 (unaudited)

	Notes	**30 June 2013** *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
NET CURRENT ASSETS		**387,829**	385,792
TOTAL ASSETS LESS CURRENT LIABILITIES		**848,283**	833,328
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**13,220**	10,449
Total non-current liabilities		**13,220**	10,449
Net assets		**835,063**	822,879
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**6,301**	6,301
Reserves		**828,762**	781,041
Proposed final dividend		**–**	35,537
Total equity		**835,063**	822,879

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2013

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 2013 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 2012.

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 2013 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2012, 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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19(Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The Company has adopted the following new and revised IFRSs for the first time in these interim condensed financial statements.

IAS 1	Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
IAS 1	Clarification of the requirement for comparative information (Amendment)
IAS 32	Tax effects of distributions to holders of equity instruments (Amendment)
IAS 34	Interim financial reporting and segment information for total assets and liabilities (Amendment)
IAS 19	Employee Benefits (Revised 2011) (IAS 19R)
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
IFRS 10	Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 11	Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

The Group has not early adopted any other standard, interpretation or amendment that has been 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 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 2013 is set out in the following table:

	Revenue from external customers For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**110,932**	77,798
European Union	**119,197**	119,875
Non-European Union	**160,419**	96,651
Total	**390,548**	294,324

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 2013 (six months ended 30 June 2012: 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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of linen yarns	**390,548**	294,324
Other income		
Bank interest income	**618**	529
Compensation income	**2,560**	–
Government grants	**530**	4,218
Others	**271**	233
	3,979	4,980
Gains		
Fair value gains on derivative financial statements – transactions not qualifying as hedges	**4,384**	–
	8,363	4,980

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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**282,197**	200,004
Depreciation	**25,108**	23,723
Amortisation of prepaid land lease payments	**752**	438
Amortisation of intangible assets	**303**	298
Research and development ("R&D") expenses	**1,664**	1,367
Minimum lease payments under operating lease – land and buildings	**817**	452
Auditors' remuneration	**791**	450
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**48,201**	45,271
Pension scheme contributions	**3,939**	3,429
Equity-settled share option expense	**257**	386
	52,397	49,086
Foreign exchange losses, net	**3,402**	1,624
Fair value (gains)/losses on derivative financial instruments		
– transactions not qualifying as hedges	**(4,384)**	1,033
Provision of inventory provision	**13**	21
Provision/(reversal) of allowance for doubtful debts	**3,790**	(1,024)
Finance costs	**5,945**	6,243
Bank interest income	**(618)**	(529)

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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China	**15,633**	13,944
Current – Hong Kong	**488**	–
Current – Italy	**152**	65
Deferred	**1,350**	2,210
Total tax charge for the period	**17,623**	16,219

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 2013.

7. DIVIDENDS

The Board does not recommend any interim dividend to the ordinary owners of the Company for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 626,140,000 (six months ended 30 June 2012: 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 2013.

9. INVENTORIES

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**176,988**	120,760
Work in progress	**17,340**	14,413
Finished goods	**76,937**	105,397
	271,265	240,570

10. TRADE AND NOTES RECEIVABLES

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**167,815**	145,896
Notes receivable	**21,239**	73,561
	189,054	219,457
Allowance for trade and notes receivables	**(5,036)**	(1,380)
	184,018	218,077

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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Neither past due nor impaired	**148,157**	133,884
Less than 1 month past due	**7,726**	5,406
1-3 months past due	**2,848**	2,272
Over 3 months but less than 12 months past due	**499**	2,954
Over 12 months past due	**3,549**	–
	162,779	144,516

11. INTEREST-BEARING BANK LOANS

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Current			
Secured bank loans	*(i)*	**226,564**	199,100
Unsecured bank loans		**12,513**	16,584
		239,077	215,684

Notes:

(i) As at 30 June 2013, 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 RMB41,417,000 (31 December 2012: approximately RMB43,770,000), approximately RMB27,677,000 (31 December 2012: approximately RMB28,031,000), approximately RMB50,266,000 (31 December 2012: approximately RMB52,302,000) and approximately RMB52,967,000 (31 December 2012: approximately RMB35,900,000), respectively.

(ii) The bank loans bear interest at rates ranging from 3.82% to 6.72% per annum (31 December 2012: 3.82% to 6.72% per annum).

The carrying amount of the interest-bearing bank loans of the Group approximates to their fair value due to their short maturity.

12. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2013, based on the payment due date, is as follows:

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due within 1 month or on demand	**95,281**	30,001
Due after 1 month but within 3 months	**37,775**	10,597
Due after 3 months but within 6 months	**1,040**	2,588
Due after 6 months but within 12 months	**525**	–
Due after 12 month	**101**	–
	134,722	43,186

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

Business review

According to the statistics of China Customs, in the first half of 2013, driven by the gradual economic upturn in key markets of linen products such as the United States (the "US"), the export values of Chinese textile and garment products were US$51.20 billion and US$76.10 billion, representing a year-on-year increase of approximately 10.1% and 13.4%, respectively, while linen yarn exports from China rose by 24.1% as compared with the corresponding period last year. Being the largest linen yarn exporter and manufacturer in the People's Republic of China ("China" or the "PRC"), the Group has gathered growth momentum from the pick-up in lien yarn export.

According to other statistics of China Customs, the Group exported 4,838 tonnes of linen yarn in the first half of 2013, representing an increase of 32.8% as compared with the corresponding period last year and accounted for 32.4% of the total exports from China. Both export sales and volume of the Group topped the industry.

Major markets

With operations in over 20 countries and regions around the world, the Group balances its sales strategy between domestic and overseas markets. For the six months ended 30 June 2013, sales to the domestic market accounted for approximately 28.4% of the Group's total turnover, while overseas sales accounted for approximately 71.6% of the Group's total turnover. Commensurate with the Company's sales strategy and product position, the Group's overseas operations focus on high-end markets such as Europe (including Italy and Portugal) and Turkey. Italy is a traditional key consumption country of linen yarn, which are used in the production of high-end textiles and apparel for sale in the US and European apparel markets. In recent years, another stream of strong demand growth for linen yarn has been seen in emerging countries such as India, Portugal and Turkey, where mass-market fashion production is on the rise, and has become an established trend as more and more fast-fashion brands appear in the market. The Group has engaged brand agencies in those markets since 2011 and has devoted considerable efforts in seeking new clients since then. The Group also actively participated in large international product fairs and held industry forums for better exchange and communication with industry peers from all over the world and closer monitoring of market demand, so as to secure a stable and continuous growth of the overseas operations.

Raw material procurement and production capacity

The Group mainly sources quality linen fiber from well-established origins such as France, Belgium and the Netherlands to ensure the quality of its raw materials. According to the statistics of China Customs, the Group has been the largest buyer of European linen fiber since 2010.

For the six months ended 30 June 2013, the Group had two production bases in Haiyan County, Zhejiang Province and Rugao City, Jiangsu Province with annual production capacities of 7,000 tonnes and 6,000 tonnes and utilization rates of 100% and 100%, respectively. Since the Group's production capacity is close to saturation and as a move to tap into the rising market demand, the Group has started the construction of the third production base in Haiyan County, Zhejiang Province (Phase 2 of the Haiyan Plant) in the second half of 2012. With an invested capital of RMB81.6 million, the third production base will have a planned capacity of 5,000 tonnes and is scheduled to commence production in the first quarter of 2014.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2013, the Group's turnover amounted to approximately RMB390.5 million, representing an increase of approximately 32.7% (for the six months ended 30 June 2012: approximately RMB294.3 million). The increase in turnover was mainly due to increased sales volume. For the six months ended 30 June 2013, the Group's turnover of exports amounted to RMB279.6 million (for the six months ended 30 June 2012: approximately RMB216.5 million), representing a growth of 29.1% as compared with the corresponding period last year. The increase was mainly due to the higher demand in the export market.

The breakdown of turnover by sales regions is as follows:

Sales regions:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**110,932**	77,798
EU	**119,197**	119,875
Non-EU	**160,419**	96,651
Total	**390,548**	294,324

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2013, the Group's gross profit recorded an increase of 15.0% to approximately RMB108.4 million (for the six months ended 30 June 2012: approximately RMB94.3 million). For the six months ended 30 June 2013, gross profit margin was approximately 27.7% (for the six months ended 30 June 2012: approximately 32.0%), representing a decrease of 4.3 percentage points, which was mainly attributable to the increase in wages, the fluctuation in raw material prices and the delayed effect of the adjustment in selling prices.

Other Income

For the six months ended 30 June 2013, the Group's other income mainly comprised compensation income of approximately RMB2.56 million arisen from the default by suppliers (for the six months ended 30 June 2012: government grant of approximately RMB4.2 million).

Selling and Distribution Costs

For the six months ended 30 June 2013, the Group's selling and distribution costs amounted to approximately RMB15.8 million (for the six months ended 30 June 2012: approximately RMB14.4 million), which accounted for approximately 4.0% of the Group's total turnover (for the six months ended 30 June 2012: approximately 4.9%). The increase in selling costs was mainly due to the increase in operating expenses, which was in line with the sales growth.

Administrative Expenses

For the six months ended 30 June 2013, the Group's administrative expenses amounted to approximately RMB23.9 million (for the six months ended 30 June 2012: approximately RMB16.4 million), representing a significant increase of approximately 45.7% as compared with the corresponding period last year. The increase was mainly due to the impairment provision for trade receivables and the increase in human resources consulting fees for the first half of 2013.

Finance Costs

For the six months ended 30 June 2013, net finance costs amounted to approximately RMB5.9 million (for the six months ended 30 June 2012: approximately RMB6.2 million), representing a decrease of approximately 4.8%. The decrease was mainly due to the decrease in average bank borrowings and lower average interest rates for borrowings.

Share of Profits of an Associate

For the six months ended 30 June 2013, share of losses 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 RMB138,000 (share of profits of an associate for the six months ended 30 June 2012: approximately RMB1.5 million). 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 2013, the Group's profit attributable to owners of the parent increased by 10.9% to approximately RMB47.8 million as compared with the corresponding period last year (for the six months ended 30 June 2012: approximately RMB43.1 million).

Liquidity and Financial Resources

As at 30 June 2013, the Group had net current assets of approximately RMB387.8 million (as at 31 December 2012: approximately RMB385.8 million). The Group finances its operations with internally generated resources and bank loans for the six months ended 30 June 2013.

As at 30 June 2013, the Group had cash and bank deposits of approximately RMB218.9 million (as at 31 December 2012: approximately RMB163.6 million). The liquidity ratio of the Group as at 30 June 2013 was approximately 191.0% (as at 31 December 2012: approximately 222.1%).

Total equity of the Group as at 30 June 2013 was approximately RMB835.1 million (as at 31 December 2012: approximately RMB822.9 million).

As at 30 June 2013, the Group had bank loans repayable within 12 months from the statement of financial position date of approximately RMB239.1 million (as at 31 December 2012: approximately RMB215.7 million) and no long-term loans (as at 31 December 2012: Nil). Together they represented a gross debt gearing (i.e. total borrowings/total equity) of approximately 28.6% (as at 31 December 2012: approximately 26.2%). The Board believes that the Group's existing financial resources are sufficient for the Group's required capital expenditure in the remaining period of 2013.

Capital Commitments

As at 30 June 2013, 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 RMB135.7 million (as at 31 December 2012: approximately RMB80.5 million).

Contingent Liabilities

As at 30 June 2013, the Group did not have any contingent liabilities.

Charge of Assets

As at 30 June 2013, 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 RMB41.4 million (as at 31 December 2012: approximately RMB43.8 million), approximately RMB27.7 million (as at 31 December 2012: approximately RMB28.0 million), approximately RMB50.3 million (as at 31 December 2012: approximately RMB52.3 million) and approximately RMB53.0 million (as at 31 December 2012: approximately RMB35.9 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 2013.

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 RMB4.4 million (as at 31 December 2012: assets approximately RMB68,000) was recognized by the Group as assets as at 30 June 2013.

Remuneration Policy and Share Option Scheme

As at 30 June 2013, the Group had a total of 2,096 employees (30 June 2012: 2,240 employees). Total staff costs incurred for the six months ended 30 June 2013 amounted to approximately RMB52.4 million (for the six months ended 30 June 2012: approximately RMB49.1 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 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 2013, the Company had 5,460,000 outstanding share options under the Scheme, representing approximately 0.87% of the Group's shares in issue.

Outlook and plans

In the second half of the year, the Group will concentrate on promoting new products and ensuring the smooth progress of the construction of the new production base. In January 2013, the Group also launched its new product with high added-value, linen dope-dyed fiber, which is produced by adding a dyeing process to the original spinning procedures so as to adapt the single-colored linen yarn to be used in the production of a wider selection of fabrics for better uses in the fashion industry. At present, the development of the dope-dyed fiber industry in China is still at a preliminary stage and the sector comprises mainly small-sized manufacturers with limited color selections and varying quality of linen yarn. To tap into this huge growth potential, the Group offers its clients quality product with a wide variety of color options with its extensive experience and established operation. The Group will vigorously promote its dope-dyed fiber by using its existing overseas agency network to penetrate the markets in Italy, Korea and Turkey. In addition, the rise of emerging linen products consumption markets, such as Japan, India and Brazil, has fueled the growth in demand for knitting products. Therefore, the Company remains cautiously optimistic about the linen market.

In the second half of 2013, the construction of the second phase of the production base in Haiyan County, Zhejiang Province will be the major focus of the Group. With stringent work supervision and inspection, the Group aims to speed up the construction progress and meet the production schedule of the new production base. The Group will adopt the energy management solution and electric equipment of Siemens AG at the new production base in order to ensure its efficient operation.

INTERIM DIVIDEND

The Board has resolved not to recommend any interim dividend for the six months ended 30 June 2013 mainly due to the high working capital required for the construction of new plant.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE 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 deviation from paragraph A.2.1 of the Corporate Governance Code (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**") as disclosed below, the Company has complied with the code provisions set out in the Code throughout the six months ended 30 June 2013.

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 separated 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.

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 2013 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 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the six months ended 30 June 2013.

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 2013 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 2013 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

23 August 2013
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. Lau Ying Kit and Mr. Lo Kwong Shun, Wilson.