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 2014

FINANCIAL HIGHLIGHTS

- Revenue decreased by 6.6% to approximately RMB364.6 million for the six months ended 30 June 2014 from approximately RMB390.5 million for the six months ended 30 June 2013.

- Gross profit margin improved by 1.0 percentage points to approximately 28.7% for the six months ended 30 June 2014 from 27.7% for the six months ended 30 June 2013.

- Profit attributable to the owners of the parent decreased by 12.7% to approximately RMB41.8 million for the six months ended 30 June 2014 from approximately RMB47.8 million for the six months ended 30 June 2013.

- Basic earnings per share was RMB0.07 for the six months ended 30 June 2014 and RMB0.08 for the six months ended 30 June 2013.

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 2014:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014 (unaudited)

		For the six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**364,584**	390,548
Cost of sales		**(259,906)**	(282,197)
Gross profit		**104,678**	108,351
Other income and gains	*4*	**2,746**	8,363
Selling and distribution costs		**(15,459)**	(15,771)
Administrative expenses		**(21,656)**	(23,876)
Other expenses		**(10,851)**	(5,513)
Finance costs	*5*	**(4,042)**	(5,945)
Share of profit/(loss) of an associate		**76**	(138)
PROFIT BEFORE INCOME TAX EXPENSE	*6*	**55,492**	65,471
Income tax expense	*7*	**(13,705)**	(17,623)
PROFIT FOR THE PERIOD		**41,787**	47,848
Attributable to:			
Owners of the parent		**41,787**	47,848
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**RMB0.07**	RMB0.08
Diluted		**RMB0.07**	RMB0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014 (unaudited)

		For the six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD		**41,787**	47,848
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(18)**	(384)
TOTAL COMPREHENSIVE INCOME, FOR THE PERIOD		**41,769**	47,464
Attributable to:			
Owners of the parent		**41,769**	47,464

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014 (unaudited)

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**535,834**	455,091
Investment property		**3,667**	3,754
Prepaid land lease payments		**54,012**	54,654
Intangible asset		**9,909**	10,212
Interest in an associate		**5,959**	5,883
Prepayments for equipment		**8,928**	40,125
Deferred tax assets		**6,021**	5,920
Total non-current assets		**624,330**	575,639
CURRENT ASSETS			
Inventories	*10*	**296,011**	264,344
Trade and notes receivables	*11*	**176,513**	162,753
Prepayments, deposits and other receivables		**77,462**	33,916
Derivative financial instruments		**–**	7,819
Pledged deposits		**64,879**	68,625
Cash and cash equivalents		**158,380**	201,698
Total current assets		**773,245**	739,155
CURRENT LIABILITIES			
Trade and notes payables	*12*	**99,347**	115,902
Other payables and accruals		**71,213**	37,402
Interest-bearing bank borrowings	*13*	**236,481**	188,548
Dividend payable		**14,083**	167
Amount due to a related party		**100**	–
Tax payable		**22,734**	25,690
Total current liabilities		**443,958**	367,709

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014 (unaudited)

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
NET CURRENT ASSETS		**329,287**	371,446
TOTAL ASSETS LESS CURRENT LIABILITIES		**953,617**	947,085
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**9,115**	7,110
Interest-bearing bank borrowings	*13*	**50,000**	50,000
Total non-current liabilities		**59,115**	57,110
Net assets		**894,502**	889,975
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**6,345**	6,345
Reserves		**888,157**	846,388
Proposed final dividend		**–**	37,242
Total equity		**894,502**	889,975

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2014

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. 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2014 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 2013.

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 2014 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2013, 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 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The Group has applied, for the first time, several new standards and amendments in 2014. 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.

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition And Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*

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 2014 is set out in the following table:

	Revenue from external customers	
	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**123,984**	110,932
European Union	**104,208**	119,197
Non-European Union	**136,392**	160,419
Total	**364,584**	390,548

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 2014 (six months ended 30 June 2013: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, 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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of linen yarns	**364,584**	390,548
Other income		
Bank interest income	**307**	618
Compensation income	**–**	2,560
Government grants	**2,327**	530
Others	**112**	271
	2,746	3,979
Gains		
Fair value gains on derivative financial statements – transactions not qualifying as hedges	**–**	4,384
	2,746	8,363

5. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans, wholly repayable within five years	**6,645**	6,479
Less: interest capitalised	**(2,603)**	(534)
	4,042	5,945

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**259,906**	282,197
Depreciation	**26,000**	25,108
Amortisation of prepaid land lease payments	**777**	752
Amortisation of intangible assets	**303**	303
Research and development ("R&D") expenses	**2,309**	1,664
Minimum lease payments under operating lease – land and buildings	**770**	817
Auditors' remuneration	**900**	791
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**60,916**	48,201
Pension scheme contributions	**3,569**	3,939
Equity-settled share option expense	**–**	257
	64,485	52,397
Foreign exchange losses net	**4,154**	3,402
Fair value losses/(gains) on derivative financial instruments – transactions not qualifying as hedges	**5,401**	(4,384)
Fire accident losses, net *(note (a))*	**399**	–
(Reversal of the write-down of inventories)/ write-down of inventories to net realisable value	**(935)**	13
(Reversal)/provision of allowance for doubtful debts	**(228)**	3,790
Finance costs	**4,042**	5,945
Bank interest income	**(307)**	(618)

Note (a): The amount represents the losses of the Group's assets due to a fire accident in March 2014, net of compensation received from the insurance company.

7. 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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China	**10,783**	12,781
Current – Hong Kong	**493**	488
Current – Italy	**525**	152
Deferred	**1,904**	4,202
Total tax charge for the period	**13,705**	17,623

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

(ii) The provision for Mainland China income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the People's Republic of China ("the PRC").

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 "Corporate Income Tax Law") was approved and became effective on 1 January 2008. According to the Corporate Income Tax Law, the applicable tax rates of the Group's subsidiaries in Mainland China are unified at 25% with effect from 1 January 2008 except Zhaosu Jindi Flax Co., Ltd. ("Zhaosu Jindi") which is engaged in the preliminary processing of agriculture products and is exempted from PRC income tax.

(iii) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

(iv) Pursuant to the rules and regulations of Italy, the Group is subject to an income tax rate at 31.4%, which comprises Italy Corporate Income Tax at 27.5% and Italy Regional Income Tax at 3.9%.

8. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

9. 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 631,600,000 (six months ended 30 June 2013: 626,140,000) 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.

10. INVENTORIES

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Raw materials	**198,807**	186,699
Work in progress	**21,558**	17,737
Finished goods	**75,646**	59,908
	296,011	264,344

As at 30 June 2014, inventories with a carrying amount of RMB40,000,000 (31 December 2013: RMB72,799,000) were pledged to secure bank loans granted to the Group as set out in note 13(i).

11. TRADE AND NOTES RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	**139,611**	115,469
Notes receivable	**37,689**	48,299
Allowance for trade and notes receivables	**(787)**	(1,015)
	176,513	162,753

Customers are normally granted credit terms ranging from 30 to 150 days depending on the creditworthiness of individual customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The Group's notes receivables were all aged within six months and were neither past due nor impaired.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 1 month	**53,576**	64,239
1 to 2 months	**32,871**	13,981
2 to 3 months	**26,259**	10,155
Over 3 months	**26,118**	26,079
	138,824	114,454

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at 30 June 2014, based on the payment due date, is as follows:

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Due within 1 month or on demand	**95,886**	89,852
Due after 1 month but within 3 months	**1,620**	25,618
Due after 3 months but within 6 months	**1,358**	249
Due after 6 months but within 12 months	**483**	183
	99,347	115,902

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

13. INTEREST-BEARING BANK BORROWINGS

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Current			
Secured bank loans	*(i)*	**171,449**	176,200
Unsecured bank loans		**65,032**	12,348
Subtotal		**236,481**	188,548
Non-current			
Secured bank loans	*(ii)*	**50,000**	50,000
Total		**286,481**	238,548

Notes:

(i) As at 30 June 2014, the current 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 RMB73,435,000 (31 December 2013: approximately RMB44,532,000), approximately RMB26,547,000 (31 December 2013: approximately RMB27,324,000), approximately RMB40,000,000 (31 December 2013: approximately RMB72,799,000) and approximately RMB64,879,000 (31 December 2013: approximately RMB37,802,000), respectively.

(ii) As at 30 June 2014, the non-current interest-bearing bank borrowings with carrying amount of RMB50,000,000 were secured by prepaid land lease payments with carrying amounts of RMB18,880,000 (31 December 2013: RMB19,119,000).

(iii) The bank borrowings bear interest at rates ranging from 4.67% to 7.36% per annum (31 December 2013: 4.67% to 7.36% per annum).

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

The fair values of the non-current interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2014 was assessed to be insignificant. Management has assessed that carrying amount of the non-current interest-bearing bank loans of the Group approximates to their fair value due to its floating interest rate.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As the economic recovery gave further impetus to the consumption market, the export growth of the Chinese textile industry continued its momentum in the first half of 2014. The market experienced a stable growth in general as China's textile export for the first half of the year amounted to US$53.298 billion, up by 4.2% year-on-year, while garment export recorded US$79.184 billion, up by 4.1% year-on-year, according to the General Administration of Customs. During the first half of 2014, the Chinese linen textile industry saw a favourable development, particularly evidenced by the sustainable growth of the export of garment with linen materials.

While chemical fiber and cotton textile industries are facing great challenges and pressure, linen is one of the textile fabrics with increasing popularity in recent years, and this is one of the reasons why the linen industry enjoyed stable development.

Being a leading enterprise in the linen yarn manufacturing industry, the Group endeavours to seize every market opportunity and actively expands its production capacity. In April 2014, the third production base in Haiyan County, Zhejiang Province (2nd Phase of the Haiyan Plant), of which the construction had started in the second half of 2012, was put into operation. It has an annual production capacity of 5,000 tons, which is expected to increase the Group's aggregate annual production capacity to 18,000 tons. In addition, the Group is identifying overseas sites for other production bases in order to enjoy cost competitiveness. On 17 July 2014, the Group signed an investment agreement with the Ministry of Industry of Ethiopia for the development and construction of a technological world class linen industrial zone (the "Kingdom Linen Industrial Zone"). The first project, with an estimated annual production capacity of 5,000 tons of linen yarn, will commence construction in or around March 2015 and is expected to commence production by September 2016. On the other hand, the Group has secured supply contracts with clients in the PRC and abroad for terms up to late 2014 to ensure adequate orders. The Board believes that following the commencement of production of the new production base in Haiyan County, Zhejiang Province, the Group is in the position of capturing greater market share and taking advantage of the rising market demand by better serving its domestic and overseas clients. It is expected that the Group's profitability will be enhanced, thus making greater contribution to income growth for 2014.

For the first half of 2014, the Group's turnover dropped by approximately 6.6% to approximately RMB364.6 million. The year-on-year turnover drop as shown in the income statement for the first half of 2014 was attributable to the nearly full utilisation of the Group's production lines in the first half of both 2013 and 2014, and a higher sales in the first half of 2013 of additional inventories stocked at the end of 2012, which formed a higher base figure for turnover comparison.

Major Markets and Clients

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 2014, domestic sales accounted for approximately 34% of the Group's total turnover, rose by 12% year-on-year, while overseas sales accounted for approximately 66% of the Group's total turnover, dropped by 14% year-on-year. In terms of export amount, Italy remained the largest export market of the Group and accounted for 24.4% of the Group's total export sales, followed by Korea, India and Turkey, successively.

The Group maintains a long-term and stable relationship with international top fashion brands including, among others, UNIQLO, LORO PIANA and MUJI.

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. This allows the Group to enjoy greater bargaining power and influence over market prices and better control its raw material procurement cost. Furthermore, a very small portion of the raw material, which are used in the production of organic linen, is from the Group's production base in Xinjiang.

For the six months ended 30 June 2014, the Group had three production bases in Haiyan County, Zhejiang Province (1st Phase of the Haiyan Plant), Rugao, Jiangsu Province and Haiyan County, Zhejiang Province (2nd Phase of the Haiyan Plant), with annual production capacities of 7,000 tons, 6,000 tons and 5,000 tons, respectively. Both the first two production bases have a 100% utilisation rates. The third production base was put into operation in April 2014, and its annual production capacity is expected to increase the Group's aggregate annual production to 18,000 tons. With the advanced equipment for its unique spinning technique, namely wet spinning and long and short spinning, the Group can manufacture products with multiple specifications of 3-75nm, thereby broadening the choices of its clients and satisfying them at the same time.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2014, the Group's turnover dropped by approximately 6.6% to approximately RMB364.6 million (six months ended 30 June 2013: approximately RMB390.5 million). The year-on-year turnover drop as shown in the income statement for the first half of 2014 was attributable to the nearly full utilisation of the Group's production lines in the first half of both 2013 and 2014, and a higher sales in the first half of 2013 of additional inventories stocked at the end of 2012, which formed a higher base figure for turnover comparison. For the six months ended 30 June 2014, the Group's export turnover amounted to RMB240.6 million (six months ended 30 June 2013: approximately RMB279.6 million), representing a drop of 14% as compared with the corresponding period last year. The drop was mainly due to the higher sales base in the first half of 2013.

The breakdown of turnover by sales regions is as follows:

Sales regions:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
China	**123,984**	110,932
European Union	**104,208**	119,197
Non-European Union	**136,392**	160,419
Total	**364,584**	390,548

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2014, the Group's gross profit recorded a drop of 3.4% to approximately RMB104.7 million (six months ended 30 June 2013: approximately RMB108.4 million). For the six months ended 30 June 2014, gross profit margin was approximately 28.7% (six months ended 30 June 2013: approximately 27.7%), representing an improvement of 1.0 percentage points, which was mainly attributable to the increase in the prices of linen yarns by approximately 5% in early 2014.

Other Income

For the six months ended 30 June 2014, the Group's other income mainly comprised government grants of approximately RMB2.3 million (six months ended 30 June 2013: compensation income of approximately RMB2.56 million arisen from the default by suppliers and fair value gain on derivative instruments of approximately RMB4.4 million).

Selling and Distribution Costs

For the six months ended 30 June 2014, the Group's selling and distribution costs amounted to approximately RMB15.5 million (six months ended 30 June 2013: approximately RMB15.8 million), which accounted for approximately 4.2% of the Group's total turnover (six months ended 30 June 2013: approximately 4.0%). The drop was in line with the decrease in the Group's revenue for the six months ended 30 June 2014.

Administrative Expenses

For the six months ended 30 June 2014, the Group's administrative expenses amounted to approximately RMB21.6 million (six months ended 30 June 2013: approximately RMB23.9 million), representing a reduction of approximately 9.3% as compared with the corresponding period last year. The decrease was mainly due to the reversal of the Group's allowance for doubtful debts and the write-down of inventories to net realisable value for the six months ended 30 June 2014.

Other Expenses

For the six months ended 30 June 2014, other expenses mainly comprised investment loss of derivative instruments of RMB5.4 million, foreign exchange losses of RMB4.2 million and losses of RMB0.4 million of the Group's assets due to a fire accident in March 2014, net of compensation received from the insurance company (six months ended 30 June 2013: exchange loss of approximately RMB8.4 million).

Finance Costs

For the six months ended 30 June 2014, net finance costs decreased by approximately 32% to approximately RMB4.0 million (six months ended 30 June 2013: approximately RMB5.9 million), which was mainly due to more interest expenses being capitalised during the period.

Share of Profit/(Loss) of an Associate

For the six months ended 30 June 2014, share of profit 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 RMB76,000 (six months ended 30 June 2013: share of loss of an associate of approximately RMB138,000).

Profit Attributable to Owners of the Parent

For the six months ended 30 June 2014, the Group's profit attributable to owners of the parent decreased by 12% to approximately RMB41.8 million as compared with the corresponding period last year (six months ended 30 June 2013: approximately RMB47.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had net current assets of approximately RMB329.3 million (as at 31 December 2013: approximately RMB371.4 million). The Group financed its operations with internally generated resources and bank loans during the six months ended 30 June 2014.

As at 30 June 2014, the Group had cash and bank deposits of approximately RMB158.4 million (as at 31 December 2013: approximately RMB201.7 million). The liquidity ratio of the Group as at 30 June 2014 was approximately 174% (as at 31 December 2013: approximately 201%).

Total equity of the Group as at 30 June 2014 was approximately RMB894.5 million (as at 31 December 2013: approximately RMB890.0 million).

As at 30 June 2014, the Group had bank loans repayable within 12 months from the statement of financial position date of approximately RMB236.5 million (as at 31 December 2013: approximately RMB188.5 million) and long-term loans of approximately RMB50.0 million (as at 31 December 2013: approximately RMB50.0 million). Together they represented a gross debt gearing (i.e. total borrowings/total equity) of approximately 32.0% (as at 31 December 2013: approximately 26.8%). The Board believes that the Group's existing financial resources are sufficient for the Group's capital expenditure requirement in the remaining period of 2014.

CAPITAL COMMITMENTS

As at 30 June 2014, outstanding contractual capital commitments of the Group in respect of the purchases of property, plant and equipment not provided for in the interim report amounted to approximately RMB25,391,000 (as at 31 December 2013: approximately RMB79,505,000).

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any contingent liabilities.

CHARGE OF ASSETS

As at 30 June 2014, 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 RMB73,435,000 (as at 31 December 2013: approximately RMB44,532,000), approximately RMB45,427,000 (as at 31 December 2013: approximately RMB46,443,000), approximately RMB40,000,000 (as at 31 December 2013: approximately RMB72,799,000) and approximately RMB64,879,000 (31 December 2013: approximately RMB37,802,000), respectively.

MATERIAL INVESTMENTS

There was no material acquisition or disposal of the Group's subsidiaries and associates during the six months ended 30 June 2014.

FOREIGN CURRENCY RISK

The Group's transactions are mainly denominated in Renminbi, 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 utilising its existing credit line, and derivative financial instruments of approximately RMBNil was recognised by the Group as assets as at 30 June 2014 (as at 31 December 2013: assets of approximately RMB7.8 million).

REMUNERATION POLICY AND SHARE OPTION SCHEME

As at 30 June 2014, the Group had a total of 2,502 employees (30 June 2013: 2,096 employees). Total staff costs incurred for the six months ended 30 June 2014 amounted to approximately RMB64.5 million (six months ended 30 June 2013: approximately RMB52.4 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 employees' respective qualifications, 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 programs to 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 2014, the Company had no outstanding share options under the Scheme.

OUTLOOK AND PLANS

Looking forward, the Group will take advantage of its leading position in the industry to seize every market opportunity. To do so, the Group will implement a wide range of measures such as boosting its production capacity, rolling out new products and expanding further in the domestic and overseas markets so as to secure additional market share in the linen textile industry.

As stated above, the smooth operation of the Group's production base in Haiyan County, Zhejiang Province (2nd Phase of the Haiyan Plant) will greatly enhance the production capacity of the Group. Furthermore, in view of the abundant human resources, low labour costs and favourable taxation treatments offered by the governments in certain overseas countries, the Group has also embarked on establishing production bases in overseas markets. On 17 July 2014, the Group signed an investment agreement with the Ministry of Industry of Ethiopia for the development and construction of the Kingdom Linen Industrial Zone. The first project, with an estimated annual production capacity of 5,000 tons of linen yarn, will commence construction in or around March 2015 and is expected to commence production by September 2016. To facilitate the construction of the Kingdom Linen Industrial Zone, the Ministry of Industry of Ethiopia has committed to support the Group by leasing a parcel of land of 300,000 square meters with a land use rights of 70 years to the Group. The Ministry of Industry of Ethiopia will also facilitate the provisions of electricity supply, sewerage discharge outlets, telecommunications system and expressway infrastructure to ensure the smooth development, construction and operation of the Kingdom Linen Industrial Zone. The increase in production capacity will help the Group to better satisfy the enormous demand from customers at home and abroad and boost its overall income, thereby fundamentally solving the shortage in supply and creating a win-win situation for the Group and its customers.

The Group will continue its efforts in marketing one of its new products, namely dope-dyed linen yarn. Due to its complete colour scheme, this linen yarn line breaks the dull monotone of conventional products and can be used to produce a wide range of fabrics that better fit for the production of trendy garments. Moreover, the gross profit margin of dope-dyed linen yarn can be as high as 35% since its average selling price is more than a double of the conventional products. Therefore, dope-dyed linen yarn will broaden the profit of the Group.

The Group will also invest in the automation of its plants in order to reduce labour costs and mitigate workplace safety risks along the production chain. The Group has installed energy management, power, water and steam equipment solutions provided by Siemens AG of Germany at its new production base with a view to ensuring high operation efficiency and lowering energy costs. The introduction of these solutions will help the Group to enhance its level of automation and signifies a major step towards production automation and modernisation.

As the Chinese linen yarn market matures day by day with more and more large domestic fashion chains opting for linen fabrics, the market focus has shifted from processing and export to domestic sales. In the future, the Group will enlarge its efforts in developing the domestic market. Given a population of 1.3 billion and the Group's advantageous position in its motherland, China will offer enormous market potential to the Group in the coming years. On the other hand, the Group will also aggressively explore overseas market. At a linen yarn industry conference in Turkey in May 2014, the Group had thorough discussions and exchanges with its clients and suppliers in China, other countries in Asia and Europe so as to reinforce its relationship with the clients and promote its brand image. All the above efforts will further strengthen the Group's leading position in the industry and achieve dual expansion in the domestic and overseas markets.

CORPORATE STRATEGY

The primary objective of the Group is to enhance long-term total return for shareholders. To achieve this objective, the strategy of the Group is to deliver sustainable returns with solid financial fundamentals. The management discussion and analysis contain discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objective of the Group.

INTERIM DIVIDEND

The Board has resolved not to recommend any interim dividend for the six months ended 30 June 2014.

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 and A.6.7 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 2014.

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.

Code Provision A.6.7

Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

In respect of code provision A.6.7 of the Code, Mr. Lo Kwong Shun Wilson, an independent non-executive director was unable to attend the annual general meeting of the Company held on 19th May, 2014 due to unforeseen urgent matters.

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 2014 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 2014. 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 2014.

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 2014 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 2014 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

22 August 2014
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.