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 2018

- Revenue increased by approximately 12.9% to approximately RMB513,401,000 for the six months ended 30 June 2018 from approximately RMB454,836,000 for the six months ended 30 June 2017.

- The Group accounted for approximately 44% of the total pure linen yarn export from China by volume during the Review Period.

- Gross profit margin increased by approximately 4.0 percentage points to approximately 16.0% for the six months ended 30 June 2018 from approximately 12.0% for the six months ended 30 June 2017 as a result of the selling price of linen yarn bottomed out at end of 2017.

- Profit for the Review Period increased by 169.2% to approximately RMB22,481,000 for the six months ended 30 June 2018 from approximately RMB8,350,000 for the six months ended 30 June 2017.

- Profit attributable to the owners of the parent increased by approximately 230.9% to approximately RMB23,099,000 for the six months ended 30 June 2018 from approximately RMB6,981,000 for the six months ended 30 June 2017.

- Basic earnings per share grew approximately threefold to approximately RMB0.04 for the six months ended 30 June 2018 compared to approximately RMB0.01 for the six months ended 30 June 2017.

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 2018 (the "**Review Period**"):

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 (unaudited)

	Notes	For the six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	 2017 *RMB'000* (Unaudited)
REVENUE FROM CONTRACTS WITH CUSTOMERS	*4*	**513,401**	454,836
Cost of sales		**(431,156)**	(400,031)
Gross profit		**82,245**	54,805
Other income and gains	*4*	**7,199**	12,365
Selling and distribution expenses		**(21,227)**	(16,783)
Administrative expenses		**(29,993)**	(25,222)
Other expenses		**(4,391)**	(11,976)
Finance costs	*5*	**(9,253)**	(7,024)
PROFIT BEFORE TAX	*6*	**24,580**	6,165
Income tax (expense)/credit	*7*	**(2,099)**	2,185
PROFIT FOR THE PERIOD		**22,481**	8,350
Attributable to:			
Owners of the parent		**23,099**	6,981
Non-controlling interests		**(618)**	1,369
		22,481	8,350
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB0.04**	RMB0.01
Diluted	*9*	**RMB0.04**	RMB0.01

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018 (unaudited)

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**22,481**	8,350
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(255)**	522
TOTAL COMPREHENSIVE INCOME, FOR THE PERIOD	**22,226**	8,872
Attributable to:		
Owners of the parent	**22,844**	7,503
Non-controlling interests	**(618)**	1,369
	22,226	8,872

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 (unaudited)

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**745,976**	726,532
Investment property		**7,229**	7,529
Prepaid land lease payments		**65,902**	64,837
Other intangible assets		**7,556**	5,834
Prepayments for equipment		**11,088**	7,571
Other non-current assets		**407**	407
Deferred tax assets		**10,582**	14,640
Total non-current assets		**848,740**	827,350
CURRENT ASSETS			
Inventories	*10*	**531,366**	531,212
Trade and notes receivables	*11*	**274,681**	310,215
Prepayments, deposits and other receivables		**63,137**	68,650
Derivative financial instruments	*16*	**1,707**	–
Other current assets		**–**	851
Pledged deposits		**100,844**	50,314
Cash and cash equivalents		**133,252**	173,824
Total current assets		**1,104,987**	1,135,066
CURRENT LIABILITIES			
Trade and notes payables	*12*	**151,295**	189,783
Other payables and accruals		**102,392**	93,979
Interest-bearing bank borrowings	*13*	**533,993**	519,561
Derivative financial instruments	*16*	**–**	7,002
Dividend payable		**10,619**	–
Tax payable		**12,738**	16,054
Other current liability		**–**	851
Total current liabilities		**811,037**	827,230

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 (unaudited)

	Notes	**30 June 2018 *RMB'000* (Unaudited)**	31 December 2017 *RMB'000* (Audited)
NET CURRENT ASSETS		**293,950**	307,836
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,142,690**	1,135,186
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**10,285**	9,390
Interest-bearing bank borrowings	*13*	**63,000**	75,600
Total non-current liabilities		**73,285**	84,990
Net assets		**1,069,405**	1,050,196
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**6,329**	6,329
Treasury shares	*15*	**(19,508)**	(19,508)
Reserves		**1,043,763**	1,030,936
		1,030,584	1,017,757
Non-controlling interests		**38,821**	32,439
Total equity		**1,069,405**	1,050,196

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018 (unaudited)

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**24,580**	6,165
Adjustments for:		
Fair value (gains)/losses on derivative instruments – transactions not qualifying as hedges	**(5,474)**	747
Equity-settled share option expenses	**–**	146
Equity-settled share award expenses	**510**	–
Depreciation	**37,151**	30,195
Amortisation of prepaid land lease payments	**866**	580
Amortisation of intangible assets	**278**	258
(Reversal of)/Provision for impairment of inventories	**(2,519)**	253
Losses/(gains) on disposal of items of property, plant and equipment	**335**	(568)
Reversal of provision for impairment of doubtful debts	**(8)**	(5)
Finance costs	**9,253**	7,024
Exchange losses/(gains), net	**95**	(791)
Bank interest income	**(326)**	(676)
	64,741	43,328
Decrease/(increase) in inventories	**2,365**	(30,757)
Decrease in trade and notes receivables	**35,542**	17,523
Decrease/(increase) in prepayments, deposits and other receivables	**3,582**	(16,502)
Proceeds from pledged deposits	**77,538**	6,017
New pledged deposits	**(79,183)**	(72,386)
(Increase)/Decrease in derivative financial instruments	**(3,235)**	5,788
(Decrease)/increase in trade and notes payables	**(38,488)**	58,455
Increase/(decrease) in other payables and accruals	**8,413**	(1,861)
Cash generated from operations	**71,275**	9,605
Interest received	**326**	676
Income tax paid	**(968)**	(12,532)
Net cash flows generated/(used in) from operating activities	**70,633**	(2,251)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018 (unaudited)

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(47,046)**	(93,010)
Prepayments for equipment	**(10,582)**	(5,115)
Proceeds from disposal of items of property, plant and equipment and other intangible assets	**32**	2,956
Net cash flows used in investing activities	**(57,596)**	(95,169)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection from non-controlling shareholders	**5,000**	10,000
New bank loans	**525,387**	377,818
Repayment of bank loans	**(523,555)**	(353,235)
Share repurchase	**–**	(15,927)
Interest paid	**(11,301)**	(12,746)
Purchase of available-for-sale investments	**–**	(407)
Proceeds from pledged deposits	**33,669**	68,338
New pledged deposits	**(82,554)**	(57,393)
Net cash flows (used in)/generated from financing activities	**(53,354)**	16,448
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(40,317)**	(80,972)
Cash and cash equivalents at beginning of period	**173,824**	279,511
Effect of foreign exchange rate changes, net	**(255)**	522
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**133,252**	199,061
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**133,252**	199,061
Cash and cash equivalents as stated in the statement of financial position	**133,252**	199,061

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (unaudited)

1. CORPORATE AND GROUP 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 the 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 2018 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 2017.

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 2018 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2017, 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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments* and several other amendments and interpretations in 2018, which do not have an impact on the interim condensed consolidated financial statements of the Group.

All of the new and revised IFRSs adopted for the first time in these interim condensed consolidated financial statements are listed below.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 1 and IAS 28*

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 reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group. Accordingly, no segmental analysis is presented.

Geographical information

(a) Revenue from contracts with customers

An analysis of the Group's geographical information on revenue attributed to the regions on the basis of the customers' locations for the six months ended 30 June 2018 is set out in the following table:

	Revenue from contracts with customers For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**162,603**	151,388
European Union	**137,479**	115,866
Non-European Union	**213,319**	187,582
Total	**513,401**	454,836

(b) Non-current assets

Since the principal non-current assets, other than deferred tax assets, employed by the Group are located in Mainland China, no geographical information for non-current assets is presented.

Information about a major customer

No revenue amounting to 10 percent or more of the Group's total revenue was derived from sales to a single customer for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB76,784,000).

4. REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS

Revenue from contracts with customers, which is also the Group's turnover, represents the sales value of linen yarn, hemp yarn and scraps, net of sales tax and deduction of any sales discounts and returns.

An analysis of revenue from contracts with customers, other income and gains is as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods or services		
Sales of linen yarn, hemp yarn and scraps	**513,401**	454,836
Timing of revenue recognition		
Goods transferred at a point in time	**513,401**	454,836
Other income		
Bank interest income	**326**	676
Government grants	**865**	10,827
Others	**534**	862
	1,725	12,365
Gains		
Fair value gains on derivative financial instruments, net	**5,474**	–
	7,199	12,365

5. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**10,995**	12,746
Less: interest capitalised	**(1,742)**	(5,722)
	9,253	7,024

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**431,156**	400,031
Depreciation	**37,151**	30,195
Amortisation of prepaid land lease payments	**866**	580
Amortisation of intangible assets	**278**	258
Research and development ("R&D") expenses	**3,378**	3,402
Minimum lease payments under operating lease		
– land and buildings	**726**	975
Auditors' remuneration	**979**	933
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**89,764**	75,591
Pension scheme contributions	**5,755**	4,950
Equity-settled share option expense	**–**	146
Equity-settled share award expense	**510**	–
	96,029	80,687
Foreign exchange loss, net	**3,793**	10,946
Fair value (gain)/loss on derivative financial		
– instruments transactions not qualifying as hedges	**(5,474)**	747
(Reversal of)/provision of inventories to net realisable value	**(2,519)**	253
Reversal of provision for impairment of trade receivables	**(8)**	(5)
Finance costs	**9,253**	7,024
Bank interest income	**(326)**	(676)

7. INCOME TAX EXPENSE/(CREDIT)

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current (credit)/charge for the period	**(2,854)**	5,328
Deferred	**4,953**	(7,513)
Total tax charge/(credit) for the period	**2,099**	(2,185)

(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) In accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, the provision for Mainland China current income tax has been based on a statutory rate of 25% of the assessable profits of the Company for the period except for Zhaosu Jindi Flax Co., Ltd. ("Zhaosu Jindi") and Zhejiang Jinlainuo Fiber Co., Ltd. ("Zhejiang Jinlainuo"), two indirect wholly-owned subsidiaries of the Group. Zhaosu Jindi is engaged in the preliminary processing of agriculture products and is exempted from PRC income tax. Also, Zhejiang Jinlainuo obtained the High-new Technology Certificate for the years from 2017 to 2020 and was entitled to a tax rate of 15%.

(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 tax at an income tax rate of 28.82%, which comprises the Italy Corporate Income Tax at 24% and the Italy Regional Income Tax at 4.82%.

8. DIVIDEND

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: 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 629,678,000 (six months ended 30 June 2017: 629,678,000) 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.

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**23,099**	6,981

	Number of shares	
	2018	2017
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**629,678**	629,678
Effect of dilution – weighted average number of ordinary shares:		
Share options	**16,250**	16,250
	645,928*	645,928

* *Because the diluted earnings per share amount is increased when taking share options into account, the share options had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the period of RMB22,409,000 and the weighted average number of ordinary shares of 629,678,000 in issue during the period.*

10. INVENTORIES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**320,470**	326,175
Work in progress	**40,905**	37,995
Finished goods	**169,991**	167,042
	531,366	531,212

As at 30 June 2018, inventories with a carrying amount of RMB40,000,000 (31 December 2017: RMB40,000,000) were pledged to secure bank loans granted to the Group as set out in note 13(i).

11. TRADE AND NOTES RECEIVABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**229,360**	194,552
Notes receivable	**46,239**	116,589
Impairment	**(918)**	(926)
	274,681	310,215

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

11. TRADE AND NOTES RECEIVABLES (CONTINUED)

An aged 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 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**139,636**	74,737
1 to 2 months	**39,932**	59,856
2 to 3 months	**25,653**	40,177
Over 3 months	**23,221**	18,856
	228,442	193,626

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at 30 June 2018, based on the payment due date, is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due within 1 month or on demand	**101,027**	115,400
Due after 1 month but within 3 months	**49,918**	62,361
Due after 3 months but within 6 months	**350**	12,022
	151,295	189,783

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 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Current			
Secured bank loans	*(i)*	**259,720**	334,221
Unsecured bank loans		**274,273**	185,340
Subtotal		**533,993**	519,561
Non-current			
Secured bank loans	*(ii)*	**63,000**	75,600
Total		**596,993**	595,161

Notes:

(i) As at 30 June 2018, the current interest-bearing bank loans with a carrying amount of RMB259,720,000 were secured by certain property, plant and equipment, prepaid land lease payments, inventories with carrying amounts of approximately RMB189,638,000 (31 December 2017: approximately RMB112,775,000), approximately RMB26,464,000 (31 December 2017: approximately RMB27,421,000) and approximately RMB40,000,000 (31 December 2017: approximately RMB40,000,000) respectively.

(ii) As at 30 June 2018, the non-current interest-bearing bank borrowings with a carrying amount of RMB63,000,000 were secured by certain property, plant and equipment, prepaid land lease payments, of the Group with carrying amounts of RMB76,974,000 (31 December 2017: approximately RMB78,961,000) and RMB15,262,000 (31 December 2017: approximately RMB15,422,000), respectively.

(iii) The bank borrowings bear interest at rates ranging from 1% to 5.22% per annum (31 December 2017: 0.3% to 4.70% per annum).

The carrying amount of the current interest-bearing bank loans of the Group approximates to their fair value due to their short term 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 2018 was assessed to be insignificant. Management has assessed that the carrying amount of the non-current interest-bearing bank loans of the Group approximates to the fair value due to their floating interest rate.

14. ISSUED CAPITAL

Authorised:

	30 June 2018		31 December 2017	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Ordinary shares of HK$0.01 each	**3,000,000,000**	**30,000**	3,000,000,000	30,000

Issued and fully paid:

	30 June 2018			31 December 2017		
	Number of shares	**Amount**		Number of shares	Amount	
		HK$'000	***RMB'000* equivalent**		*HK$'000*	*RMB'000* equivalent
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)
At the beginning and the end	**629,678,000**	**6,297**	**6,329**	629,678,000	6,297	6,329

15. TREASURY SHARES

	30 June 2018			31 December 2017		
	Number of shares	**Amount**		Number of shares	Amount	
		HK$'000	***RMB'000* equivalent**		*HK$'000*	*RMB'000* equivalent
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)
At the beginning	**19,400,000**	**22,160**	**19,508**	–	–	–
Share repurchase	**–**	**–**	**–**	19,400,000	22,160	19,508
At the end	**19,400,000**	**22,160**	**19,508**	19,400,000	22,160	19,508

On 26 August 2016, the Company adopted a share award plan, which is not subject to the provisions of Chapter 17 of the Listing Rules (the "Share Award Plan"). The board of directors may, at their discretion, grants shares of the Company to eligible participants. The Company has appointed a trustee for administration of the Share Award Plan (the "Trustee"). The principal activity of the Trustee is administrating and holding the Company's shares for the Share Award Plan for the benefit of the Company's award holders. The Company's shares will be purchased by the Trustee in the market with cash paid by the Company and held in the trust for relevant award holders until such shares are vested in accordance with the provisions of the Share Award Plan. Upon vesting, the Trustee shall either transfer the vested awarded shares at no cost to such award holders or sell the vested awarded shares at the then prevailing market price by way of market order and remit the net proceeds to the award holders in accordance with the direction given by such award holders. The total number of the Company's shares purchased by the Trustee under the Share Award Plan will not exceed 5% of the total issued shares of the Company at the beginning of fiscal year. During the year ended 31 December 2017, the Trustee purchased 19,400,000 shares of the Company at a total consideration of approximately RMB19,508,000. At the end of the reporting period, 19,370,000 shares were granted under the Share Award Plan.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2018:

	30 June 2018		31 December 2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Financial Assets/(liabilities):				
Derivative financial instruments	**1,707**	**1,707**	(7,002)	(7,002)

Management has assessed that the fair values of cash and cash equivalents, trade and notes receivables, financial assets included in prepayments, deposits and other receivables, pledged deposits, current interest-bearing bank loans, trade and notes payables, dividend payable, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments. The carrying amount of the non-current interest-bearing bank loans of the Group approximates to their fair value because the loans have a floating interest rate.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts and cross-currency swap, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

As at 30 June 2018, the marked to market value of the derivative asset position is net of a debt valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the financial instruments recognised at fair value.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at 30 June 2018, financial assets at fair value through profit or loss– foreign exchange forward contracts and cross-currency swap contracts were measured to be RMB1,707,000 by using significant observable inputs (Level 2).

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements (2017: Nil).

BUSINESS REVIEW

In 2017, price of linen yarn dropped to its very low level with recovery slowly picked up towards the end of 2017 and continued to improve over the first six months of 2018.

According to the General Administration of Customs of the People's Republic of China, the total value of all yarn and textile products export from China grew by approximately 10.3% on a year-on-year basis during the Review Period.

Pure linen yarn export, on the other hand, grew by approximately 23.0% year-on-year by volume during the Review Period.

From the past few years and up to end of 2017, the entire flax yarn industry has expanded its capacity too fast, prices have reached a low point in the third quarter of 2017, spinning mills with poor productivity had ceased operations and closed down. The overall supply of the flax yarn has decreased, resulting in increases in the market prices of flax yarn in recent months. In addition, from the market perspective, the consumers of these fast fashion brands in Asian countries like China and India are increasingly accepting linen products through their stores and linen consumption pattern established. Linen products have gained more and more recognition from the consumers, and the market consumption volume has gradually recovered and expanded.

The Group had accounted for approximately 44.0% of the total pure linen yarn export from China by volume during the Review Period, compared with approximately 47.8% of market share for the same period in last year.

During the Review Period, revenue of the Group increased by approximately 12.9% on a year-on-year basis to RMB513,401,000. The increase in revenue was mainly attributable to the improving demand from overseas markets and as a result of the recovery of market demand especially in the EU region and price adjustments on the linen yarn products of the Group since beginning of 2018.

Major Markets and Customers

By implementing an international sales strategy, the Group has a sales network covering approximately 20 countries and regions around the world. During the Review Period, the domestic sales, which contributed approximately 31.7% of the Group's total revenue, recorded an increase of approximately 7.4% as compared with the same period of last year, while the overseas sales, which contributed approximately 68.3% of the Group's total revenue, recorded an increase of approximately 15.6% on a year-on-year basis. In particular, total sales to European Union countries reported a strong growth of 18.7% on a year-on-year basis during the Review Period. Key European Union countries include Italy, Portugal and Lithuania. The Group constantly maintains stable and amicable collaborations with international fashion brands. Meanwhile, the Group will also persist in developing the domestic market and secure more cooperation with target customers in China.

Raw Material Procurement

The Group mainly sources its fibre flax, the major raw material of linen yarn, from well-established suppliers such as those in France, Belgium and the Netherlands. Being one of the largest buyers in these regions, the Group has developed long term business relationship with suppliers. During the Review Period, the Group procured approximately 14,173 tonnes (2017: 13,914 tonnes) of raw materials abroad, representing a year-on-year increase of approximately 1.9%. The average procurement unit price was approximately RMB20,253 per tonne, representing an annual increase of approximately 5.3% from approximately RMB19,240 for the same period last year. The Group is cautiously optimistic about the future of the linen textile industry and it is the corporate procurement strategy of the Group to maintain its production scale and to secure a steady volume of production going forward.

Production Capacity

As at 30 June 2018, the Group had four productions bases. The production bases in (1) Haiyan County, Zhejiang Province (1st Phase of the Haiyan Plant); (2) Rugao in Jiangsu Province; (3) Haiyan County, Zhejiang Province (2nd Phase of the Haiyan Plant) and (4) Qinggang in Heilongjiang Province have designed annual production capacities of 7,000 tonnes, 6,000 tonnes, 5,000 tonnes, and 4,000 tonnes respectively, resulting in the Group's aggregate annual production capacity reaching 22,000 tonnes based on the 24 nm standard specification. Equipped 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 from 3nm to 75nm, thereby broadening the choices of its customers and achieving higher satisfaction at the same time. A total of 8,539 tonnes of linen and hemp yarn under various specifications was produced during the Review Period.

The Group owns 72.73% of the equity interest of the Heilongjiang venture and it is the Group's maiden attempt to explore the hemp yarn market, as the Company believes hemp will grow rapidly in the next few years due to the national policy in China to promote the planting of hemp in Heilongjiang region and the use of the hemp textile products. There were 127 tonnes of hemp yarn produced during the Review Period.

Apart from China, the Group has also committed to investing in Ethiopia. The investment is expected to help the Group outcompete its competitors not only by helping the Group save land cost, labour cost, energy cost and tax expenses, but also by enabling the Group to benefit from the favourable treatment under the African Growth and Opportunity Act (AGOA), a piece of the United States legislation which allows eligible apparel articles made in qualifying sub-Saharan African countries, including Ethiopia, to be imported without duty and quota. The Group also expects the investment to be benefitted from the Everything but Arms (EBA) initiative of the European Union for least developed countries (LDCs), which grants duty-free quota-free access to all products into European Union countries, except for arms and ammunitions. The first phase of the Ethiopia project, with a designed annual production capacity of 5,000 tonnes, is expected to commence trial production in 2019.

FINANCIAL REVIEW

Revenue

For the Review Period, the Group's revenue increased by approximately 12.9% to approximately RMB513,401,000 (six months ended 30 June 2017: RMB454,836,000). The increase of revenue was mainly attributable to (i) the recovery of the overall market demand and (ii) the increased average selling price of linen yarn during the Review Period. There were approximately 1.2% more in quantity and resulting in 8,243 tonnes of linen yarn sold during the Review Period (six months ended 30 June 2017: 8,144 tonnes). Sales to all regions had year-on-year improvement, in particular, each of domestic, European Union and non–European Union regions grew approximately 7.4%, 18.7% and 13.7%, respectively, during the Review Period.

The breakdown of revenue by sales regions is as follows:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
China	**162,603**	151,388
European Union Countries	**137,479**	115,866
Non-European Union Countries	**213,319**	187,582
	513,401	454,836

Gross Profit and Gross Profit Margin

The Group's gross profit for the Review Period increased by approximately 50.1% to approximately RMB82,245,000 (six months ended 30 June 2017: approximately RMB54,805,000). Gross profit margin for the Review Period improved by approximately 4.0 percentage points to approximately 16.0% (six months ended 30 June 2017: approximately 12.0%) mainly due to the increase of selling prices of linen yarn as the market demand recovered during the Review Period.

Other Income and Gains

Other income and gains for the Review Period mainly comprises of fair value gain on derivative instruments of approximately RMB5,474,000 (six months ended 30 June 2017: fair value loss of approximately RMB747,000), government grants and subsidies of approximately RMB865,000 (six months ended 30 June 2017: approximately RMB10,827,000) and interest income of approximately RMB326,000 (six months ended 30 June 2017: approximately RMB676,000). The drop in other income and gains was attributable to the fact of the decrease in government grants received during the Review Period.

Selling and Distribution Costs

The Group's selling and distribution costs for the Review Period amounted to approximately RMB21,227,000 (six months ended 30 June 2017: approximately RMB16,783,000), which accounted for approximately 4.1% (six months ended 30 June 2017: approximately 3.7%) of the Group's total revenue. The increase in selling costs as a percentage of revenue during the Review Period was mainly due to higher percentage of export sales resulting in higher freight costs and overseas sale agent commission incurred.

Administrative Expenses

The Group's administrative expenses for the Review Period amounted to approximately RMB29,993,000 (six months ended 30 June 2017: approximately RMB25,222,000), representing an increase of approximately 18.9% as compared with the corresponding period last year. The increase in the Group's administrative expenses was mainly due to additional staff costs and afforestation expenses for the new Heilongjiang factory during the Review Period, as well as additional consultancy and legal fees to participate in the India anti-dumping investigation.

Other expenses

Other expenses mainly comprises of net exchange loss of approximately RMB3,793,000 (six months ended 30 June 2017: approximately RMB10,946,000). The net exchange loss was mainly due to the depreciation of Renminbi against United States Dollars of approximately 1.3% and an appreciation of Renminbi against Euro of approximately 1.9% during the Review Period.

Finance Costs

Net finance costs for the Review Period amounted to approximately RMB9,253,000 (six months ended 30 June 2017: approximately RMB7,024,000). Net finance costs represent total interest expense on bank loans less amount capitalized attributable to capital assets. An interest expense of approximately RMB1,743,000 was capitalized during the Review Period (six months ended 30 June 2017: approximately RMB5,722,000).

Income Tax Expense/Credit

Income tax expense for the Review Period amounted to approximately RMB2,099,000 (six months ended 30 June 2017: income tax credit of approximately RMB2,185,000). The effective tax rate for the Review Period and the corresponding period in 2017 was approximately 8.5% and –35.4% respectively. The income tax credit in 2017 and the relative low effective tax rate during the Review Period was mainly due to the reversal of dividend withholding tax in PRC. The Company had been accruing the provision of dividend withholding tax using the standard rate of 10% but the relevant tax authorities had been charging at 5% in previous years.

Minority interests

The minority interests of approximately RMB618,000 represents the share of the net loss of certain subsidiaries of the Group attributable to the minority shareholders during the Review Period (six months ended 30 June 2017: profit of approximately RMB1,369,000).

Profit Attributable to Owners of the Parent

As a result of the aforesaid, the Group recorded a profit attributable to owners of the parent for the Review Period of approximately RMB23,099,000 (six months ended 30 June 2017: RMB6,981,000), representing an increase of approximately 230.9% as compared with the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2018, the Group had net current assets of approximately RMB293,950,000 (as at 31 December 2017: approximately RMB307,836,000). The Group financed its operations with internally generated resources and bank loans during the Review Period.

As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB133,252,000 (as at 31 December 2017: approximately RMB173,824,000). The liquidity ratio of the Group as at 30 June 2018 was approximately 136.2% (as at 31 December 2017: approximately 137.2%).

Total equity of the Group as at 30 June 2018 was approximately RMB1,069,405,000 (as at 31 December 2017: approximately RMB1,050,196,000). As at 30 June 2018, the Group had bank loans repayable within 12 months from the date of the statement of financial position of approximately RMB533,993,000 (as at 31 December 2017: approximately RMB519,561,000) and long-term loans of approximately RMB63,000,000 (as at 31 December 2017: approximately RMB75,600,000). Together they represented a gross debt gearing ratio (i.e. total borrowings/total equity) amounted to approximately 55.8% (as at 31 December 2017: approximately 56.7%). The Board believes that the Group's existing financial resources are sufficient for the Group's capital expenditure requirement in the remaining period of 2018.

The Group's cash and cash equivalents as well as borrowings are mainly denominated in Renminbi, United States Dollars, Euro and Hong Kong Dollars.

CAPITAL COMMITMENTS

As at 30 June 2018, outstanding contractual capital commitments of the Group in respect of the purchase of property, plant and equipment not provided for in the interim condensed consolidated financial statements amounted to approximately RMB175,190,000 (as at 31 December 2017: approximately RMB36,283,000). As at 30 June 2018, there was no capital commitment authorised but not contracted for (as at 31 December 2017: Nil).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2018, the current interest-bearing bank loans with a carrying amount of RMB259,720,000 were secured by certain property, plant and equipment, prepaid land lease payments, inventories with carrying amounts of approximately RMB189,638,000 (31 December 2017: approximately RMB112,775,000), approximately RMB26,464,000 (31 December 2017: approximately RMB27,421,000) and approximately RMB40,000,000 (31 December 2017: approximately RMB40,000,000) respectively.

As at 30 June 2018, the non-current interest-bearing bank borrowings with a carrying amount of RMB63,000,000 were secured by certain property, plant and equipment, prepaid land lease payments, of the Group with carrying amounts of RMB76,974,000 (31 December 2017: approximately RMB78,961,000) and RMB15,262,000 (31 December 2017: approximately RMB15,422,000), respectively.

MATERIAL INVESTMENTS

During the Review Period, the Board approved a Master Agreement of Procurement Service and the Management Service for the development of the Project in Ethiopia at an aggregate contract price of RMB208,670,000. Kingdom (Ethiopia) has engaged one of the largest engineering design institutes in the PRC to provide an engineering procurement construction (EPC)/Turn-key services in respect of the construction of the factory in Adama Industrial Park in Ethiopia for the production of flax yarn.

Please refer to the Company's announcement dated 25 January 2018 for further details.

Saved for disclosed above, there was no material acquisition or disposal of the Group's subsidiaries and associates during the Review Period.

FOREIGN CURRENCY EXPOSURE

The Group's transactions are mainly denominated in Renminbi, United States Dollars, Euros and Hong Kong Dollars. The exchange rate changes of such currencies are monitored regularly and managed appropriately. Currently, the Company has also entered into certain foreign currency forward contracts and derivative financial instruments by utilising its credit line, and derivative financial instruments with an asset of RMB1,707,000 was recognized as at 30 June 2018 (as at 31 December 2017: current liabilities of RMB7,002,000).

REMUNERATION POLICY

As at 30 June 2018, the Group had a total of 3,125 employees (30 June 2017: 2,627 employees). Total staff costs incurred for the Review Period amounted to approximately RMB96,029,000 (six months ended 30 June 2017: RMB80,687,000).

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 remuneration 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 having regard to the Group's operating results, individual performance and comparable market statistics. The Group also provides both internal and external training programmes for its employees from time to time.

The Group has also adopted share option schemes and a share award plan for the purpose of providing incentives and rewards 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.

SHARE OPTION SCHEMES

The share option scheme adopted on 15 November 2006 (the "**Old Scheme**") expired in 2016. The Group adopted a new share option scheme (the "**New Scheme**") at the annual general meeting held on 30 May 2016, for the purpose of providing rewards and incentives to any Director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group who have contributed to the success of the Group's operations. Options carrying rights to subscribe for a maximum of 22,250,000 shares were granted in 2015 and 16,250,000 options remained outstanding under the Old Scheme as at 30 June 2018. All of the 16,250,000 options carrying rights to subscribe for 16,250,000 shares have been vested and become exercisable at an exercise price of HK$2.00 per share. No share option under the Old Scheme was exercised during the Review Period. No option was granted or exercised under the New Scheme during the Review Period.

SHARE AWARD PLAN

The Company has adopted a share award plan (the "**Share Award Plan**") on 26 August 2016. The purpose of the Share Award Plan is to incentivise, recognize and reward eligible persons for their contribution to the Group, attract and retain personnel, and align the interests of award holders with that of the Shareholders to promote the long-term development and financial performance of the Company.

The Board may, from time to time and at its sole discretion, select any eligible person to participate in the Share Award Plan and determine the number of Shares to be awarded and the terms and conditions of the awards. Awards shall be satisfied by Shares acquired in the market at the prevailing market price and no new Shares will be allotted and issued under the Share Award Plan. The trustee of the Share Award Plan (the "**Trustee**") shall hold the awarded shares on trust for the award holders until the awarded Shares are vested in the relevant award holders according to the Share Award Plan rules. Upon vesting, the Trustee shall either transfer the vested awarded Shares at no cost to such award holders or sell the vested awarded Shares at the then prevailing market price by way of market order and remit the net proceeds to the award holders in accordance with the direction given by such award holders.

The Trustee had purchased an aggregate of 19,400,000 Shares on the market in 2017 to hold on trust for the selected persons pursuant to the terms and conditions of the rules of the Share Award Plan and the trust deed. No Share was purchased by the Trustee during the Review Period.

The Board had granted 19,400,000 Awarded Shares to more than 90 employees during the Review Period. Please refer to the Company's announcement dated 25 May 2018 for details. There were 19,370,000 Awarded Shares accepted as of 30 June 2018.

The Board will constantly review and determine at its absolute discretion such number of Awarded Shares to be awarded to the selected persons under the Share Award Plan with such vesting conditions as the Board may deem appropriate.

OUTLOOK AND PLANS

There is a growing trend towards the use of environmental friendly natural fibers. The Group considers that linen yarn, as one of the most environmental friendly fibers, will benefit from this trend.

There is a rise in the sentiment of protectionism and unilateralism and global free trade is under imminent threats. Despite so, the Group remains cautiously optimistic that the demand of linen yarn has bottomed out and will be robust with the remainder of this year. The Group may consider further adjusting the selling prices of linen yarn upwards in the second half of 2018. This will be done progressively and subject to market reaction.

The Ethiopia project will not only helps the Group to save land cost, labour cost, energy cost and tax expenses, but also enables the Group to benefit from the favourable treatment under the African Growth and Opportunity Act (AGOA) of United States and the Everything but Arms (EBA) initiative of the European Union for least developed countries (LDCs), which grants duty-free quota-free access to all products into these countries, to counter the threats of protectionism and unilateralism.

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 2018 (30 June 2017: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company is committed to establishing good corporate governance practices and procedures with a view to being a transparent and responsible organisation 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 2018.

Code Provision A.2.1

Under code provision A.2.1 of the Code, the roles of the chairman and chief executive 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". Mr. Ren Weiming, 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. Given the nature and extent of the Group's operation and Mr. Ren's extensive experience in the industry, 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 2018 and up to the date of this announcement.

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

The Company has adopted Share Award Plan on 26 August 2016. The Trustee had purchased an aggregate of 19,400,000 Shares on the market in 2017 to hold on trust for the selected persons pursuant to the terms and conditions of the rules of the Share Award Plan and the trust deed. The Board had granted 19,400,000 Awarded Shares to more than 90 employees during the Review Period. Please refer to the paragraph headed "Share Award Plan" under the section "Management Discussion and Analysis" and the Company's announcement dated 25 May 2018 for further details. There were 19,370,000 Awarded Shares accepted as of 30 June 2018.

Save as disclosed above, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the six-month period ended 30 June 2018.

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, risk management 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. Lo Kwong Shun Wilson and Mr. Yan Jianmiao. 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 2018 have been reviewed with no disagreement 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**") at 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 2018 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 Weiming
Chairman

20 August 2018

Hong Kong

As at the date of this announcement, the executive Directors are Mr. Ren Weiming, Mr. Shen Yueming, Mr. Zhang Hongwen and Ms. Shen Hong; the non-executive Director is Mr. Ngan Kam Wai Albert; and the independent non-executive Directors are Mr. Lau Ying Kit, Mr. Lo Kwong Shun Wilson and Mr. Yan Jianmiao.