KINGDOM

KINGDOM HOLDINGS LIMITED

金達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 528

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The board of directors (the "**Board**") of Kingdom Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2006 together with the comparative figures for the corresponding year as follows:

Consolidated income statement for the year ended 31 December 2006

	Note	2006 RMB'000	2005 RMB'000
Turnover	2	**537,364**	452,349
Cost of sales		**(390,689)**	(318,288)
Gross profit		**146,675**	134,061
Other operating income		**6,308**	2,587
Distribution costs		**(16,701)**	(14,802)
Administrative expenses		**(22,118)**	(14,753)
Other operating expenses		**(902)**	(626)
Profit from operations		**113,262**	106,467
Net finance costs	4(a)	**(17,649)**	(11,940)
Profit before tax	4	**95,613**	94,527
Income tax	5	**(5,247)**	—
Profit for the year		**90,366**	94,527
Attributable to:			
Equity holders of the Company		**90,710**	91,749
Minority interest		**(344)**	2,778
Profit for the year		**90,366**	94,527
Dividends payable to equity holders attributable to the year			
Special dividend declared during the year	6	**—**	8,106
Final dividend proposed after balance sheet date	6	**23,344**	—
		23,344	8,106
Basic and diluted earnings per share (RMB)	7	**0.20**	0.20

Consolidated Balance Sheet as at 31 December 2006

	Note	2006 RMB'000	2005 RMB'000
Non-current assets			
Property, plant and equipment		**302,373**	264,389
Lease prepayments		**37,684**	34,668
		340,057	299,057
Current assets			
Inventories		**164,671**	152,557
Prepaid income tax		**122**	7,710
Trade and other receivables	8	**171,934**	77,966
Pledged deposits		**75,426**	72,305
Cash and cash equivalents		**330,010**	60,566
		742,163	371,104
Current liabilities			
Bank loans		**193,800**	180,098
Trade and other payables	9	**210,882**	170,627
		404,682	350,725
Net current assets		**337,481**	20,379
Total assets less current liabilities		**677,538**	319,436
Non-current liabilities			
Bank loans		**25,000**	30,000
Net assets		**652,538**	289,436
Capital and reserves			
Share capital		**6,272**	1,318
Reserves		**646,266**	286,245
Total equity attributable to equity holders of the Company		**652,538**	287,563
Minority interests		**—**	1,873
Total equity		**652,538**	289,436

NOTES TO FINANCIAL RESULTS

1 **Reorganisation and basis of preparation of the financial statements**

(a) **Reorganisation**

Kingdom Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 21 July 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation (the "**Reorganisation**") of the Company and its subsidiaries (collectively referred to as the "**Group**") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the subsidiaries now comprising the Group on 23 November 2006. This was accomplished by the Company acquiring the entire equity interests of Kingdom Group Holdings Limited, the then holding company of subsidiaries, except for Overseas Kingdom Limited. Details of the Reorganisation are set out in the prospectus of the Company dated 30 November 2006 (the "**Prospectus**"). The Company's shares were listed on the Stock Exchange on 12 December 2006.

(b) **Basis of preparation of the financial statements**

The Group is regarded as a continuing entity resulting from the Reorganisation of entities under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation. Accordingly, the consolidated results of the Group for the years ended 31 December 2005 and 2006 include the results of the Company and its subsidiaries with effect from 1 January 2005 or, if later, since their respective dates of incorporation or at the date that common control was established as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheets at 31 December 2005 and 31 December 2006 have been prepared on the basis that the current group structure was in place with effective from 1 January 2005. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors of the Company (the "**Directors**"), the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards promulgated by the International Accounting Standards Board. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These financial statements have been prepared on the historical cost basis.

2 **Turnover**

The principal activities of the Group are manufacturing and sales of linen yarns.

Turnover represents the sales value of linen yarns after allowance for goods returns and trade discounts, net of value added taxes.

3 **Segment reporting**

The Group's turnover and operating results are almost entirely generated from the manufacture and sales of linen yarns. Accordingly, no business segment analysis is provided. In presenting the information on basis of geographical segment, segment turnover is based on the geographical location of customers. The Group's assets and liabilities are almost entirely situated in the People's Republic of China (the "**PRC**") and accordingly, no analysis of segment assets, liabilities and capital expenditure is provided.

The analysis of the geographical location of the operations of the Group during the year is set out below:

	2006 RMB'000	2005 RMB'000
Turnover		
PRC	**231,349**	119,675
Overseas		
— European Union	**124,251**	152,247
— Non-European Union	**181,764**	180,427
Total	**537,364**	452,349
Segment results		
PRC	**51,204**	29,458
Overseas		
— European Union	**40,206**	47,685
— Non-European Union	**49,021**	53,374
Total	**140,431**	130,517
Unallocated operating income and expenses	**(27,169)**	(24,050)
Profit from operations	**113,262**	106,467
Net financing costs	**(17,649)**	(11,940)
Income tax expenses	**(5,247)**	—
Profit for the year	**90,366**	94,527

4 **Profit before taxation:**

Profit before tax is arrived at after charging/(crediting):

(a) **Net finance costs**

	2006 RMB'000	2005 RMB'000
Interest on bank loans	**17,064**	14,691
Less: borrowing costs capitalised	**—**	(1,671)
Net interest expenses	**17,064**	13,020
Bank charges	**1,913**	1,337
Foreign exchange loss/(gain), net	**140**	(234)
Interest income	**(1,468)**	(2,183)
Net finance costs	**17,649**	11,940

(b) **Other items**

	2006 RMB'000	2005 RMB'000
Cost of inventories	**390,689**	318,288
Depreciation	**25,990**	20,367
Amortisation of lease prepayments	**724**	703
Provision for inventories	**—**	68
Operating lease charges on premises	**524**	200
Allowance for doubtful debts	**509**	—
Auditors' remuneration	**1,589**	1,036
Total	**420,025**	340,662

5 **Income tax expenses**

Income tax in the consolidated income statement represents:

	2006 RMB'000	2005 RMB'000
Current tax		
Provision for PRC income tax	**7,272**	8,879
Income tax refund	**(2,218)**	(8,879)
Under provision in prior years	**193**	—
	5,247	—

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 and the British Virgin Islands.

No provision for Hong Kong profit tax has been made for the year ended 31 December 2006 (2005: nil) as the Group did not have any assessable profit subject to Hong Kong profit tax.

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable tax rate of the Group's operating subsidiaries in the PRC ranged from 24% to 33%.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries located in the PRC (the "**PRC subsidiaries**") are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years.

The year of 2003 and 2005 are the first profit making year for Zhejiang Jinyuan Flax Co., Ltd. ("**Zhejiang Jinyuan**") and Jiangsu Jinyuan Flax Co., Ltd. ("**Jiangsu Jinyuan**") respectively. Due to the above-mentioned tax holiday, Zhejiang Jinyuan was subject to PRC enterprise income tax rate at 50% of its applicable tax rate of 26.4% for 3 years from 2005 while Jiangsu Jinyuan was exempted from income tax during the year ended 31 December 2006 and 2005.

Pursuant to the document "Cai Shui Zi (2000) No. 49" issued by the Ministry of Finance and the State Administration of Taxation of the PRC on 14 January 2000, the Group is entitled to an income tax refund of RMB2,218,000 during the year ended 31 December 2006 (2005: RMB8,879,000) relating to the purchase of equipment produced in the PRC for technological improvements.

6 **Dividends**

Dividends payable to equity holders of the Company attributable to the year

	2006 RMB'000	2005 RMB'000
Special dividend declared and paid	**—**	8,106
Final dividend proposed after balance sheet date of RMB0.0375 per share	**23,344**	—
	23,344	8,106

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The calculation of final dividend per share is based on 622,500,000 ordinary shares in issue as at 31 December 2006.

7 **Basic and diluted earnings per share**

The calculation of basic and diluted earnings per share is based on the profit attributable to the shareholders of ordinary shares of RMB90,710,000 (2005:RMB91,749,000) and the weighted average of 458,465,753 (2005: 450,000,000) ordinary shares in issue during the year.

Weighted average number of ordinary shares

	2006 Number of shares
Share issued upon incorporation	1
Issuance of shares upon the Reorganisation	749,999
Capitalisation issue	449,250,000
Effect of issuance of shares for placing and public offering	8,219,178
Effect of issuance of shares under the over-allotment option related to the placement	246,575
Weighted average number of ordinary shares at 31 December 2006	458,465,753

The weighted average number of shares in issue during the year ended 31 December 2005 represents the 450,000,000 shares in issue before the listing of the Company's shares on the Stock Exchange, as if such shares had been outstanding during the above entire year.

No dilutive potential ordinary shares were in issue as at 31 December 2006 (2005: Nil).

8 **Trade and other receivables**

	2006 RMB'000	2005 RMB'000
Trade and bills receivable	**152,372**	65,919
Deposits and prepayments	**19,562**	12,047
	171,934	77,966

The Group normally allows a credit period ranging from 30 days to 180 days to its customers. An ageing analysis of the Group's trade and bills receivables (net of provisions for bad and doubtful debts) is as follows:

	2006 RMB'000	2005 RMB'000
Within 1 month	**72,281**	49,036
Over 1 month but less than 3 months	**56,731**	12,211
Over 3 months but less than 6 months	**14,671**	2,972
Over 6 months but less than 12 months	**7,974**	1,663
Over 12 months	**715**	37
	152,372	65,919

9 **Trade and other payables**

	2006	2005
	RMB'000	*RMB'000*
Trade and bills payable	**173,674**	144,021
Non-trade payables and accrued expenses	**36,818**	24,964
Amounts due to related parties	**390**	1,642
	210,882	170,627

An ageing analysis of trade and bills payable is as follows:

	2006	2005
	RMB'000	*RMB'000*
Within 1 month	**83,383**	110,589
Over 1 month but less than 3 months	**27,023**	29,664
Over 3 months but less than 6 months	**61,138**	2,471
Over 6 months but less than 12 months	**1,543**	1,052
Over 12 months	**587**	245
	173,674	144,021

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of linen yarns. The Group is the largest exporter of linen yarns in the PRC. The products of the Group include yarns with counts ranging from 8.5 Nm to 60 Nm, which are sold and marketed under the brands of "紫薇", "Crape Myrtle" and "Kingdom" to domestic and overseas markets. The Group's overseas markets mainly include Italy, South Korea, India, Russia and Turkey.

At present, the Group's scale of production for linen yarns has reached 52,000 spindles. Thus, the Directors believe that the Group is one of the largest linen yarns manufacturers in the world. By having the technical guidance of overseas experts and the innovative capability of the Group's staff, the quality of linen yarns has been markedly improved, especially for high-count (fine quality) products. So that the total sales volume of high-count products this year had almost doubled comparing to that in 2005. Through innovation, the Group has improved aspects of equipment and manufacturing techniques. The Group has applied to the relevant department of the PRC government for the patent of invention of three new products, one of which has been granted the patent by such relevant department of the PRC government.

Following a year's preparation and effort, the Company was successfully listed on the Main Board of the Stock Exchange (the "**Listing**") on 12 December 2006. The Listing brings new resources for the development of the Group which we believe, as a public company, will enjoy greater opportunities.

FINANCIAL OVERVIEW

(1) **Turnover**

For the year ended 31 December 2006, the Group's turnover amounted to approximately RMB537,364,000 (2005: RMB452,349,000). The increase in turnover was due to the Group's shift of focus to develop the domestic market with quotas operating on exports to the European Union ("**EU**") countries. These domestic sales also reflected the increased production volume arising from the operation of the Group's production base in Rugao, Jiangsu province in the PRC, which commenced operation in 2005.

(2) **Gross profit**

The Group's gross profit for the year ended 31 December 2006 amounted to approximately RMB146,675,000 (2005: RMB134,061,000) with a gross profit margin of approximately 27.3%, a slight decrease from 29.6% of the previous year. This was due to the fact that the gross profit margin of domestic sales which increased during the year was less than that of export sales.

(3) **Profit attributable to shareholders**

The Group's profit attributable to shareholders for the year ended 31 December 2006 amounted to approximately RMB90,710,000 (2005: RMB91,749,000), a decrease of approximately 1.1% compared to that of 2005. The Group's net profit margin for the year ended 31 December 2006 was approximately 16.9% (2005: 20.3%). Decrease in net profit margin from the previous year was a result of the decrease in gross profit margin, increase in administrative expenses and rise in the cost of borrowings as well as the effect of income tax.

(4) **Expenses**

The Group's selling and distribution expenses amounted to approximately RMB16,701,000 (2005: RMB14,802,000), accounted for approximately 3.1% of the turnover for the year ended 31 December 2006 (2005: 3.3%).

The Group's administrative expenses amounted to approximately RMB22,118,000 (2005: RMB14,753,000), accounted for approximately 4.1% of the turnover for the year ended 31 December 2006 (2005: 3.3%). The administrative expenses increased by approximately 50% over 2005, which was mainly due to the increase in the number of management staff and their salaries and the increase in auditing and consulting fees.

Net finance costs was approximately RMB17,649,000 (2005: RMB11,940,000). Finance costs increased by approximately 48% over 2005, which was due to the increase in bank borrowings and the rise in interest rate of the borrowings.

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the PRC enterprise income tax passed by the Fifth Plenary Session of Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. The impact of such change of enterprise income tax rate on the Group's consolidated financial statements will depend on detailed pronouncements that are yet to be issued. Since implementation and transitional guidance applicable to the Group has not yet been announced, the Group cannot reasonably estimate the financial impact of the new law to the Group at this stage.

FUTURE PLANS AND PROSPECTS

The Directors expect that the Company may utilize the proceeds of the initial public offering undertaken in connection with the Listing for investment on new projects in 2007. These include an investment of over RMB300 million for a new production facility in Rugao to increase the Group's production capacity by 5000 tonnes, and of some RMB60 million in the cultivation of the raw material of linen yarns in order to increase the Group's product competitiveness and to reduce exposure to raw materials pricing risk. The Group will further increase its capability of research and development centre to speed up the development of production equipment and new products seeking continues improvement in the technological standard of the Group's production equipment and the standard of the Group's products.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group had net current assets of approximately RMB337,481,000 (2005: RMB20,379,000). The Group finances its operations with internally generated resources and bank borrowings. As at 31 December 2006, the Group had cash and bank deposits of approximately RMB330,010,000 (2005: RMB60,566,000). The current ratio of the Group was approximately 183.4% (2005: 105.8%). Shareholders' fund of the Group as at 31 December 2006 was approximately RMB652,538,000 (2005: RMB287,563,000). As at 31 December 2006, the bank borrowings of the Group, repayable within 12 months from the balance sheet date amounted to approximately RMB193,800,000 (2005: RMB180,098,000) while long-term borrowings amounted to approximately RMB25,000,000 (2005: RMB30,000,000), together giving a gross debt gearing (i.e. total borrowings/shareholders' fund) of approximately 33.5% (2005: 73.1%).

As at 31 December 2006, the maturity profile of non-current bank borrowings of the Group is as follows:

	2006
	RMB'000
Repayable	
Within 1 year	35,000
Over 1 year but less than 2 years	10,000
Over 2 years but less than 5 years	15,000
	25,000
	60,000

As at 31 December 2006, other than the bank borrowings already utilized, the Group has the facility granted by certain banks in the amount of RMB214 million.

The financial strength of the Group has been greatly improved after the Listing. The Board believes that taking into account the capital expenditures to be made within 2007, the Group's existing financial resources will be sufficient for the Group's future expansion plans.

TREASURY POLICIES

The Group's treasury activities were managed centrally at the corporate level by managing the financial risks, such as interest rate and foreign exchange risks, and for providing cost efficient funding to the Group as a whole.

As at 31 December 2006, the Group's bank borrowings are mainly denominated in Renminbi and US dollars whilst the Group's cash and cash equivalents are mainly denominated in Renminbi, US dollars and Hong Kong dollars. Approximately 73% of the Group's bank borrowings bear interest on fixed rates.

The Group has constantly monitored its interest rate and foreign exchange exposure. For the year ended 31 December 2006, the Group had not adopted any instrument for hedging purpose. Neither had the Group had any foreign currency net investment.

The Group's transactions and currencies are mainly denominated in Renminbi, US dollars and Hong Kong dollars. The operating expenses of the Group's PRC subsidiaries are mainly denominated in Renminbi, and the Group's domestic sales are denominated in Renminbi. Although the People's Bank of China announced that a new system of floating exchange rate for Renminbi be adopted from July 2005, the Group is of the view that it represents a normal adjustment to the prior value of the Renminbi, and whether or not Renminbi will appreciate is a question closely links to the development of the national economy. With the continued development of the economy of the PRC, the Group anticipates that Renminbi will appreciate further. The assets, profit and dividend of the Group will be subject to the impact of the fluctuations of exchange rate of Renminbi.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was listed on the Stock Exchange on 12 December 2006, in connection with which a total of HK$301.875 million was raised from the Company's initial public offering. The proceeds, which are currently placed with licensed banks in Hong Kong and the PRC, are intended to be applied in the following manner as set out in the Prospectus:

— construction of the third production base;

— establishment or acquisition of a production base for the manufacture of flax fibres;

— repayment of existing bank loans; and

— in respect of the balance thereof, general working capital of the Group.

SEGMENTAL ANALYSIS

For the year ended 31 December 2006, the Group successfully developed the domestic market. The domestic sales sharply increased by approximately 93.3% from RMB119,675,000 for the year ended 31 December 2005 to RMB231,349,000 for the year ended 31 December 2006. Despite the export sales to the EU countries decreased due to the quota restrictions imposed by the EU countries with effect from June 2005, the total turnover of Group increased by 18.8%. However, as the gross profit margin of domestic sales was less than that of export sales, the Group's overall gross profit margin decreased accordingly.

CHARGES ON GROUP ASSETS

As at 31 December 2006, the Group's bank deposits of RMB75,426,000 had been pledged to banks as security of the Group's bank loans and other banking facilities. The pledged bank deposits will be released upon the termination of relevant banking facilities. In addition, certain properties and equipments, certain land use rights and inventories with an aggregate carrying amount of RMB100,668,000, RMB30,131,000 and RMB33,340,000 respectively were pledged as security for the Group's bank loans.

CAPITAL COMMITMENTS

As at 31 December 2006, the Group's contracted capital commitments in respective of purchase of property, plant and equipment outstanding but not provided for in the consolidated financial statements was RMB8,650,000.

STAFF POLICY

As at 31 December 2006, the Group had a total of 2,463 (2005: 2,252) employees. Total staff costs incurred during the year 2006 amounted to RMB41 million (2005: RMB32 million). The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Share options under the share option scheme of the Company and discretionary bonuses may be granted to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are each required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant PRC laws and regulations.

The Group from time to time provides training courses both internally and externally for its employees.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group had no contingent liabilities.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition or disposal of the Company's subsidiaries and associated companies during the year ended 31 December 2006 save for those disclosed in the Prospectus.

FINAL DIVIDEND

Subject to the approval at the forthcoming annual general meeting, the Board recommends the payment of a final dividend of RMB0.0375 per ordinary share for the year ended 31 December 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2007 to 28 May 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 21 May 2007.

The proposed final dividend of RMB0.0375 per ordinary share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 28 May 2007, are to be payable on 30 June 2007 to the shareholders whose names appear on the register of members of the Company on 28 May 2007 (Hong Kong time).

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

The 2006 Annual Report of the Company containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") will be despatched to shareholders and made available on the website of The Stock Exchange of Hong Kong Limited (*www.hkex.com.hk*) in due course.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2006 have been reviewed by the Audit Committee and auditors of the Company, KPMG.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors confirmed 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 year ended 31 December 2006 and up to the date of this announcement.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The Directors believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2006.

Under code provision A.1.1 of the Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. As the Company has only been listed on the Stock Exchange for a few months, the Board was unable to meet regularly and to hold board meetings at least four times a year at approximately quarterly intervals during the year. Nevertheless, the Company planned four scheduled Board meetings a year at approximately quarterly intervals in order to make sure all Directors could plan in advance their availability to attend the scheduled Board meetings. Additional meetings will be held as and when required.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Ren Wei Ming, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to operate efficiently.

Under code provision A.5.4 of the Code, the Board should establish written guidelines for relevant employees in respect of their dealings in the securities of the Company. As the Company has only been listed on the Stock Exchange for a few months, the Company has not issued any written guidelines for relevant employees in respect of their dealings in the securities of the Company. The Board will review the current measures of the Company and will consider adopting such written guidelines in accordance with the Code.

Under code provisions B.1.4 and C.3.4 of the Code, the Company should make available the terms of reference of its remuneration committee and audit committee, which is suggested by the Code to be complied with by making them available on request and by including the information on the Company's website. Since the Company has not yet established its own website, the above suggested measure with regard to providing such information on a website cannot be met accordingly. However, the terms of reference of the two committees are available on request.

Under code provision C.2.1 of the Code, the Directors should at least annually conduct a review of the effectiveness of the system of internal control of the Group. As the Group had appointed a PRC auditors of a subsidiary of the Company to review the internal control and such PRC auditors opined in the internal control audit report dated 1 November 2006 that they were satisfied with the effectiveness of the internal control of the Group, the Directors had not conducted any other review of the effectiveness of the internal control of the Group during the year.

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

The Company has not redeemed any of its listed shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year.

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

Haiyan County, PRC, 19 April 2007

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ren Wei Ming, Mr. Shen Yueming and Mr. Zhang Hong Wen, two non-executive Directors, namely Mr. Ngan Kam Wai Albert and Mr. John Michael May and three independent non-executive Directors, namely Mr. Yang Donghui, Mr. Yu Chongwen, and Mr. Lau Ying Kit.