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 2017

- Revenue increased by approximately 26.9% to approximately RMB454,836,000 for the six months ended 30 June 2017 from approximately RMB358,534,000 for the six months ended 30 June 2016.
- The Group accounted approximately 47.8% of the total pure linen yarn export from China by volume during the Review Period.
- There is possibility of upward adjustment to the selling prices of linen yarn in second half of 2017.
- Gross profit margin decreased by approximately 9.1 percentage points to approximately 12.0% for the six months ended 30 June 2017 from approximately 21.1% for the six months ended 30 June 2016 due to strategic reduction of selling price of linen yarn since April 2016.
- Profit for the period dropped by approximately 79.9% to approximately RMB8,350,000 for the six months ended 30 June 2017 from approximately RMB41,519,000 for the six months ended 30 June 2016.
- Profit attributable to the owners of the parent decreased by approximately 81.5% to approximately RMB6,981,000 for the six months ended 30 June 2017 from approximately RMB37,751,000 for the six months ended 30 June 2016.
- Basic earnings per share were approximately RMB0.01 for the six months ended 30 June 2017 and approximately RMB0.06 for the six months ended 30 June 2016.

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 2017:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 (unaudited)

		For the six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
REVENUE	*4*	**454,836**	358,534
Cost of sales		**(400,031)**	(282,816)
Gross profit		**54,805**	75,718
Other income and gains	*4*	**12,365**	29,132
Selling and distribution expenses		**(16,783)**	(16,005)
Administrative expenses		**(25,222)**	(28,592)
Other expenses		**(11,976)**	(582)
Finance costs	*5*	**(7,024)**	(5,925)
PROFIT BEFORE INCOME TAX EXPENSE	*6*	**6,165**	53,746
Income tax expense	*7*	**2,185**	(12,227)
PROFIT FOR THE PERIOD		**8,350**	41,519
Attributable to:			
Owners of the parent		**6,981**	37,751
Non-controlling interests		**1,369**	3,768
		8,350	41,519
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB0.01**	RMB0.06
Diluted	*9*	**RMB0.01**	RMB0.06

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017 (unaudited)

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**8,350**	41,519
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**522**	(826)
TOTAL COMPREHENSIVE INCOME, FOR THE PERIOD	**8,872**	40,693
Attributable to:		
Owners of the parent	**7,503**	36,925
Non-controlling interests	**1,369**	3,768
	8,872	40,693

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 (unaudited)

	Notes	**30 June 2017** ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**694,326**	601,537
Investment property		**7,829**	8,129
Prepaid land lease payments		**65,703**	66,283
Other intangible assets		**6,111**	8,137
Prepayments for equipment		**5,115**	31,401
Available-for-sale investments	*16*	**407**	–
Deferred tax assets		**4,955**	3,304
Total non-current assets		**784,446**	718,791
CURRENT ASSETS			
Inventories	*10*	**540,095**	509,591
Trade and notes receivables	*11*	**280,446**	297,964
Prepayments, deposits and other receivables		**67,771**	44,435
Derivative financial instruments	*16*	**–**	5,788
Pledged deposits		**129,779**	74,355
Cash and cash equivalents		**199,061**	279,511
Total current assets		**1,217,152**	1,211,644
CURRENT LIABILITIES			
Trade and notes payables	*12*	**187,944**	129,489
Other payables and accruals		**48,453**	50,314
Interest-bearing bank borrowings	*13*	**568,286**	531,103
Derivative financial instruments	*16*	**747**	–
Dividend payable		**27,376**	–
Tax payable		**8,805**	16,009
Total current liabilities		**841,611**	726,915

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 (unaudited)

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
NET CURRENT ASSETS		**375,541**	484,729
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,159,987**	1,203,520
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**10,422**	16,284
Interest-bearing bank borrowings	*13*	**88,200**	100,800
Total non-current liabilities		**98,622**	117,084
Net assets		**1,061,365**	1,086,436
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**6,329**	6,329
Treasury shares	*15*	**(15,927)**	–
Reserves		**1,040,909**	1,061,422
		1,031,311	1,067,751
Non-controlling interests		**30,054**	18,685
Total equity		**1,061,365**	1,086,436

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017 (unaudited)

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**6,165**	53,746
Adjustments for:		
Fair value losses on derivative instruments – transactions not qualifying as hedges	**747**	249
Equity-settled share option expenses	**146**	230
Depreciation	**30,195**	31,174
Amortisation of prepaid land lease payments	**580**	663
Amortisation of intangible assets	**258**	303
Provision for impairment of inventories	**253**	1,344
Gain on disposal of items of property, plant and equipment	**(568)**	–
(Reversal of)/provision for impairment of doubtful debts	**(5)**	977
Finance costs	**7,024**	5,925
Exchange losses, net	**(791)**	390
Bank interest income	**(676)**	(1,309)
	43,328	93,692
Increase in inventories	**(30,757)**	(121,137)
Decrease in trade and notes receivables	**17,523**	88,673
Increase in prepayments, deposits and other receivables	**(16,502)**	(17,713)
Proceeds from pledged deposits	**6,017**	8,540
New pledged deposits	**(72,386)**	(24,156)
Decrease/(increase) in derivative financial instruments	**5,788**	(2,507)
Increase in trade and notes payables	**58,455**	66,592
(Decrease)/increase in other payables and accruals	**(1,861)**	523
Cash generated from operations	**9,605**	92,507
Interest received	**676**	1,309
Income tax paid	**(12,532)**	(17,391)
Net cash flows (used in)/generated from operating activities	**(2,251)**	76,425

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017 (unaudited)

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(93,010)**	(70,012)
Prepayments for equipment	**(5,115)**	(12,046)
Proceeds from disposal of items of property, plant and equipment and other intangible assets	**2,956**	–
Net cash flows used in investing activities	**(95,169)**	(82,058)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection from non-controlling shareholders	**10,000**	10,000
New bank loans	**377,818**	358,979
Repayment of bank loans	**(353,235)**	(202,224)
Share repurchase	**(15,927)**	–
Interest paid	**(12,746)**	(7,305)
Government grants received	**–**	15,930
Purchase of available-for-sale investments	**(407)**	–
Proceeds from pledged deposits	**68,338**	51,811
New pledged deposits	**(57,393)**	(61,569)
Net cash flows generated from financing activities	**16,448**	165,622
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(80,972)**	159,989
Cash and cash equivalents at beginning of period	**279,511**	237,214
Effect of foreign exchange rate changes, net	**522**	(829)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**199,061**	396,374
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**199,061**	396,374
Cash and cash equivalents as stated in the statement of financial position	**199,061**	396,374

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (unaudited)

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 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 2017 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 2016.

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 2017 are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2016, 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 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

The Group has applied, for the first time, several new standards and amendments in 2017. 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.

Amendments to IAS 7	*Statement of Cash Flows: Disclosure Initiative*
Amendments to IAS 12	*Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The adoption of these new and revised IFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

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 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 external 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 2017 is set out in the following table:

	Revenue from external customers For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**151,388**	107,428
European Union	**115,866**	128,375
Non-European Union	**187,582**	122,731
Total	**454,836**	358,534

(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

Revenue of approximately RMB76,784,000 (six months ended 30 June 2016: Nil) amounting to approximately 16.7% of the Group's revenue was derived from sales to a single customer for the six months ended 30 June 2017.

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, other income and gains is as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of linen yarns	**454,836**	358,534
Other income		
Bank interest income	**676**	1,309
Government grants	**10,827**	25,050
Others	**862**	60
	12,365	26,419
Gains		
Foreign exchange gains, net	**–**	2,713
	12,365	29,132

5. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**12,746**	7,305
Less: interest capitalised	**(5,722)**	(1,380)
	7,024	5,925

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**400,031**	282,816
Depreciation	**30,195**	31,174
Amortisation of prepaid land lease payments	**580**	663
Amortisation of intangible assets	**258**	303
Research and development ("R&D") expenses	**3,402**	2,742
Minimum lease payments under operating lease		
– land and buildings	**975**	802
Auditors' remuneration	**933**	900
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**75,591**	75,542
Pension scheme contributions	**4,950**	4,938
Equity-settled share option expense	**146**	230
	80,687	80,710
Foreign exchange loss/(gain), net	**10,946**	(2,713)
Fair value losses on derivative financial instruments		
– transactions not qualifying as hedges	**747**	–
Write-down of inventories to net realisable value	**253**	1,344
(Reversal of provision for impairment of trade receivables)/ impairment of trade receivables	**(5)**	977
Finance costs	**7,024**	5,925
Bank interest income	**(676)**	(1,309)

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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China	**4,977**	6,849
Current – Hong Kong	**286**	98
Current – Italy	**65**	–
Deferred	**(7,513)**	5,280
Total tax charge for the period	**(2,185)**	12,227

(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 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 obtains the High-new Technology Certificate for years from 2014 to 2016 with a tax rate of 15% and is registering for renewed certificate with tax rate of 15% in 2017.

(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. DIVIDEND

The board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: 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 617,767,000 (six months ended 30 June 2016: 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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**6,981**	37,751

	Number of shares	
	2017	2016
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**617,767**	629,678
Effect of dilution – weighted average number of ordinary shares:		
Share options	**16,250**	22,250
	634,017*	651,928

* *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 RMB6,981,000 and the weighted average number of ordinary shares of 617,767,000 in issue during the period.*

10. INVENTORIES

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Raw materials	**243,577**	205,594
Work in progress	**42,821**	39,235
Finished goods	**253,697**	264,762
	540,095	509,591

As at 30 June 2017, inventories with a carrying amount of RMB40,000,000 (31 December 2016: 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 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade receivables	**232,906**	198,858
Notes receivable	**48,773**	100,344
Impairment	**(1,233)**	(1,238)
	280,446	297,964

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 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 1 month	**121,540**	45,440
1 to 2 months	**69,027**	86,576
2 to 3 months	**21,510**	33,084
Over 3 months	**19,596**	32,520
	231,673	197,620

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at 30 June 2017, based on the payment due date, is as follows:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Due within 1 month or on demand	**30,458**	19,813
Due after 1 month but within 3 months	**157,486**	108,644
Due after 3 months but within 6 months	**–**	1,032
	187,944	129,489

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 2017**	31 December 2016
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Current			
Secured bank loans	*(i)*	**344,419**	304,911
Unsecured bank loans		**223,867**	226,192
Subtotal		**568,286**	531,103
Non-current			
Secured bank loans	*(ii)*	**88,200**	100,800
Total		**656,486**	631,903

Notes:

(i) As at 30 June 2017, the current interest-bearing bank loans with a carrying amount of RMB344,419,000 were secured by certain property, plant and equipment, prepaid land lease payments, inventories and pledged deposits of the Group with carrying amounts of approximately RMB189,638,000 (31 December 2016: approximately RMB207,598,000), approximately RMB26,464,000 (31 December 2016: approximately RMB31,685,000), approximately RMB40,000,000 (31 December 2016: approximately RMB40,000,000) and approximately RMB57,393,000 (31 December 2016: Nil), respectively.

(ii) As at 30 June 2017, the non-current interest-bearing bank borrowings with a carrying amount of RMB88,200,000 were secured by certain property, plant and equipment, prepaid land lease payments, of the Group with carrying amounts of RMB58,540,000 (31 December 2016: approximately RMB57,070,000) and RMB15,582,000 (31 December 2016: approximately RMB15,742,000), respectively.

(iii) The bank borrowings bear interest at rates ranging from 0.8% to 4.52% per annum (31 December 2016: 0.3% to 4.44% 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 2017 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 2017		31 December 2016	
	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 2017			31 December 2016		
	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 2017			31 December 2016		
	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	**–**	**–**	**–**	–	–	–
Share repurchase	**15,000,000**	**17,627**	**15,927**	–	–	–
At the end	**15,000,000**	**17,627**	**15,927**	–	–	–

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 ("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 period ended 30 June 2017, the Trustee purchased 15,000,000 shares of the Company for a total consideration of approximately RMB15,927,000. At the end of the reporting period, no share was 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 2017:

	30 June 2017		31 December 2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Financial Assets:				
Available-for-sale investments	**407**	**407**	–	–
Derivative financial instruments	**–**	**–**	5,788	5,788
	407	**407**	5,788	5,788
Financial Liabilities:				
Derivative financial instruments	**747**	**747**	–	–

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 fair value of available-for-sale investments, which is gold, is based on quoted market prices.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, 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 2017, the marked to market value of the derivative asset position is net of a credit 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 2017, available-for-sale investments was measured to be RMB407,000 by using quoted market prices.

As at 30 June 2017, financial liabilities at fair value through profit or loss– foreign currency forward contracts was measured to be RMB747,000 by using significant observable inputs (Level 2).

During the six months ended 30 June 2017, 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 (31 December 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economies appeared to be stabilising with positive sentiments during the six months ended 30 June 2017 (the "**Review Period**"). The MSCI World Index is a broad global equity benchmark that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI World Index recorded an approximately 9.1% gain at the end of June 2017 when compared with that at the end of December 2016.

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 3.1% on a year-on-year basis during the Review Period. Pure linen yarn export, however, contracted by approximately 4.9% year over year by volume during the Review Period. Cotton price has been relatively stable, with an increase of approximately 0.9% only, during the Review Period. Despite the overall decrease of approximately 4.9% in total volume of pure linen yarn export from China, the Group had adopted a proactive strategy of reducing the selling price of its products since 2016 to boost demand for its products and further increase its market share in the linen yarn market. The strategy started to bear fruits and the Group had accounted for approximately 47.8% of the total pure linen yarn export from China by volume during the Review Period, compared with approximately 34.0% of market share for the same period in last year.

During the Review Period, the revenue of the Group increased by approximately 26.9% on a year-on-year basis to RMB454,836,000. The increase in revenue was mainly attributable to the improving demand from China and other overseas markets as a result of the strategic price reduction of the linen yarn products of the Group since April 2016.

Major Markets and Customers

By implementing an international sales strategy, the Group has a sales network covering over 20 countries and regions around the world. During the Review Period, the domestic sales, which contributed approximately 33.3% of the Group's total revenue, recorded an increase of approximately 40.9% as compared with the same period of last year, while the overseas sales, which contributed approximately 66.7% of the Group's total revenue, recorded an increase of approximately 20.8% on a year-on-year basis. In particular, total sales to non-European Union countries accounted for approximately 41.2% of the Group's total revenue during the Review Period. In particular, sales to India surged by approximately 158.6% to RMB108,765,000, as a result of the appreciation of India Rupees against the United States Dollars during the Review Period and the implementation of the Goods and Services Tax (GST) reform in India in 2017 that reduces the tax disadvantages of importing linen yarn by approximately 10% of the value of the imported products. 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 a stronger bargaining power when dealing with suppliers. During the Review Period, the costs of fibre flax dropped for the first time in the past few years and the Group procured approximately 13,914 tonnes of raw materials abroad, representing a year-on-year increase of approximately 26.8%. The average procurement unit price was approximately RMB19,240 per tonne, representing an yearly decrease of approximately 7.3%. The increase in volume of procurement of raw materials was mainly because 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 secure a steady volume of production.

Production Capacity

As at 30 June 2017, the Group had three productions bases. The production bases in (1) Haiyan County, Zhejiang Province (1st Phase of the Haiyan Plant); (2) Rugao in Jiangsu Province; and (3) Haiyan County, Zhejiang Province (2nd Phase of the Haiyan Plant) have designed annual production capacities of 7,000 tonnes, 6,000 tonnes and 5,000 tonnes, respectively, resulting in the Group's aggregate annual production capacity reaching 18,000 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 7,443 tonnes of linen yarn under various specifications was produced during the Review Period.

The Board had authorized the construction of a flax and industrial hemp yarn manufacturing facility in Heilongjiang with a designed annual production capacity of 5,000 tonnes in 2016. The Group owns 72.73% of the equity interest in this new venture and it is the Group's maiden attempt to explore the industrial hemp yarn market, as the Company believes industrial hemp will grow rapidly in the next few years due to the national policy in China to promote the planting of industrial hemp in Heilongjiang region and the use of the industrial hemp textile products. The construction of the new factory in Heilongjiang is substantially completed and trial production is expected to commence in the fourth quarter of 2017.

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 late 2018.

FINANCIAL REVIEW

Revenue

For the Review Period, the Group's revenue increased by approximately 26.9% to approximately RMB454,836,000 (six months ended 30 June 2016: RMB358,534,000). The increase of revenue was mainly attributable to the increase in demand of linen yarn from China and other non-European countries as a result of the Group's strategic reduction in the selling price of linen yarn since April 2016. There were approximately 42.3% more in quantity and resulting in 8,144 tonnes of linen yarn sold during the Review Period (six months ended 30 June 2016: 5,720 tonnes). The sales in China and non-European countries had a year-on-year improvement of approximately 40.9% and 52.8% respectively, while sales in European countries recorded a decline of approximately 9.7% during the Review Period.

The breakdown of revenue by sales regions is as follows:

Sales regions:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
China	**151,388**	107,428
European Union Countries	**115,866**	128,375
Non-European Union Countries	**187,582**	122,731
	454,836	358,534

Gross Profit and Gross Profit Margin

The Group's gross profit for the Review Period decreased by approximately 9.1% to approximately RMB54,805,000 (six months ended 30 June 2016: approximately RMB75,718,000). Gross profit margin for the Review Period reduced by approximately 9.1 percentage points to approximately 12.0% (six months ended 30 June 2016: approximately 21.1%) mainly due to the the Group's strategic reduction of selling price of linen yarn since April 2016.

Other Income and Gains

Other income and gains for the Review Period mainly comprises government grants and subsidies of approximately RMB10,827,000 (six months ended 30 June 2016: approximately RMB25,050,000) and interest income of approximately RMB676,000 (six months ended 30 June 2016: approximately RMB1,309,000). The drop in other income and gains was attributable to the fact that there were government grants of approximately RMB25,000,000 received in 2016 for the Group's investment in the designated area.

Selling and Distribution Costs

The Group's selling and distribution costs for the Review Period amounted to approximately RMB16,783,000 (six months ended 30 June 2016: approximately RMB16,005,000), which accounted for approximately 3.7% (six months ended 30 June 2016: approximately 4.5%) of the Group's total revenue. The decrease in selling costs as a percentage of revenue during the Review Period was mainly due to the more sales in China and in India with lower commission incurred.

Administrative Expenses

The Group's administrative expenses for the Review Period amounted to approximately RMB25,222,000 (six months ended 30 June 2016: approximately RMB28,592,000), representing a decrease of approximately 11.8% as compared with the corresponding period last year. The decrease in the Group's administrative expenses was mainly due to the fact that there was consulting fee of risk management assessment and design fee of a new factory incurred in the same period last year but not in the Review Period and an reduction of provision of bad debt expense of approximately RMB979,000 for certain customers.

Other expenses

Other expenses mainly comprises a net exchange loss of approximately RMB10,946,000 (six months ended 30 June 2016: net exchange gain of approximately RMB2,713,000). The net exchange loss was mainly due to the depreciation of Renminbi against Euro of approximately 5.7% during the Review Period. Most of the raw materials procurement transactions of the Group were fixed in Euro and there were also certain bank loans denominated in Euro.

Finance Costs

Net finance costs for the Review Period amounted to approximately RMB7,024,000 (six months ended 30 June 2016: approximately RMB5,925,000). Net finance costs represent total interest expense on bank loans less amount capitalized attributable to capital assets. An interest expense of approximately RMB5,722,000 was capitalized during the Review Period (six months ended 30 June 2016: approximately RMB1,380,000).

Income Tax Expenses

Income tax credit for the Review Period amounted to approximately RMB2,185,000 (six months ended 30 June 2016: income tax expense of approximately RMB12,227,000). The effective tax rate for the Review Period and the corresponding period in 2016 was approximately –35.4% and 22.74% respectively. The income tax credit 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.

The Group recorded a reversal of deferred tax of approximately RMB2.8 million after the three-year statutory limit for the tax authorities to recourse expired.

Minority interests

The minority interests of approximately RMB1,369,000 represents the share of the net profit of the 27.27% of equity interests of the Heilongjiang Jinda Flax and Hemp Co., Ltd. ("**Heilongjiang Jinda**"), attributable to the minority shareholders during the Review Period (six months ended 30 June 2016: approximately RMB3,768,000).

Profit Attributable to Owners of the Parent

The Group recorded a profit attributable to owners of the parent for the Review Period of approximately RMB6,981,000 (six months ended 30 June 2016: RMB37,751,000), representing a decrease of approximately 81.5% as compared with the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2017, the Group had net current assets of approximately RMB375,541,000 (as at 31 December 2016: approximately RMB484,729,000). The Group financed its operations with internally generated resources and bank loans during the Review Period.

As at 30 June 2017, the Group had cash and cash equivalents of approximately RMB199,061,000 (as at 31 December 2016: approximately RMB279,511,000). The liquidity ratio of the Group as at 30 June 2017 was approximately 144.6% (as at 31 December 2016: approximately 166.7%).

Total equity of the Group as at 30 June 2017 was approximately RMB1,061,365,000 (as at 31 December 2016: approximately RMB1,086,436,000). As at 30 June 2017, the Group had bank loans repayable within 12 months from the date of the statement of financial position of approximately RMB568,286,000 (as at 31 December 2016: approximately RMB531,103,000). The gross debt gearing ratio (i.e. total borrowings/total equity) amounted to approximately 61.9% (as at 31 December 2016: approximately 58.2%). The Board believes that the Group's existing financial resources are sufficient for the Group's capital expenditure requirement in the remaining period of 2017.

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 2017, 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 RMB69,517,000 (as at 31 December 2016: approximately RMB77,930,000). There was no capital commitment authorised but not contracted for (as at 31 December 2016: Nil).

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2017, the current interest-bearing bank loans with a carrying amount of RMB344,419,000 were secured by certain property, plant and equipment, prepaid land lease payments, inventories and pledged deposits of the Group with carrying amounts of approximately RMB189,638,000 (31 December 2016: approximately RMB207,598,000), approximately RMB26,464,000 (31 December 2016: approximately RMB31,685,000), approximately RMB40,000,000 (31 December 2016: approximately RMB40,000,000) and approximately RMB57,393,000 (31 December 2016: Nil), respectively.

As at 30 June 2017, the non-current interest-bearing bank borrowings with a carrying amount of RMB88,200,000 were secured by certain property, plant and equipment, prepaid land lease payments, of the Group with carrying amounts of RMB58,540,000 (31 December 2016: approximately RMB57,070,000) and RMB15,582,000 (31 December 2016: approximately RMB15,742,000), respectively.

MATERIAL INVESTMENTS

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 a liability of RMB747,000 was recognized as at 30 June 2017 (as at 31 December 2016: assets of RMB5,788,000).

REMUNERATION POLICY

As at 30 June 2017, the Group had a total of 2,627 employees (30 June 2016: 2,605 employees). Total staff costs incurred for the Review Period amounted to approximately RMB80,687,000 (six months ended 30 June 2016: RMB80,710,000).

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 12 December 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 2017. Of which, options carrying rights to subscribe for 4,875,000 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 15,000,000 Shares on the market during the Review Period 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 Shares have been awarded to selected persons pursuant to the Share Award Plan. 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.

The implementation of our proactive strategy of reducing the selling price of linen yarn during the trough of the economic cycle starts to bear fruits and we accounted for approximately 47.8% of the total pure linen yarn export from China by volume during the Review Period.

The Group remains cautiously optimistic that despite cotton price may remain to be resilient on current price level, the demand of linen yarn is likely to have bottomed out. The Group may consider adjusting the selling prices of linen yarn upwards in the second half of 2017. This will be done progressively and subject to market reaction.

The construction of the new industrial hemp and linen yarn manufacturing facility in Heilongjiang, with a designed annual production capacity of 5,000 tonnes of yarn, has commenced in 2016 and the facility is expected to commence trial production in the fourth quarter of 2017. It is also the Group's maiden attempt to explore the industrial hemp yarn market.

The Ethiopia project has a planned site area of approximately 300,000 square metres and will be constructed in phases. The first phase will have a designed annual production capacity of 5,000 tonnes of regular linen yarn and is expected to commence trial production in late 2018.

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 2017 (30 June 2016: 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 and A.4.3 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 2017.

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 2017 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 15,000,000 Shares on the market during the Review Period 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 Shares have been awarded to selected persons pursuant to the Share Award Plan. Please refer to Share Award Plan section under Management Discussion and Analysis for details.

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 2017.

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 2017 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 2017 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

18 August 2017
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.