

Chairman's Statement

On behalf of the board of directors (the "Board") of Kingdom Holdings Limited ("Kingdom" or the "Company") and its subsidiaries (together the "Group"), I am pleased to report that the Group achieved steady growth in 2006, and our turnover amounted to RMB537,364,000 (2005: RMB452,349,000), and our profit attributable to shareholders amounted to RMB90,710,000 (2005: RMB91,749,000).

Review of operations

For the financial year ended 31 December 2006, with our established strength, experience and vision, the results we achieved were outstanding. We had a number of enviable achievements during the year, which brought about a lot of opportunities.

We were listed on the Main Board of the Hong Kong Stock Exchange on 12 December 2006, thus becoming the first company in Haiyan County to be listed. This enhanced our international and brand name recognition and facilitated the expansion of our business in the international market. It has also improved our ability to recruit management and our corporate governance and management standards. The listing gave us access to capital for our future development and marks a milestone for Kingdom in the growth of its business.

Currently, our scale of production for linen yarns has reached 52,000 spindles, thus placing us as one of the largest linen yarns manufacturers in the world. By having the technical guidance of overseas experts and the innovative capability of our staff, the quality of linen yarns has been markedly improved, especially for high-count products so that the total sales volume of high-count products had almost doubled comparing to that in 2005.

Looking forward, through the platform available to us through listing, the Company will move forward to face the challenge of the future with more resources, and our operations will grow more rapidly. The Group will continue with its expansion both horizontally and vertically and work together with our business partners in order to sustain growth and quicken our pace in product development and technological innovation. We have a strong capital base; we shall enhance our brand name value and develop our people to increase our core competitiveness and we shall work hard to explore new markets both domestically and overseas and strive to improve our cost-effectiveness and overall strong market position.

Acknowledgement

On behalf of the Board, I would like to express my heart-felt gratitude to our customers, suppliers, banks, business partners and shareholders for their continued support and trust, and to the dedicated work of our staff of companies in the Group. The achievements of the Group are the direct result of the efforts and commitment of our staff.

Ren Wei Ming
Chairman

Haiyan County, PRC, 19 April 2007