

**KINGDOM HOLDINGS LTD:
THE MARGINS OF PROFIT SEEM UNREAL —
CAN THEY BE MAINTAINED ?**

For an entity, engaged in the manufacture and sales of linen yarn, any international company, worth its salt, would salivate at the high margins of profit that have been achieved by Kingdom Holdings Ltd () over the 29 months, ended June 30, 2006.

Whether or not Kingdom Holdings will be able to continue to maintain such healthy profit margins, however, is another question.

In **TARGET**'s opinion, it is doubtful.

Kingdom Holdings Ltd, which is, now, known by Stock Code Number 528, went public on the Main Board of The Stock Exchange of Hongkong Ltd, last Thursday (November 30, 2006).

Its Placing and Public Offer Prospectus stated that it was the intention of Management to Place to international investors, a total of 135 million, one-cent Shares at an Offer Price of between \$HK1.40 per Share and \$HK1.75 per Share.

A tranche of only 15 million Shares was reserved for investors of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The shares of this Company, under normal circumstances, would not be considered hot properties because, over the years, textilers and garment companies, listed on The Stock Exchange of Hongkong Ltd, have come and gone – with most of them, having gone ... down the tubes.

But Kingdom Holdings is a PRC-textiler (textiler is a **TARGET** () description of any company, which is not a manufacturer of garments, but is in the business of manufacturing and selling the raw material for garment manufacturers or is engaged in trading in piece-goods), which is in the business of manufacturing and selling linen yarns.

According to Page 43 of the Prospectus:

'The Group's business of manufacture and sale of linen yarns was commenced ... in December 2001 by Kingdom Creative [Zhejiang Kingdom Creative Company Ltd ()] and an employee of Kingdom Creative ...'.

Since that time, just 5 short years ago, Management boasts of its financial successes as follows:

'The Group is principally engaged in the manufacture and sale of linen yarns. According to the ranking (based on the China Customs statistics on the export volume) published on (China International Electronic Commerce Website) administered by (China International Electronic Commerce Centre) under the Ministry of Commerce of the PRC, Zhejiang Jinguan (Flax Company Ltd ()) was ranked number one among PRC enterprises for the export of linen yarns for each of the two years ended 31 December 2005 and the first six months of 2006 and Jiangsu Jinyuan (Flax Company Ltd ()) was ranked number seven and thirteen among PRC enterprises for the year ended 31 December 2005 and the first six months of 2006. During the Relevant Period, the Group achieved impressive growth in both turnover and net profit. The turnover of the Group for each of the three years ended 31 December 2005 was approximately RMB100.78 million, RMB293.70 million and RMB452.35 million respectively,

representing a compound annual growth rate of approximately 111.86% and the profit attributable to shareholders of the Company for each of the three years ended 31 December 2005 was approximately RMB11.92 million, RMB68.56 million and RMB91.75 million respectively, representing a compound annual growth rate of approximately 177.44%. For the six months ended June 2006, the turnover and the profit attributable to equity holders of the Company was approximately RMB219.61 million and approximately RMB39.41 million respectively.'

Kingdom Holdings Ltd has ... [CLICK TO ORDER FULL ARTICLE](#)

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