Kiu Hung International Holdings Limited
僑雄國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 381)

REVISED FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The Board (the "**Board**") of Directors (the "**Directors**") of Kiu Hung International Holdings Limited (the "**Company**") is pleased to announce the revised audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	4	**235,384**	223,313
Cost of sales		**(151,478)**	(143,645)
Gross profit		**83,906**	79,668
Other income	5	**1,550**	7,645
Selling and distribution costs		**(34,480)**	(36,575)
Administrative expenses		**(97,545)**	(119,195)
Other gains, net	8	**6,298**	1,515
Operating loss		**(40,271)**	(66,942)
Finance costs	6	**(32,169)**	(14,683)
		(72,440)	(81,625)
Gain on disposal of subsidiaries	19	**18,810**	—
Impairment of investment in an associate	12(b)	**(117,761)**	—
Impairment of investment in available-for-sale financial asset		**(19,156)**	—
Reversal of impairment of exploration and evaluation assets		**11,016**	—
Share of result of associates	12	**37,158**	(3,769)
Loss before income tax		**(142,373)**	(85,394)
Income tax expenses	7	**(5,603)**	(1,858)
Loss for the year	8	**(147,976)**	(87,252)

	Notes	**2016** *HK$'000*	2015 *HK$'000*
(Loss)/profit attributable to:			
— equity holders of the Company		**(149,652)**	(89,665)
— non-controlling interests		**1,676**	2,413
		(147,976)	(87,252)
		HK cents	*HK cents*
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per share	*9*	**(3.43)**	(2.95)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(147,976)**	(87,252)
Other comprehensive (loss)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties	**5,600**	3,047
Deferred income tax expense arising on revaluation of properties	**(693)**	(562)
Items that may be reclassified to profit or loss:		
Exchange difference arising from translation of foreign operations	**(14,360)**	(12,751)
Share of exchange translation difference of associates	**(21,067)**	—
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries	**(2,560)**	—
Other comprehensive loss for the year, net of tax	**(33,080)**	(10,266)
Total comprehensive loss for the year	**(181,056)**	(97,518)
Total comprehensive (loss)/income attributable to:		
— equity holders of the Company	**(182,732)**	(99,931)
— non-controlling interests	**1,676**	2,413
	(181,056)	(97,518)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**53,122**	63,991
Prepaid land lease payments		**—**	4,149
Investment properties		**10,954**	10,950
Exploration and evaluation assets	*11*	**140,883**	139,178
Other intangible asset		**1,035**	1,047
Investment in associates	*12*	**248,036**	257,499
Available-for-sale financial asset	*13*	**74,182**	93,338
Deferred income tax assets		**188**	308
Rental deposits		**—**	2,222
		528,400	572,682
Current assets			
Inventories		**75,869**	51,487
Trade and bills receivables	*14*	**29,985**	42,686
Prepayments, deposits and other receivables	*15*	**114,322**	126,785
Income tax recoverable		**437**	38
Bank and cash balances		**36,920**	13,755
		257,533	234,751
Total assets		**785,933**	807,433
Current liabilities			
Trade payables	*16*	**14,021**	17,330
Accruals and other payables		**62,210**	51,899
Income tax payable		**242**	579
Promissory notes	*17*	**106,901**	144,930
Derivative financial liabilities	*18*	**—**	9,403
Obligation under finance leases		**167**	155
Borrowings		**30,793**	74,062
		214,334	298,358
Net current assets/(liabilities)		**43,199**	(63,607)
Total assets less current liabilities		**571,599**	509,075

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Promissory notes	*17*	**85,313**	78,270
Deferred income tax liabilities		**30,741**	29,100
Obligation under finance leases		**455**	677
		116,509	108,047
Net assets		**455,090**	401,028
Equity			
Share capital	*22*	**609,272**	354,391
Reserves		**(167,288)**	35,207
Equity attributable to equity holders of the Company		**441,984**	389,598
Non-controlling interests		**13,106**	11,430
Total equity		**455,090**	401,028

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is changed from 20/F., Hong Kong Diamond Exchange Building, 8–10 Duddell Street, Central, Hong Kong to 19th Floor, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group is principally engaged in the manufacturing and trading of toys and gifts items, exploration of natural resources and the investment in various potential businesses including fruit plantation, leisure and culture.

2. BASIS OF PREPARATION

2.1 Going concern basis

The Company incurred a loss of HK$147,976,000 for the year ended 31 December 2016 and net operating cash outflow of approximately HK$46,458,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings and to extend existing borrowings upon their maturities;

(2) The Group is in negotiation with its creditors to extend payment due dates; and

(3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds.

Delight Grace Limited, a shareholder of the Company, has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the above measures to be undertaken by the Group and the financial support from Delight Grace Limited. The directors of the Company are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2016. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

2.2 The Group issued consolidated financial statements for the year ended 31 December 2016 dated 31 March 2017 and issued these revised consolidated financial statements for the year ended 31 December 2016 on 30 May 2017.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**235,384**	223,313

Segment information

The Group has five reportable segments as follows:

Exploration	—	Exploration of natural resources
Toys and gifts items	—	Manufacturing and trading of toys and gifts items
Fruit plantation	—	Investment in business related to fruit plantation through associates of the Group
Leisure	—	Investment in the PRC outbound tourism and tea products related business through associates of the Group
Culture	—	Investment in cultural items

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different economic characteristics.

Segment results do not include corporate finance costs and other corporate income and expenses. Segment assets do not include assets at corporate level. Segment liabilities do not include liabilities at corporate level.

(a) Information about reportable segment revenue, results, assets and liabilities are as follows:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Year ended 31 December												
Revenue from external customers	—	—	**235,384**	223,313	—	—	—	—	—	—	**235,384**	223,313
Segment (loss)/profit	**(5,094)**	(959)	**27,582**	3,826	**12,488**	(3,122)	**(118,620)**	(1,934)	**(3)**	(335)	**(83,647)**	(2,524)
Depreciation and amortisation	**(3)**	(8)	**(4,156)**	(5,430)	—	—	—	—	—	—	**(4,159)**	(5,438)
Impairment of investment in an associate	—	—	—	—	—	—	**(117,761)**	—	—	—	**(117,761)**	—
Reversal of impairment of exploitation and evaluation assets	**11,016**	—	—	—	—	—	—	—	—	—	**11,016**	—
Impairment of investment in available-for-sale financial asset	—	—	—	—	**(19,156)**	—	—	—	—	—	**(19,156)**	—
Interest income	—	—	**6**	5	—	—	—	—	—	—	**6**	5
Interest expenses	—	—	**(4,579)**	(1,465)	—	—	—	—	—	—	**(4,579)**	(1,465)
Income tax expenses	**(3,976)**	—	**(1,627)**	(1,858)	—	—	—	—	—	—	**(5,603)**	(1,858)
At 31 December												
Segment assets	**141,489**	139,390	**160,362**	168,630	**261,590**	233,075	**83,971**	117,763	**35,303**	35,303	**682,715**	694,161
Segment liabilities	**(22,445)**	(18,723)	**(74,763)**	(109,935)	—	—	**(722)**	—	—	—	**(97,930)**	(128,658)
Additions to segment non-current assets	—	—	**2,601**	2,530	**41,300**	93,338	**57,993**	117,929	—	—	**101,894**	213,797

(b) Reconciliations of reportable segment results, assets and liabilities:

	2016	2015
	HK$'000	*HK$'000*
Reconciliation of segment results:		
Total loss of reportable segments	**(83,647)**	(2,524)
Unallocated income and expenses		
Corporate finance costs	**(27,590)**	(13,218)
Other corporate income and expenses	**(36,739)**	(71,510)
Loss for the year	**(147,976)**	(87,252)
Reconciliation of segment assets:		
Total assets of reportable segments	**682,715**	694,161
Unallocated corporate assets		
Property, plant and equipment	**903**	1,473
Bank and cash balances	**620**	3,762
Prepayments, deposits and other receivables	**101,695**	108,037
	103,218	113,272
Total assets	**785,933**	807,433
Reconciliation of segment liabilities:		
Total liabilities of reportable segments	**97,930**	128,658
Unallocated corporate liabilities		
Borrowings	**6,577**	12,726
Accruals and other payables	**34,122**	32,418
Promissory notes	**192,214**	223,200
Derivative financial liabilities	**—**	9,403
	232,913	277,747
Total liabilities	**330,843**	406,405

(c) Analysis of revenue by geographical location of customers:

	2016	2015
	HK$'000	*HK$'000*
The PRC (including Hong Kong)	**2,912**	255
North America[1]	**224,505**	209,623
European Union[2]	**5,050**	8,670
Others[3]	**2,917**	4,765
	235,384	223,313

1 North America includes the United States of America (the "**USA**") and Canada.

2 European Union includes Spain, Italy, France and the United Kingdom.

3 Others include Middle East, South America and Southeast Asia.

Revenue from one (2015: two) customers, accounted for more than 10% of the Group's total revenue for the year, represented approximately 52% of the total Group's revenue for the year ended 31 December 2016, (2015: 36% and 10% respectively).

The geographical location of customer is based on the location at which the goods delivered.

(d) Analysis of revenue by category:

	2016	2015
	HK$'000	*HK$'000*
Sales of toys and gifts items	**235,384**	223,313

5. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Moulds income	**92**	12
Interest income	**6**	5
Rental income	**615**	911
Gain on bargain purchase	**—**	4,200
Others	**837**	2,517
	1,550	7,645

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on:		
Bank borrowings and overdrafts	**4,356**	1,160
Other loans	**4,523**	3,670
Trust receipt loans	**222**	232
Convertible bonds	**—**	1,853
Imputed interest on promissory notes	**15,744**	7,768
Overdue interest on promissory notes	**7,324**	—
	32,169	14,683

7. INCOME TAX EXPENSES

	2016	2015
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**643**	875
Over-provision of prior years	**—**	(52)
	643	823
Current tax — Overseas		
Provision for the year	**818**	922
Total current tax	**1,461**	1,745
Deferred income tax	**4,142**	113
Income tax expense	**5,603**	1,858

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxations on overseas profits have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

8. LOSS FOR THE YEAR

The Group's loss for the year is arrived after charging/(crediting) the following:

	2016	2015
	HK$'000	*HK$'000*
Amortisation of other intangible asset	**12**	12
Amortisation of prepaid land lease payments	**56**	118
Auditor's remuneration	**1,600**	1,500
Cost of inventories sold	**112,749**	101,182
Depreciation of property, plant and equipment	**4,659**	5,309
Fair value gain on investment properties*	**(600)**	(698)
Gain on disposal of subsidiaries	**(18,810)**	—
Reversal of impairment of exploration and evaluation assets	**(11,016)**	—
Change in fair value of derivative financial assets*	**537**	—
Change in fair value of derivative financial liabilities*	**(9,403)**	—
Loss on settlement of promissory notes using convertible bonds*	**3,794**	—
Net foreign exchange gain*	**(1,015)**	(4,311)
Provision for impairment of other receivables	**976**	2,589
Provision for impairment of trade receivables	**—**	64
Reversal of impairment of trade receivables	**(42)**	—
Minimum lease payments under operating leases in respect of leasehold land and buildings	**14,034**	12,022
Write back of provision for inventories obsolescence	**(1,300)**	(419)
Write-off and loss on disposals of property, plant and equipment*	**516**	905
Staff costs (including directors' remuneration)		
Salaries, bonus and allowance	**63,606**	60,179
Retirement benefits scheme contributions	**1,857**	1,745
Share-based payment expenses	**—**	29,749
	65,463	91,673

* Included in other gains, net

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of HK$149,652,000 (2015: HK$89,665,000) and the weighted average number of ordinary shares of 4,360,280,407 (2015: 3,035,500,397) in issue during the year.

(b) Diluted loss per share

There was no dilutive potential ordinary shares for the Company's outstanding share options for the years ended 31 December 2016 and 2015. Accordingly, the diluted loss per share is same as basic loss per share for both years.

10. FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

11. EXPLORATION AND EVALUATION ASSETS

	HK$'000
Cost	
At 1 January 2015	1,410,441
Exchange difference	(82,323)
At 31 December 2015 and 1 January 2016	1,328,118
Exchange difference	(84,185)
At 31 December 2016	1,243,933
Accumulated impairment loss	
At 1 January 2015	1,262,636
Exchange difference	(73,696)
At 31 December 2015 and 1 January 2016	1,188,940
Reversal of impairment of exploration and evaluation assets	(11,016)
Exchange difference	(74,874)
At 31 December 2016	1,103,050
Carrying amount	
At 31 December 2016	140,883
At 31 December 2015	139,178

The exploration and evaluation assets represent exploration rights of Bayanhushuo Coal Field ("**BCF**") and Guerbanhada Coal Mine ("**GCM**"). At 31 December 2016, the carrying amount is attributable to BCF of approximately HK$110,836,000 (2015: HK$102,112,000) and GCM of approximately HK$30,047,000 (2015: HK$37,066,000).

The current licence period of the exploration right of BCF and GCM is from 4 July 2016 to 4 July 2018 and from 21 August 2015 to 20 August 2017, respectively.

The carrying values of the exploration and evaluation assets were tested for impairment as at 31 December 2016 using the fair value less costs of disposal model. The recoverable amounts of the exploration and evaluation assets were valued by Roma Appraisals Limited.

12. INVESTMENT IN ASSOCIATES

	2016	2015
	HK$'000	*HK$'000*
Unlisted investments:		
Share of net assets	**216,676**	139,738
Goodwill	**603,007**	571,647
	819,683	711,385
Impairment losses	**(571,647)**	(453,886)
	248,036	257,499

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

(a) Multijoy Group

Name	Multijoy Developments Limited ("Multijoy")	
Principal place of business/country of incorporation	The PRC/British Virgin Islands	
Principal activities	Planation	
	2016	2015
% of ownership interests	**40%**	28%
	HK$'000	*HK$'000*
At 31 December:		
Non-current assets	**583,259**	673,952
Current assets	**45,289**	222
Non-current liabilities	**(144,867)**	(167,443)
Current liabilities	**(15,160)**	(9,462)
Net assets	**468,521**	497,269
Group's share of net assets	**187,409**	139,738
Goodwill	**453,886**	453,886
	641,295	593,624
Impairment losses	**(453,886)**	(453,886)
Group's share of carrying amount of interests	**187,409**	139,738
Year ended 31 December:		
Revenue	**34,207**	33,897
Profit/(loss) before tax	**51,652**	(7,203)
Profit/(loss) after tax	**50,305**	(12,866)
Other comprehensive loss	**(53,797)**	(1,791)
Total comprehensive loss	**(3,492)**	(14,657)
Dividends received from associates	**7,072**	—

On 27 January 2016, the Group further acquired 12% equity interest in Multijoy at a consideration of HK$70,000,000 which is satisfied by issuing 700,000,000 ordinary shares with fair value of HK$0.059 per share, 12% of the carrying value of net assets of Multijoy was HK$53,798,000 as at 27 January 2016. Included in the Group's share of result of associates is an amount of HK$12,498,000 which represent excess of 12% of the carrying value of net assets of HK$53,798,000 over the fair value of consideration of HK$41,300,000 is included in the Group's share of result of associates.

(b) Eagle Praise Group

Name	Eagle Praise Limited	
Principal place of business/country of incorporation	The PRC/British Virgin Islands	
Principal activities	Tourism related business	
	2016	2015
% of ownership interests	**20%**	20%

	HK$'000	*HK$'000*
At 31 December:		
Non-current assets	**—**	—
Current assets	**703**	703
Non-current liabilities	**—**	—
Current liabilities	**(1,773)**	(1,439)
Net liabilities	**(1,070)**	(736)
Group's share of net assets	**—**	—
Goodwill	**117,761**	117,761
	117,761	117,761
Impairment losses	**(117,761)**	—
Group's share of carrying amount of interests	**—**	117,761
Year ended 31 December:		
Revenue	**—**	—
Loss before tax	**(334)**	(830)
Loss after tax	**(334)**	(830)
Other comprehensive loss	**—**	—
Total comprehensive loss	**(334)**	(830)
Dividends received from associates	**—**	—

On 23 April 2015, the Group completed the acquisition of 20% equity interest in Eagle Praise Limited (the "**Eagle Praise Group**"), a company incorporated in the BVI with limited liability, at a total consideration satisfied by (i) the issue of 150,000,000 new ordinary shares of the Company in two equal tranches of 75,000,000 ordinary shares each; and (ii) a promissory note of HK$92,000,000 issued by the Company.

It was subsequently revealed that the representations made by the vendor in respect of the business of Eagle Praise Group were false and misleading. As a result, full provision for impairment of investment in Eagle Praise Group of approximately HK$117,761,000 was made during the year ended 31 December 2016.

(c) Fujian Yuguo

Name	Fujian Yuguo Chaye Limited
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Tea products related
	2016
% of ownership interests	**33%**
	HK$'000
At 31 December:	
Non-current assets	**47,887**
Current assets	**66,595**
Non-current liabilities	**(9,100)**
Current liabilities	**(16,693)**
Net assets	**88,689**
Group's share of net assets	**29,267**
Goodwill	**31,360**
Group's share of carrying amount of interests	**60,627**
Year ended 31 December:	
Revenue	**77,410**
Profit before tax	**18,336**
Profit after tax	**13,752**
Other comprehensive loss	**(5,727)**
Total comprehensive income	**8,025**
Dividends received from associates	**—**

On 4 January 2016, the Group completed the acquisition of 33% equity interest in Fujian Yuguo Chaye Limited ("**Fujian Yuguo**"), a company incorporated in the PRC with limited liability, at a total consideration of HK$67,490,000 which is satisfied by promissory notes with the principal amount and fair value of approximately HK$67,490,000 and HK$57,979,000 respectively.

As at 31 December 2016, the bank and cash balances of the Group' associates in the PRC denominated in Renminbi ("**RMB**") amounted to HK$20,753,000 (2015: HK$222,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

13. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2016	2015
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	—	93,338
Unlisted equity securities, at fair value	74,182	—
	74,182	93,338

On 5 October 2015, Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the agreement with Green Luxuriant Group Investment Limited (the "**Vendor**"), regarding the Company's acquisition of 19% equity interest of USO Management & Holding Co Ltd. ("**USO**"). USO entered into the tenancy agreement with The Alii and Faipule of the village of Sasina, Savaii ("**AFS**") pursuant to which AFS granted to USO the legal right to use prime agricultural property with approximately 500 acres located at Sasina, Savaii in Samoa for a term of 90 plus 30 years (120 years in total) at an annual lease payment of US$120,000 (equivalent to approximately HK$936,000) for the development of USO's plantation business.

The total consideration of this acquisition of approximately HK$120,000,000 was satisfied by issuing of the 49,000,000 consideration shares at HK$0.144 per share and issue of the first promissory notes and the second promissory notes in the principal amount of HK$100,767,000 and HK$12,177,000 respectively. The consideration shares were issued on 20 October 2015.

This acquisition was completed on 7 December 2015. Accordingly, the first promissory notes were issued by the Company to the Vendor.

During 2016, the Vendor was not able to complete the post completion undertakings within six months after the completion date of acquisition. The second promissory notes with principal amount of HK$12,177,000 was not issued to the Vendor.

As at 31 December 2015, unlisted equity securities with carrying amount of approximately HK$93,338,000 was carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

14. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	27,134	29,504
Less: provision for impairment	(120)	(162)
Trade receivables, net	27,014	29,342
Bills receivables	2,971	13,344
	29,985	42,686

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. 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.

The aging analysis of trade receivables, based on invoice dates, and net of allowance, is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Within 30 days	**15,192**	6,757
31 days to 90 days	**10,746**	11,687
91 days to 180 days	**1,058**	10,611
181 days to 360 days	**—**	208
Over 360 days	**18**	79
	27,014	29,342

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 *HK$'000*	2015 *HK$'000*
Deposits for sales right of a property development	**95,411**	101,868
Trade deposits	**2,962**	8,525
Deposit and other receivables	**12,623**	13,930
Prepayments	**3,326**	5,051
	114,322	129,374
Less: provision for impairment	**—**	(2,589)
	114,322	126,785

16. TRADE PAYABLES

The aging analysis of the Group's trade payables as at the end of reporting period, based on invoice dates, is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Within 30 days	**12,880**	13,547
31 days to 90 days	**840**	1,133
91 days to 180 days	**184**	640
181 days to 360 days	**6**	86
Over 360 days	**111**	1,924
	14,021	17,330

17. PROMISSORY NOTES

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**223,200**	—
Issuance of promissory notes	**69,480**	221,932
Imputed interest	**15,744**	7,768
Repayment of promissory notes	**(21,014)**	(6,500)
Off set against convertible bonds	**(95,196)**	—
At 31 December	**192,214**	223,200
Analysed as:		
Current liabilities	**106,901**	144,930
Non-current liabilities	**85,313**	78,270
	192,214	223,200

18. DERIVATIVE FINANCIAL LIABILITIES

	2016	2015
	HK$'000	*HK$'000*
Derivative financial liabilities	**—**	9,403

On 24 November 2015, the Company and Green Luxuriant Group Investment Limited (the "**Vendor**") entered into a supplemental agreement and the parties agreed that the second promissory notes in the principal amount of HK$12,177,000 would be issued to the Vendor within five business days given that a number of undertakings set out in a supplemental agreement were completed within six months after the completion date of acquisition.

As at 31 December 2015, the directors of the Company estimated that all undertakings set out in a supplemental agreement would be completed. The fair value of the derivative financial instrument approximated its carrying amount.

For details, please refer to the Company's announcement dated 24 November 2015.

During 2016, the Vendor was not able to complete the post completion undertakings within six months after the completion date of acquisition. The second promissory notes with principal amount of HK$12,177,000 was not issued to the Vendor.

19. DISPOSAL OF SUBSIDIARIES

On 1 August 2016, the Group disposed its subsidiaries, Jet Profit Enterprises Limited and Fujian Ka Hung Toys Co., Ltd., at a consideration of HK$5,665,000 to Power Global Holdings Limited which is beneficially owned as to 40% by Mr. KF Hui, 34% by Mr. KY Hui and 26% by Ms. Teresa Hui. Mr. KF Hui is an executive Director and Mr. KY Hui and Ms. Teresa Hui are both former executive Directors. Mr. KF Hui is the brother of Mr. KY Hui and Ms. Teresa Hui.

Net liabilities at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	13,684
Prepaid land lease payments	4,138
Prepayments, deposits and other receivables	113
Cash and bank balances	109
Due from fellow subsidiaries	6,619
Accrued liabilities and other payables	(110)
Due to an immediate holding company	(1,074)
Deferred tax liabilities	(1,636)
Borrowings	(32,428)
Net liabilities disposed of	(10,585)
Release of foreign currency translation reserve	(2,560)
Gain on disposal of subsidiaries	18,810
Total consideration	5,665
Less:	
Due from fellow subsidiaries	(6,619)
Due to an immediate holding company	1,074
Total consideration — satisfied by cash	120
Net cash inflow arising on disposal:	
Cash consideration received	120
Cash and cash equivalents disposed of	(109)
	11

20. CONTINGENT LIABILITIES

As at 31 December 2015 and 31 December 2016, the Group had no material contingent liability.

21. CAPITAL COMMITMENTS

As at 31 December 2015 and 31 December 2016, the Group had no material capital commitments.

22. SHARE CAPITAL

	Number of shares 2016	2015	Amount 2016 HK$'000	2015 HK$'000
Ordinary shares of HK$0.10 each (2015: HK$0.10 each)				
Authorised:				
At the beginning of the year	**30,000,000,000**	4,000,000,000	**3,000,000**	400,000
Increase in authorised share capital	**—**	26,000,000,000	**—**	2,600,000
At the end of the year	**30,000,000,000**	30,000,000,000	**3,000,000**	3,000,000
Issued and fully paid:				
At beginning of year	**3,543,907,176**	2,578,377,599	**354,391**	257,838
Issue of shares				
— on placement	**840,000,000**	67,200,000	**84,000**	6,720
— upon conversion of convertible bonds	**989,902,800**	699,329,577	**98,990**	69,933
— upon acquisitions	**700,000,000**	199,000,000	**70,000**	19,900
— settlement of remuneration	**18,906,000**	—	**1,891**	—
At end of year	**6,092,715,976**	3,543,907,176	**609,272**	354,391

23. RELATED PARTY TRANSACTIONS

	Note	**2016** ***HK$'000***	2015 *HK$'000*
Product development, sale and marketing services fee paid to a related company	(a)	**3,518**	2,655

Note:

(a) The sole owner of the related company is also the director and beneficial owner of 49% (2015: 49%) equity interest in the Company's subsidiary paying for the services.

(b) Outstanding balance with related parties

	2016 ***HK$'000***	2015 *HK$'000*
Promissory note payable to a director of the Company	**2,500**	—
Prepayment, deposits and other receivables		
— Amount due from a related company	**—**	174
— Amount due from a non-controlling interest	**—**	700

24. LITIGATIONS

(a) Wing Siu

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Wing Siu Company Limited ("**Wing Siu**") as landlord and Super Dragon Management Limited ("**Super Dragon**"), a wholly-owned subsidiary of the Company, as tenant, and the Company as guarantor to Super Dragon, Wing Siu agreed to let Super Dragon the premises located at 19th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong (the "**Wanchai Property**") for a term of three years from 15 December 2014 to 14 December 2017.

On 8 August 2016, Super Dragon and the Company received from Wing Siu a writ of summons issued in the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the "**High Court**") with an indorsement of claim against Super Dragon and the Company jointly for (i) vacant possession of the Wanchai Property; (ii) the outstanding total amount of rent, management fees, interests and other charges of approximately HK$3,886,000 as at 1 August 2016; (iii) rent, management fees and rates to the date of delivery of vacant possession of the Wanchai Property; (iv) damage for breach of the tenancy agreement to be assessed; (v) interest; (vi) costs; and (vii) further or other relief.

As at the date of this announcement, the Company is liaising with Wing Siu and expects to settle the above claim during the second quarter of 2017.

(b) Ultimate Dream

Pursuant to a tenancy agreement dated 7 November 2014 entered into between Ultimate Dream Enterprises Limited ("**Ultimate Dream**") as landlord and Super Dragon, as tenant, Ultimate Dream agreed to let Super Dragon the premises located at 20th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong (the "**Central Property**") for a term of two years from 1 September 2014 to 31 August 2016.

On 5 August 2016, the Company received from Ultimate Dream a writ of summons issued in the District Court of the Hong Kong Special Administrative Region with an indorsement of claim against the Company for the outstanding total amount of rent, management fees and rates of approximately HK$699,000.

The above claim had been fully settled in October 2016.

(c) Others

On 8 June 2016 and 19 July 2016, the Company and a director of the Company received from Mr. Guo Jingsheng ("**Mr. Guo**") a writ of summons and an indorsement of claim issued in the High Court, respectively, against the Company as borrower and the director of the Company as guarantor for the outstanding amount of borrowing including interests of approximately HK$13,921,000.

The Company, the director of the Company and Mr. Guo entered into a deed of settlement before end of 2016. As at the date of this announcement, the Company is liaising with Mr. Guo and expects to settle the outstanding amount of such borrowing including interests of approximately HK$11,921,000 in aggregate after completion of the placing of new shares of the Company under specific mandate (as announced by the Company on 28 October 2016), which is subject to obtaining the approval of (i) the Stock Exchange; and (ii) the Company's shareholders in an extraordinary general meeting to be convened.

25. EVENTS AFTER THE REPORTING PERIOD

(i) Acquisition of additional equity interest of tangerine plantation business

On 28 February 2017, the Company announced that Kiu Hung Properties Company Limited, an indirect wholly owned subsidiary of the Company ("**Kiu Hung Properties**") and Delight Grace Limited ("**Delight Grace**") entered into a sales and purchase agreement, pursuant to which Kiu Hung Properties has conditionally agreed to purchase and Delight Grace has conditionally agreed to sell the issued share capital of Multijoy Developments Limited for a consideration of HK$65,700,000, which will be satisfied by the issue of a promissory note with a principal amount of HK$65,700,000 by the Company at completion. The sale shares represent 9% of the issued share capital of Multijoy Developments Limited, an associated company of the Group that is held as to 40% by Kiu Hung Properties. As the conditions precedent of the sales and purchase agreement were not completely fulfilled or waived by 30 April 2017, the sales and purchase agreement has been lapsed after 30 April 2017.

For details, please refer to the Company's announcement dated 28 February 2017.

(ii) Possible acquisition of certain equity interest in Shanghai Liming Technology

On 13 March 2017, the Company and Stunning Honour Enterprises Limited ("**Stunning Honour**") entered into a non-legally binding memorandum of understanding indicating the intention of the Company and Stunning Honour to enter into a formal acquisition agreement in respect of the possible acquisition of certain equity interest in Shanghai Liming Intelligent Technology Limited 上海立名智能科技有限公司 ("**Shanghai Liming Technology**"). Shanghai Liming Technology is principally engaged in hotel intelligent technology, robotic hotel operation and intelligent security and the research and development and operation of building data interactive platform.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the financial year ended 31 December 2016 (the "**Year**"), the Group recorded a revenue of approximately HK$235.4 million (2015: approximately HK$223.3 million), representing an increase of approximately 5.4% as compared to the previous year. The Group's loss attributable to shareholders for the Year was approximately HK$149.7 million (2015: approximately HK$89.7 million). Basic loss per share for the Year was approximately 3.43 HK cents (2015: approximately 2.95 HK cents).

The increase in the Group's loss attributable to shareholders and the basic loss per share for the Year, of approximately HK$60.0 million and approximately 0.48 HK cents, respectively, was mainly attributable to the impact of the impairment of investment in an associate of approximately HK$117.8 million that was provided in the Year. Details of such provision for impairment of investment in an associate are set out in note 12(b) to the consolidated financial statements of this announcement.

Excluding the above-mentioned impairment of investment in an associate of approximately HK$117.8 million, the Group's loss attributable to shareholders for the Year decreased by approximately 64.4% to approximately HK$31.9 million as compared to the previous year.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2015: Nil).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

During the Year, the Group has five reportable segments, namely, "Manufacturing and trading of toys and gifts items", "Exploration of natural resources", "Fruit plantation", "Leisure" and "Culture". The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business has different economic characteristics.

Manufacturing and trading of toys and gifts items

Revenue from toys and gifts business for the Year was approximately HK$235.4 million (2015: approximately HK$223.3 million), representing an increase of approximately 5.4% as compared to the previous year. The gross profit ratio of the toys and gifts business was approximately 35.6% for the Year which was comparable to the previous year (2015: approximately 35.7%).

Exploration of natural resources

The Group owns the exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region (the "**Inner Mongolia**"), the PRC with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code as follows:

	Inferred Resources *(Million tonnes)*
Bayanhushuo Coal Field ("**BCF**")	394.05
Guerbanhada Coal Mine ("**GCM**")	106.00
Total	500.05

In order to fulfill the requirement of the PRC government before submitting the master planning (總體規劃) of BCF, the Group submitted a resources report of BCF to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) during 2011. The resources report was prepared by Inner Mongolia Long Wang Geographic Exploration Co. Ltd.*(內蒙古龍旺地質勘探有限責任公司), which indicates BCF has an estimated coal resources of approximately 384.69 million tonnes under the Chinese resources standard promulgated by the Ministry of Land and Resources of the PRC. BCF is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting (China) Ltd on 31 January 2008, BCF has estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. The current licence period of the exploration right of BCF is from 4 July 2016 to 4 July 2018. The master planning was approved in December 2015.

GCM is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal. The current licence period of the exploration right of GCM is from 21 August 2015 to 20 August 2017.

Pursuant to the relevant requirements of the Government of Inner Mongolia, the Government of Inner Mongolia is promoting the development of converting coal into high value added products. If such objective is not fulfilled in respect of a coal mine, the holder of the exploration right of such coal mine may voluntarily hand over the right to the Government of Inner Mongolia for a compensation of an amount equivalent to two times of the actual expenses incurred by the holder on geological prospecting.

The mining licence application process of GCM was much slower than expected. As at the date of this announcement, the Group is still waiting for the approval of the master planning of GCM from the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the National Energy Commission of the PRC (中華人民共和國國家能源局), which is one of the preconditions for the application of the mining licence of GCM.

Fruit plantation

a) Multijoy Group

Multijoy Developments Limited, 28% equity interest of which was acquired by the Group on 17 September 2014, together with its subsidiaries (the "**Multijoy Group**") is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the "**Forest Land**"). The Multijoy Group has appointed an independent third party under a cooperation agreement for a term of five years from 1 April 2013 to 31 March 2018 in relation to the operations of tangerine plantation business on the Forest Land for a fixed royalty income. The Group subsequently acquired additional 12% equity interest of Multijoy Group and the completion of this further acquisition took place on 27 January 2016.

b) USO Management & Holding Co. Ltd

On 5 October 2015, Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Green Luxuriant Group Investment Limited, regarding the Group's acquisition of 19% equity interests of USO Management & Holding Co Ltd. ("**USO**"). USO entered into the tenancy agreement with The

Alii and Faipule of the Village of Sasina, Savaii ("**AFS**"), owners of a parcel of approximately 500 acres of prime agricultural property located at Sasina, Savaii in Samoa (the "**Leased Properties**") pursuant to which AFS granted to USO the legal right to use its Leased Properties for a term of 90 plus 30 years (120 years in total) at an annual lease payment of US$120,000 (equivalent to approximately HK$936,000) for the development of USO's noni fruit plantation business. The total consideration of this acquisition amounted to approximately HK$120 million and this acquisition was completed on 7 December 2015. During the Year, in view of the actual performance achieved by USO, the Directors based on the valuation report as at 31 December 2016 prepared by an independent valuer appointed by the Company, and made an impairment of approximately HK$19,156,000 on the carrying amount of the Group's investment in USO.

Leisure

a) Fujian Yuguo

On 4 January 2016, the Group acquired 33% equity interest of tea related business in a total consideration of approximately HK$67.5 million. This acquisition is an attractive opportunity for the Group to enhance the business portfolio in the tea business. Please refer to the announcements of the Company dated 18 December 2015 and 5 January 2016 for more details.

b) Eagle Praise Group

Regarding the Group's 20% equity interest in the Eagle Praise Group, which is principally engaged in PRC outbound tourism related business, the business development of the Eagle Praise Group was slower than expected. Based on the information available to the Board, the Eagle Praise Group has not yet arranged any outbound travel tours in accordance with the business plan as scheduled in the supplemental shareholders' agreement dated 16 December 2015, entered into between the Group and the vendor of the Eagle Praise Group. Furthermore, during the Year, despite the Company's repeated demands and requests, the vendor has failed and/or refused to provide an update on the business status. The Group has reasonable grounds to believe that the vendor has failed to implement the business plan as presented to the Group by the vendor at the time of entering into the related formal sales and purchase agreement and shareholders' agreement. In light of the above, the Group gave notice to the vendor on 30 December 2016, to rescind the various agreements entered into with the vendor (the "**Rescission of Agreements**") on the ground of fraudulent misrepresentations made by the vendor and its representative. As a result, the Board considered that full provision for impairment of investment of approximately HK$117.8 million was required to be made during the Year.

The Group has discussed with its legal adviser and is considering to take further legal action regarding the Rescission of Agreements. The Group will make further announcement(s) to update the development of the Rescission of Agreements as and when appropriate.

Culture

On 27 March 2015, the Group acquired certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a total consideration of HK$38.0 million. These ceramic items had carrying amounts of approximately HK$35.3 million as at 31 December 2016.

GEOGRAPHICAL INFORMATION

During the Year, the Group recorded revenues in North America (includes the USA and Canada) of approximately HK$224.5 million compared to approximately HK$209.6 million last year and represented approximately 95.4% (2015: approximately 93.9%) of the Group's total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) amounted to approximately HK$5.1 million for the Year compared to approximately HK$8.7 million last year and represented approximately 2.1% (2015: approximately 3.9%) of the Group's total revenue.

SELLING AND DISTRIBUTION COSTS

The amount of the selling and distribution costs for the Year was approximately HK$34.5 million (2015: approximately HK$36.6 million). The decrease was mainly attributable to the decrease of the staff costs of toys and gifts products segment.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Year decreased by approximately 18.2% to approximately HK$97.5 million as compared to approximately HK$119.2 million in the previous year. The decrease in administrative expenses was mainly due to a decrease in share-based payments of approximately HK$29.7 million during the Year.

FINANCE COSTS

Finance costs for the Year increased by approximately HK$17.5 million to approximately HK$32.2 million as compared to approximately HK$14.7 million in the previous year. The increase in finance costs was mainly due to imputed interest and overdue interest on promissory notes and convertible bonds during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong and in the PRC. The Group had cash and bank balances of approximately HK$36.9 million at 31 December 2016 (2015: approximately HK$13.8 million). The Group's cash and bank balances were mostly held in Hong Kong dollars and Renminbi.

At 31 December 2016, the Group's borrowings amounted to approximately HK$30.8 million (2015: approximately HK$74.1 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2016, the Group's promissory notes amounted to approximately HK$192.2 million (2015: approximately HK$223.2 million) in aggregate. The Group's promissory notes were denominated in Hong Kong dollars.

The Group monitors capital using a gearing ratio, which is the Group's net debt (comprising trade payables, accruals and other payables, income tax payable, promissory notes, obligation under finance lease and borrowings less bank and cash balances) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2016 was 57.8% (2015: 88.2%).

Net current assets of the Group at 31 December 2016 was approximately HK$43.2 million (2015: net current liabilities of approximately HK$63.6 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was approximately 1.20 (2015: approximately 0.79).

As the majority of the Group's transactions and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate fluctuation was relatively insignificant and the Group had not used any financial instruments for hedging during the Year.

At 31 December 2016, certain property, plant and equipment, prepaid land lease payments and investment properties held by the Group with aggregate carrying value of approximately HK$52.5 million (2015: approximately HK$49.8 million), were pledged to secure general banking facilities granted to the Group.

The Group had no significant capital commitments as at 31 December 2016 (2015: Nil).

The Group had no significant contingent liabilities as at 31 December 2016 (2015: Nil).

BUSINESS PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole.

On 13 March 2017, the Group entered into a non-legally binding memorandum of understanding in respect of a possible acquisition of certain equity interest in a target company, Shanghai Liming Intelligent Technology Limited* (上海立名智能科技有限公司). The target company is principally engaged in hotel intelligent technology, robotic hotel operation and intelligent security and the research and development and operation of building data interactive platform.

Going forward, the Group will review its current operations from time to time and will continue to explore other investment opportunities in different fields including but not limited to financial services or any other businesses that have earning potentials, in order to expand its existing operations and to diversify its business to maximize the interests of the Group and our shareholders as a whole.

CAPITAL STRUCTURE

As at 31 December 2016, the capital structure of the Company was constituted of 6,092,715,976 ordinary shares of HK$0.10 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the share options to subscribe for the Company's shares.

On 28 October 2016, the Company and its placing agent entered into a conditional placing agreement in respect of the placement of 840,000,000 ordinary shares of HK$0.10 each of the Company to not less than six independent placees at the placing price of HK$0.11 per share under general mandate. The placement of 840,000,000 ordinary shares of HK$0.10 each of the Company was completed on 18 November 2016. The placing price of HK$0.11 per share represented a discount of approximately 13.39% to the closing price of HK$0.127 per share as quoted on the Stock Exchange on 28 October 2016, being the date of the placing agreement. The Board considered that the net proceeds would strengthen the Group's financial position for future development of the Group. The net proceeds (after deducting the placing agent commission and other expenses incurred) was approximately the net proceeds of HK$91.0 million. The net price per placing share was approximately HK$0.108. The Company has applied the net proceeds of approximately HK$91.0 million to settle the Company's existing payables and loans and its general working capital requirement (which consists of, among others, staff costs, rental expenses, legal and professional fees, loans' repayment and purchase of wine base in its business operation) as intended. For details, please refer to the Company's announcements dated 28 October 2016 and 18 November 2016.

On 3 November 2016, in relation to advisory fees and disbursements incurred by Chanceton Capital Partners Limited during the course of its provision of financial advisory services to the Company, the Company entered into a subscription agreement with Chanceton Capital Partners Limited for a subscription of 18,906,000 ordinary shares of the Company at HK$0.10 per share (the "**Remuneration Shares**"). The Remuneration Shares were issued on 9 December 2016. For details, please refer to the circular and announcement of the Company dated 9 November 2016 and 9 December 2016, respectively.

As at 31 December 2016, 324,800,000 share options remained outstanding (2015: 380,346,000). The share option scheme of the Company with a scheme life of ten years approved by the shareholders of the Company on 31 May 2013 will expire on 30 May 2023.

On 30 November 2016 and 6 December 2016, the Company issued convertible bonds with an aggregate principal amount of HK$98,990,280 to set off its promissory notes with the equivalent aggregate principal amount issued for the Group's acquisition of ceramic assets and tea related business. Subsequently, the conversion rights of these convertible bonds were exercised to convert into 989,902,800 ordinary shares of the Company at HK$0.10 per share in December 2016. At 31 December 2016, no conversion shares remained outstanding. For details of the issuance of Company's convertible bonds, please refer to the circulars of the Company dated 9 November 2016 and 16 November 2016 and the announcements of the Company dated 1 December 2016 and 9 December 2016.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2016, the Group had a total of 483 employees (2015: 500 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited ("**Zhonghui Anda**"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2016. The work performed by Zhonghui Anda in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by Zhonghui Anda on the preliminary announcement.

EXTRACT OF THE AUDITOR'S REPORT

Basis for Qualified Opinion

1. Investment in associates — Eagle Praise Limited ("Eagle Praise")

Included in the investment in associates was an investment in Eagle Praise of approximately HK$117,761,000 as at 31 December 2015. No sufficient evidence has been provided to satisfy ourselves as to the recoverable amount of the investment in Eagle Praise with carrying value of approximately HK$117,761,000 as at 31 December 2015 and whether the derivative financial asset in respect of the profit guarantee provided by the vendor of Eagle Praise should be recognised as at 31 December 2015. An impairment of approximately HK$117,761,000 on investment in Eagle Praise was recognised for the year ended 31 December 2016. We have not been provided with sufficient audit evidence as to whether the impairment loss of approximately HK$117,761,000 on investment in Eagle Praise should be recorded in the current year or prior year and whether any change in the fair value of the derivative financial asset should be recognised. However, we are satisfied that the investment in Eagle Praise and the derivative financial asset are fairly stated as at 31 December 2016.

2. Available-for-sale financial assets

No sufficient evidence has been provided to satisfy ourselves as to the recoverable amount of the available-for-sale financial assets with carrying amount of approximately HK$93,338,000 in the consolidated statement of financial position as at 31 December 2015. An impairment loss of approximately HK$19,156,000 on the available-for-sale financial assets was recognised for the year ended 31 December 2016. We have not been provided with sufficient audit evidence as to whether the impairment loss of approximately HK$19,156,000 on the available-for-sale financial assets should be recorded in the current year or prior year. However, we are satisfied that the available-for-sale financial assets is fairly stated as at 31 December 2016.

3. Inventories

No sufficient evidence has been provided to satisfy ourselves as to the net realisable value of ceramic items with carrying amount of approximately HK$35,303,000 in the consolidated statement of financial position as at 31 December 2015 and 31 December 2016.

4. Prepayment, deposits and other receivables

Included in the prepayment, deposits and other receivables in the consolidated statement of financial position as at 31 December 2015 and 31 December 2016 are deposits paid of approximately HK$101,868,000 and HK$95,411,000 respectively. The Group entered into a property agency agreement with a property developer regarding a property development project in Nanjing, the People's Republic of China. The deposits were paid in accordance with the terms of the agreement. The agreement confers to the Group the exclusive right to market the property after the Pre-sale Permits are obtained from the relevant authority. Subsequently, the developer was found to be involved in a number of litigations. Up to the date of this report, the Group is still assessing the progress of the property development. In the absence of sufficient appropriate audit evidence to verify the financial ability of the developer, we were unable to ascertain the recoverability of such deposits. There were no alternative audit procedures that we could perform to satisfy ourselves as to carrying amount of the deposits or to determine whether any provision for impairment loss is necessary.

Any adjustments to the figures as described from points 1 to 4 above might have consequential effects on the consolidated financial performance and consolidated cash flows for the two years ended 31 December 2015 and 31 December 2016 and the consolidated financial positions of the Group as at 31 December 2015 and 2016, and the related disclosures thereof in the consolidated financial statements.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK$147,976,000 and net operating cash outflow of approximately HK$46,458,000 for the year ended 31 December 2016. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

ADDRESSING OF AUDITOR'S QUALIFIED OPINIONS

Investment in associates and available-for-sale financial assets (collectively the "Investments")

As disclosed in the independent auditor's report on the consolidated financial statements of the Company for the year ended 31 December 2015, the then auditor was unable to satisfy themselves as to the carrying value of the Investments stated in the consolidated statement of financial position of the Company as at 31 December 2015. There were no alternative audit procedures that the then auditor could perform to satisfy themselves as to the carrying amounts of the Investments as at 31 December 2015 or to determine whether any provision for impairment loss is necessary for the year ended 31 December 2015. Any adjustments that might have been found to be necessary in respect of the above would have a consequential effect on the net assets of the Group as at 31 December 2015 and of its net loss for the year then ended and the related disclosures in the consolidated financial statements.

Zhonghui Anda considered that the audit evidences made available to them were not sufficient enough and no other proper audit procedures could be performed by Zhonghui Anda to satisfy themselves as to the recoverable amounts of the Investments in the consolidated statements of financial position as at 31 December 2015. Accordingly, Zhonghui Anda has not been provided with sufficient audit evidence as to whether the impairment loss made on the Investments should be recognised in the current year or prior year.

Zhonghui Anda satisfied that the carrying amounts of the Investments were fairly stated as at 31 December 2016. As a result, there will not be any carrying effects on the opening balances of the Investments for the coming financial year ending 31 December 2017.

Inventories

Since the Group could not provide sufficient evidence regarding the net realizable value of the identical ceramic items to Zhonghui Anda, Zhonghui Anda qualified the carrying amounts of such inventories of approximately HK$35,303,000 in the consolidated statement of financial position as at 31 December 2015 and 31 December 2016. It is the Group's intention that the Group will look for potential buyers for the ceramic items as well as participating in the related auctions so as to realise certain ceramic items in the coming future.

Prepayment, deposits and other receivables

As for the deposits (the "**Deposits**") paid in accordance to a property agency agreement with a property developer (the "**Developer**") regarding a property development project in Nanjing, due to the pending litigations against the Developer, the application by the Developer for the pre-sale permit of the Property has been delayed. According to the information made available to the Company, the total claim amounts of the litigation against the Developer amounted to approximately RMB51.2 million. The Group has been following up with the Developer on the status of obtaining the pre-sale permit of the Property. The Company did see progress, e.g. the interim property developing quality certificate obtained by the Developer in August 2016. As the market property prices in Nanjing increased rapidly in 2016 and such price growth has been continuing in 2017, the Group has not yet requested refund of the Deposits. Otherwise, by doing so, the Group would lose the business opportunity in the booming Nanjing property market. Taking into account of the above mentioned factors, the Directors considered that no impairment was necessarily to be made to the Deposits for the year ended 31 December 2016. Depending on the situations in the near future, the Group may consider to (i) transfer its rights on the Deposits to potential buyers; or (ii) identify another developer who has strong financial background and interest in the property development project in Nanjing and recommend it to the Developer so that the pending litigations of the Developer can be resolved and thereafter, the progress of the application for the pre-sale permit can be expedited; or (iii) in the last resort, take legal actions to recover the amounts of the Deposits.

The decrease of the Deposits amount from approximately HK$101.9 million as at 31 December 2015 to approximately HK$95.4 million as at 31 December 2016 was due to the exchange loss arising from translation of foreign operation.

REASON FOR THE REVISED ANNUAL RESULTS

Due to the later-than-expected appointment of the Company's auditor, Zhonghui Anda on 17 March 2017 to fill the casual vacancy following the resignation of Cheng & Cheng Limited, the Company could only provide certain supporting schedules and breakdowns requested by Zhonghui Anda few days prior to the publication of the 2016 annual results announcement dated 31 March 2017. Therefore, there was no sufficient time and information for Zhonghui Anda to carry out necessary audit procedures to form an audit opinion on the consolidated financial statements of the Company for the year ended 31 December 2016. Subsequent to the publication of the 2016 annual results announcement and accompanying further information provided by the Company, Zhonghui Anda has performed necessary audit procedures on the consolidated financial statements. This revised 2016 annual results announcement has included Zhonghui Anda's qualified opinion report on the revised consolidated financial statements of the Company for the year ended 31 December 2016. It is the opinion of the Directors that based on the modified qualified opinion report, the Company is able to provide a reasonable audit assurance for its shareholders to assess the financial performance and position of the Group for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance. During the Year, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules, except for the deviation from code provisions A.6.7 of the Corporate Governance Code as described below.

Code Provision A.6.7

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Directors, Mr. So Chun Pong, Ricky, Mr. Wang Xiao Ning and Mr. Xia Liming had other important engagements at the same time and did not attend the annual general meeting of the Company held on 1 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Specific enquiries have been made by the Company to confirm that all Directors have compiled with the Model Code during the year ended 31 December 2016.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control system and provide advice and comments to the Board. The audit committee members have reviewed the Company's consolidated financial statements for the year ended 31 December 2016 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with management and the Company's external auditors.

PUBLICATION OF RESULTS

This announcement of results has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kh381.com). The annual report of the Company for the year ended 31 December 2016 containing all the information required by Appendix 16 "Disclosure of Financial Information" to the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, business partners, banks, professional parties and employees of the Group for their continuous support.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:30 a.m. on 3 April 2017 pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on Wednesday, 31 May 2017.

By order of the Board
Kiu Hung International Holdings Limited
Hui Kee Fung
Chairman

Hong Kong, 30 May 2017

As at the date of this announcement, the Board comprises seven executive Directors, Mr. Hui Kee Fung, Mr. Yu Won Kong, Dennis, Mr. Zhang Yun, Dr. Lau Siu Wa, Mr. Yip Kong Nam, Mr. Zhang Qijun and Mr. Li Wenjun; one non-executive Director, Mr. Li Zhaosheng; and five independent non-executive Directors, Mr. So Chun Pong, Ricky, Mr. Suen Chun Hung, Benjamin, Mr. Wang Xiao Ning, Mr. Cheung Man Loon, Michael and Mr. Chan Wai Keung.