



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 : 00381)



Leading the Way Toward  
**A Brighter Future**

INTERIM REPORT 2015



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# CORPORATE INFORMATION

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## EXECUTIVE DIRECTORS

Mr. Hui Kee Fung (*Chairman*)  
Mr. Yu Won Kong, Dennis (*Chief Executive Officer*)  
Mr. Long Tien Ian  
Mr. Mtafi, Rachid Rene  
Mr. Yip Kong Nam

## NON-EXECUTIVE DIRECTOR

Mr. Lam Kit Sun

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Siu Lun, Simon  
Mr. So Chun Pong, Ricky  
Mr. Wang Xiao Ning

## COMPANY SECRETARY

Mr. Cheung Kai Fung

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

20th Floor  
Hong Kong Diamond Exchange Building  
8–10 Duddell Street  
Central  
Hong Kong

## AUDITOR

PricewaterhouseCoopers  
22/F., Prince's Building  
Central  
Hong Kong

## COMPANY'S WEBSITE

[www.kh381.com](http://www.kh381.com)

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

OCBC Wing Hang Bank Limited  
Head Office  
161 Queen's Road Central  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman  
KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

# MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “**Board**”) of Kiu Hung International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2015.

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2015 (the “**Period**”), the Group recorded turnover of approximately HK\$99.7 million (2014: HK\$70.3 million), representing an increase of approximately 41.8% as compared with the same period last year. The Group’s loss attributable to equity holders of the Company for the Period was approximately HK\$26.2 million (2014: HK\$20.2 million). The increase in loss attributable to equity holders of the Company for the Period was mainly attributable to an increase in staff costs, rental expenses and legal and professional fee of the Group during the Period. Basic loss per share for the Period was 0.96 HK cents (2014: 1.55 HK cents). The Board has resolved not to pay any interim dividend for the Period (2014: Nil).

## BUSINESS AND OPERATIONAL REVIEW

### Segmental Information Analysis

During the Period, 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

Turnover from toys and gifts business was approximately HK\$99.7 million for the Period (2014: HK\$70.3 million). Gross profit ratio for the Period was 34.8% (2014: 33.1%). The increase in gross profit ratio is mainly due to the increase in the selling price of the products and the implementation of the cost control by the Group during the Period. The segment loss of the manufacturing and trading of toys and gifts items was approximately HK\$1.9 million (2014: HK\$7.4 million). The decrease in segment loss was mainly attributable to an increase in gross profit.

### 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 People’s Republic of China (the “**PRC**”) with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code as follows:

	<b>Inferred Resources</b> (Million Tonnes)
Bayanhushuo Coal Field (“ <b>BCF</b> ”)	394.05 <sup>#</sup>
Guerbanhada Coal Mine (“ <b>GCM</b> ”)	106.00
<b>Total</b>	<b>500.05</b>

<sup>#</sup> In order to fulfill the requirement of the PRC government before submitting the master planning 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 2014 to 4 July 2016.

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 23 September 2013 to 22 September 2015.

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

When applying for the renewal of the licence for the exploration right for GCM, the Group gave an undertaking (as required by the local government) on 7 August 2015 that after the renewal of the licence, if the Group elects to voluntarily hand over the exploration right to the Government of Inner Mongolia, it will accept a compensation equivalent to two times of the actual expenses incurred by it on geological prospecting. As of the date of this report, the actual expenses incurred were approximately RMB14,510,000.

As the compensation from the Government of Inner Mongolia is not substantially lower than the carrying asset value of GCM as at 30 June 2015 and 31 December 2014, which was approximately HK\$39,379,000 and HK\$39,364,000, respectively, the Board considers that, even the exploration right is handed over to the Government of Inner Mongolia, there will not be any material adverse impact on the business prospects or financial position of the Group.

For details of the renewal of exploration licence of GCM, please refer to the Company's announcement dated 9 August 2015.

The mining licence application process of BCF and GCM was much slower than expected. As at the date of this report, the Group is still waiting for the approval of the master planning (總體規劃) of both BCF and 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 BCF and GCM.

## Fruit plantation

Multijoy Developments Limited, 28% equity interest of which was acquired by the Company, 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 segment profit of fruit plantation business for the Period is approximately HK\$3.0 million (2014: Nil).

## Leisure

On 23 April 2015, the Group completed the acquisition of 20% equity interest in Eagle Praise Limited (together with its subsidiary, the "**Eagle Praise Group**") at a total consideration of HK\$125 million satisfied by the issuance of 150,000,000 new ordinary shares at an issue price of HK\$0.22 per share and the promissory notes in the aggregate principal amount of HK\$92,000,000 of the Company to Unicorn Sino Limited ("**Unicorn Sino**"). A side letter was signed on 4 August 2015 in relation to the extension of the milestone time limit to 3 December 2015 (or such later date as the parties to the sale and purchase agreement may agree in writing).

The Eagle Praise Group is principally engaged in the business of designing, developing and selling tourism and travel related products in the PRC.

For details, please refer to the Company's announcements dated 3 February 2015, 12 February 2015, 6 March 2015, 1 April 2015, 16 April 2015, 23 April 2015, 4 August 2015 and 28 August 2015.

## Culture

On 27 March 2015, the Group entered into an assets purchase agreement (the “**Assets Purchase Agreement**”) with Jingdezhen Jing Dong Ceramic Group Co., Ltd, an independent third party, regarding certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a consideration of HK\$38.0 million, which would be satisfied by the issue of two series of the Company’s promissory notes namely, the promissory note A and promissory note B, in the aggregate principal amount of HK\$6.5 million and HK\$31.5 million, respectively. Completion of the Assets Purchase Agreement took place following the execution of the Assets Purchase Agreement on 27 March 2015. The Company has repaid the promissory note A in the principal amount of HK\$6.5 million by payment in cash on 12 June 2015. The promissory note B is due by 27 March 2016.

For details, please refer to the Company’s announcements dated 27 March 2015 and 12 June 2015.

## Selling and Distribution Costs

Selling and distribution costs for the Period increased by approximately 13.7% to approximately HK\$15.8 million as compared to approximately HK\$13.9 million in the same period last year. The increase was mainly attributable to an increase in the salaries and commissions of sales staff of approximately HK\$2.0 million during the Period.

## Administrative Expenses

Administrative expenses for the Period increased by approximately 59.5% to approximately HK\$42.1 million as compared to approximately HK\$26.4 million in the same period last year. The increase was mainly attributable to an increase in staff costs of approximately HK\$5.4 million, rental expenses of approximately HK\$3.4 million and legal and professional fee of approximately HK\$3.7 million during the Period.

## Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in the PRC. As at 30 June 2015, the Group had bank and cash balances of approximately HK\$12.4 million (31 December 2014: HK\$20.1 million). The Group’s bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2015, the Group’s borrowings amounted to approximately HK\$69.6 million (31 December 2014: HK\$63.8 million). The Group’s borrowings were mainly denominated in Hong Kong dollars and Renminbi, of which approximately 79.7% (31 December 2014: 40.5%) bore interest at fixed lending rate.

The gearing ratio of the Group calculated as the Group’s borrowings, which included its borrowings and promissory notes but excluded its convertible bonds, less bank and cash balances over its total equity was approximately 55.7% as at 30 June 2015 (31 December 2014: 14.9%).

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. As such, the Group had not used any financial instruments for hedging during the Period.

As at 30 June 2015, certain property, plant and equipment, prepaid land lease payments and investment properties held by the Group with aggregate carrying values of approximately HK\$49.4 million (31 December 2014: HK\$68.2 million) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2015, the Group did not have any capital commitments (31 December 2014: Nil).

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

## Business Prospects and Future Plan

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. This is evidenced by (a) the acquisition of the fruit plantation related business (completed on 17 September 2014); (b) the acquisition of art and cultural related assets (completed on 27 March 2015); (c) the acquisition of the PRC outbound travelling to Samoa related business (completed on 23 April 2015); (d) the acquisition of the property sale business in the PRC (completed on 7 August 2015); and (e) the entering into of a memorandum of understanding in relation to the possible acquisition of wine related business in the PRC.

# MANAGEMENT DISCUSSION AND ANALYSIS

On 13 June 2015, the Group, as the main organizer and key investor, has successfully held a concert with the theme “What a Wonderful World” for the Hong Kong famous pop-star singer Mr. Sam Hui. The concert was held in Shenzhen City, Guangdong Province, the PRC with more than 8,000 audience attended. With such experience, the Group has been exploring entertainment related businesses.

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

On 18 March 2014, the Company entered into a conditional placing and subscription agreement (the “**2014 First Placing and Subscription Agreement**”) with the placing agent and the subscribers (being Legend Win Profits Limited and Grand Field Capital Investments Limited, the then substantial shareholders of the Company, collectively, the “**Subscribers**”) for the placing of up to an aggregate of 135,000,000 existing Shares of HK\$0.10 each to Mr. Lin Ruiping (as placee), an independent third party, at the placing price of HK\$0.175 per Share and the subscription of up to 135,000,000 new Shares by the Subscribers at the subscription price of HK\$0.175 per Share (the “**2014 First Placing**”). Such placing price and/or the subscription price of HK\$0.175 per Share represented a discount of approximately 16.67% to the closing price of HK\$0.210 per Share as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 March 2014, being the date of the 2014 First Placing and Subscription Agreement. The 2014 First Placing was completed on 31 March 2014. The net proceeds of the 2014 First Placing were approximately HK\$23.1 million and the net price per placing Share was approximately HK\$0.170. Approximately HK\$1.8 million of the net proceeds has been used as the Group’s general working capital to repay the Group’s borrowings and the remaining balance of approximately HK\$21.3 million has been used as the Group’s general working capital (including the staff cost, rental expense, legal and professional fee and audit fee) as intended. After taking into account various ways of raising funds to develop the Group’s businesses, the Directors considered that the 2014 First Placing represented a suitable opportunity to raise capital for the Company and enlarge the equity and Shareholder base of the Company. For further details of the 2014 First Placing, please refer to the announcement of the Company dated 18 March 2014.

On 28 April 2014, the Company entered into a conditional placing and subscription agreement (the “**2014 Second Placing and Subscription Agreement**”) with the placing agent and the subscriber (being Legend Win Profits Limited, the then substantial shareholder of the Company, the “**Subscriber**”) for the placing of up to an aggregate of 75,600,000 existing Shares of HK\$0.10 each to Qiu Hong (as placee), an independent third party, at the placing price of HK\$0.160 per Share and the subscription of up to 75,600,000 new Shares by the Subscriber at the subscription price of HK\$0.160 per Share (the “**2014 Second Placing**”). Such placing price and/or the subscription price of HK\$0.160 per Share represented a discount of approximately 13.98% to the closing price of HK\$0.186 per Share as quoted on the Stock Exchange on 28 April 2014, being the date of the 2014 Second Placing and Subscription Agreement. The 2014 Second Placing was completed on 9 May 2014. The net proceeds of the 2014 Second Placing were approximately HK\$11.8 million and the net price per placing Share was approximately HK\$0.156. The net proceeds of approximately HK\$11.8 million has been used as the Group’s general working capital (including the staff cost, rental expense and legal and professional fee) as intended. After taking into account various ways of raising funds to develop the Group’s businesses, the Directors considered that the 2014 Second Placing represented a suitable opportunity to raise capital for the Company and enlarge the equity and Shareholder base of the Company. For further details of the 2014 Second Placing, please refer to the announcement of the Company dated 28 April 2014.



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On 22 September 2014, the Company entered into a conditional placing and subscription agreement (the “**2014 Third Placing and Subscription Agreement**”) with the placing agent and the subscriber (being Legend Win Profits Limited) for the placing of up to an aggregate of 63,600,000 existing Shares of HK\$0.10 each to not less than six independent placees at the placing price of HK\$0.475 per Share and the subscription of up to 63,600,000 new Shares by the subscriber at the subscription price of HK\$0.475 per Share (the “**2014 Third Placing**”). Such placing price and/or the subscription price of HK\$0.475 per Share represented a discount of approximately 19.49% to the closing price of HK\$0.590 per Share as quoted on the Stock Exchange on 19 September 2014, being the trading day prior to the date of the 2014 Third Placing and Subscription Agreement. The 2014 Third Placing was completed on 3 October 2014. The net proceeds of the 2014 Third Placing were approximately HK\$29.0 million and the net price per placing Share was approximately HK\$0.456. Approximately HK\$12.6 million of the net proceeds has been used as the Group’s general working capital to repay the Group’s borrowings and the remaining balance of approximately HK\$16.4 million has been used as the Group’s general working capital (including the staff cost, rental expense and legal and professional fee) as intended. After taking into account various ways of raising funds to develop the Group’s businesses, the Directors considered that the 2014 Third Placing represented a suitable opportunity to raise capital for the Company and enlarge the equity and Shareholder base of the Company. For further details of the 2014 Third Placing, please refer to the announcement of the Company dated 22 September 2014.

As at 30 June 2015, the capital structure of the Company was constituted of 2,895,577,599 ordinary shares of HK\$0.10 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the convertible bonds and share options to subscribe for the Company’s shares.

On 21 April 2015, the Company and its placing agent entered into a conditional placing and subscription agreement in respect of the placement of 67,200,000 ordinary shares of HK\$0.10 each of the Company to not less than six placees at the placing price of HK\$0.174 per share. The placement and subscription of 67,200,000 ordinary shares of HK\$0.10 each of the Company was completed on 4 May 2015. The net proceeds (after deducting the placing agent commission and other expenses incurred) was approximately HK\$11.0 million. For details, please refer to the Company’s announcement dated 21 April 2015.

At 30 June 2015, 128,546,000 (31 December 2014: 157,146,120) share options and 100,000,000 (31 December 2014: 200,000,000) conversion shares remained outstanding.

#### **Employment, Training and Development**

As at 30 June 2015, the Group had a total of 679 employees (31 December 2014: 564 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.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance. During the Period, 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” of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

## DIRECTORS’S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the Period.

## AUDIT COMMITTEE

The audit committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The audit committee of the Company comprises Mr. Lam Siu Lun, Simon, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning, the independent non-executive directors of the Company. The audit committee has reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Group for the six months ended 30 June 2015.

## CHANGE OF DIRECTORS

Mr. Cheung Kai Fung has retired at the annual general meeting of the Company held on 1 June 2015 (the “**AGM**”) and did not offer himself for re-election as the executive director of the Company and remains as the chief financial officer and the company secretary of the Company.

Mr. Zhang Xianmin has retired at the AGM and did not offer himself for re-election as the independent non-executive director of the Company due to his intention to achieve his other personal goal. Mr. Zhang also ceased to be the member of audit committee, remuneration committee and nomination committee of the Company with effect from 1 June 2015.

In replacement of Mr. Cheung Kai Fung and Mr. Zhang Xianmin, Mr. Mtafi, Rachid Rene and Mr. Yip Kong Nam has been appointed as executive directors and Mr. Wang Xiao Ning has been appointed as an independent non-executive director at the AGM. Mr. Wang has also been appointed as a member of audit committee, remuneration committee and nomination committee of the Company with effect from 1 June 2015.

For more details, please refer to the Company’s announcement dated 1 June 2015.

## CHANGE IN INFORMATION OF THE DIRECTORS

The director’s emolument (including any sum receivable as director’s fee or remuneration) per month of Mr. Hui Kee Fung and Mr. Yu Won Kong, Dennis has been renewed to HK\$220,000 and HK\$350,000 with effect on 1 January 2015. Save as disclosed above, there is no other change in information of the directors of the Company to be disclosed pursuant to Rule 13.51(B) of the Listing Rules subsequent to the date of the 2014 annual report of the Company (the “**Annual Report**”) and up to the date of this report.

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2015, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to

Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

### Long position in the shares of the Company

Name of director	Number of shares or underlying shares held	Capacity			Approximate percentage of shareholding
		Interest of controlled corporation	Interest of child under 18 or spouse	Beneficial owner	
Hui Kee Fung (Note)	158,500,000	153,500,000	–	5,000,000	5.47%
Yu Won Kong, Dennis	108,107,364	–	2,900,000	105,207,364	3.73%
Long Tien Ian	14,000,000	–	–	14,000,000	0.48%

Note: The shares are held by Legend Win Profits Limited. Legend Win Profits Limited is a company incorporated in the British Virgin Islands. The issued share capital of Legend Win Profits Limited is beneficially owned by Hui Kee Fung and Hui's K. K. Foundation Limited as to 38.95% and 5.26%, respectively. Hui's K. K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital. Hui Kee Fung is a registered member and director of Hui's K. K. Foundation Limited.

Save as disclosed above, as at 30 June 2015, none of the directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' Interests in Shares" above and "Share Option Scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2015, the persons or companies (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

### Long position in the shares of the Company

Name of shareholders	Number of shares or underlying shares held/ approximate shareholding	Capacity		
		Beneficial owner	Interest of child under 18 or spouse	Interest of controlled corporation
Buer Gude (Note 1)	646,666,666 22.33%	–	–	646,666,666
Delight Grace Limited (Note 1)	646,666,666 22.33%	646,666,666	–	–
Legend Win Profits Limited (Note 2)	153,500,000 5.30%	153,500,000	–	–
Wei Xin Jie (Note 3)	150,000,000 5.18%	–	–	150,000,000
Unicorn Sino Limited (Note 3)	150,000,000 5.18%	150,000,000	–	–

#### Notes:

1. *Delight Grace Limited, a company incorporated in the BVI with limited liability, the entire equity interest of which is wholly-owned by Mr. Buer as at the date of this report.*
2. *Details of Legend Win Profits Limited are disclosed in the paragraph headed "Directors' Interests in Shares" of this report.*
3. *The shares of Unicorn Sino Limited are held by Ms. Wei Xin Jie, City Tycoon Limited, Brave Wisdom Limited and Digital Unicorn Limited as to 50%, 20%, 20% and 10%, respectively. City Tycoon Limited, Brave Wisdom Limited and Digital Unicorn Limited are companies incorporated in Samoa. All the three companies are 100% beneficially owned by Ms. Wei Xin Jie.*

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having interests in 5% or more of the issued share capital of the Company as at 30 June 2015.

## SHARE OPTION SCHEME

The Company operates two share option schemes, namely the 2012 Share Option Scheme and the 2013 Share Option Scheme (collectively, the "Share Option Schemes") for the purpose of providing incentives and rewards to eligible participants who are invited at directors' discretion. The 2012 Share Option Scheme became effective on 28 May 2002 and was expired on 27 May 2012. Notwithstanding the expiration of the 2012 Share Option Scheme, its provisions would remain in force in all respects with respect to the outstanding share options granted under the 2012 Share Option Scheme.

The 2012 Share Option Scheme has expired on 27 May 2012. Therefore, no further options will be granted under the 2012 Share Option Scheme upon the expiry of the 2012 Share Option Scheme. As at 31 March 2015, being the date of the Annual Report, there were a total of 9,546,120 outstanding options entitling the holders thereof to subscribe for up to an aggregate of 9,546,120 shares of the Company (the "Share(s)") under the 2012 Share Option Scheme, representing approximately 0.35% of the then issued share capital of the Company.



Due to the expiry of the 2012 Share Option Scheme, the Company adopted the 2013 Share Option Scheme which became effective on 31 May 2013 and will expire on 30 May 2023 with a scheme life of ten years. As at 31 March 2015, being the date of the Annual Report, the total number of Share available for issue under the 2013 Share Option Scheme is 251,837,759 Shares, representing approximately 9.28% of the then issued share capital of the Company.

Eligible participants, including executive directors, non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the

development of the Group are invited to take up options to subscribe for the shares. The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares on the date of the offer; (ii) the average closing price of the shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share on the date of offer.

The following table discloses movements in the outstanding share options granted under the Shares Option Schemes during the Period:

Grantee	Date of grant	Number of share options				Outstanding at 30 June 2015	Exercise price HK\$	Exercise Period
		Outstanding at 1 January 2015	Cancelled during the Period	Lapsed during the Period	Reclassification			
<b>(Executive directors)</b>								
Yu Won Kong, Dennis	29 March 2012	5,900,000	-	(5,900,000)	-	-	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	5,900,000	-	(5,900,000)	-	-	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	2,200,000	-	-	-	2,200,000	0.4000	1 September 2014 to 31 August 2019
Hui Kee Fung	29 March 2012	1,200,000	-	(1,200,000)	-	-	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	1,200,000	-	(1,200,000)	-	-	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	5,000,000	-	-	-	5,000,000	0.4000	1 September 2014 to 31 August 2019
Cheung Kai Fung (retired on 1 June 2015)	29 March 2012	900,000	-	(900,000)	-	-	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	900,000	-	(900,000)	-	-	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	3,000,000	-	-	(3,000,000)	-	0.4000	1 September 2014 to 31 August 2019
Long Tien lan	1 September 2014	4,700,000	-	-	-	4,700,000	0.4000	1 September 2015 to 31 August 2019
	1 September 2014	4,700,000	-	-	-	4,700,000	0.4000	1 September 2016 to 31 August 2019
	1 September 2014	4,600,000	-	-	-	4,600,000	0.4000	1 September 2017 to 31 August 2019
<b>(Independent non-executive directors)</b>								
Lam Siu Lun, Simon	29 March 2012	900,000	-	(900,000)	-	-	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	900,000	-	(900,000)	-	-	0.3865	29 March 2012 to 28 March 2015
Zhang Xianmin (retired on 1 June 2015)	29 March 2012	900,000	-	(900,000)	-	-	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	900,000	-	(900,000)	-	-	0.3865	29 March 2012 to 28 March 2015
Employees	19 June 2006	8,886,120	(120)	-	-	8,886,000	0.5080	1 January 2007 to 18 June 2016
	5 July 2007	660,000	-	-	-	660,000	3.7000	1 July 2008 to 18 June 2016
	29 March 2012	4,000,000	-	(4,000,000)	-	-	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	5,000,000	-	(5,000,000)	-	-	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	94,800,000	-	-	3,000,000	97,800,000	0.4000	1 September 2014 to 31 August 2019
<b>Total</b>		<b>157,146,120</b>	<b>(120)</b>	<b>(28,600,000)</b>	<b>-</b>	<b>128,546,000</b>		

# CORPORATE GOVERNANCE AND OTHER INFORMATION

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## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the Period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities.

## **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.

By Order of the Board

**Kiu Hung International Holdings Limited**

**Hui Kee Fung**

*Chairman*

Hong Kong, 31 August 2015

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Turnover</b>	5	<b>99,667</b>	70,259
Cost of sales		<b>(64,979)</b>	(47,030)
<b>Gross profit</b>		<b>34,688</b>	23,229
Other income		<b>825</b>	711
Selling and distribution costs		<b>(15,793)</b>	(13,938)
Administrative expenses		<b>(42,059)</b>	(26,408)
<b>Operating loss</b>		<b>(22,339)</b>	(16,406)
Finance costs		<b>(3,854)</b>	(4,392)
		<b>(26,193)</b>	(20,798)
Share of result of associates		<b>1,388</b>	–
<b>Loss before income tax</b>		<b>(24,805)</b>	(20,798)
Income tax (expense)/credit	6	<b>(777)</b>	1,440
<b>Loss for the period</b>	7	<b>(25,582)</b>	(19,358)
<b>(Loss)/profit attributable to:</b>			
– equity holders of the Company		<b>(26,188)</b>	(20,159)
– non-controlling interests		<b>606</b>	801
		<b>(25,582)</b>	(19,358)
		<b>HK cents</b>	HK cents
<b>Loss per share attributable to the equity holders of the Company</b>			
– basic and diluted	9	<b>(0.96)</b>	(1.55)

The notes on pages 19 to 28 form an integral part of these condensed consolidated interim financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	<b>Six months ended 30 June</b>	
	<b>2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2014 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(25,582)</b>	(19,358)
<b>Other comprehensive income:</b>		
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Surplus on revaluation of properties	<b>1,389</b>	1,381
Deferred income tax arising on revaluation of properties	<b>444</b>	(824)
<u>Items that may be reclassified to profit or loss:</u>		
Exchange difference arising from translation of foreign operations	<b>40</b>	(2,345)
<b>Total comprehensive loss for the period</b>	<b>(23,709)</b>	(21,146)
<b>Total comprehensive (loss)/income attributable to:</b>		
— equity holders of the Company	<b>(24,315)</b>	(21,947)
— non-controlling interests	<b>606</b>	801
	<b>(23,709)</b>	(21,146)

The notes on pages 19 to 28 form an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	65,515	66,783
Prepaid land lease payments		4,468	4,526
Investment properties		10,829	10,100
Exploration and evaluation assets	11	147,861	147,805
Other intangible asset		1,053	1,059
Investment in associates		269,277	143,339
Deferred income tax assets		348	377
Rental deposits		2,748	2,824
		<b>502,099</b>	376,813
<b>Current assets</b>			
Inventories		60,050	15,640
Trade and bills receivables	12	34,918	33,513
Prepayments, deposits and other receivables		14,197	15,071
Income tax recoverable		937	613
Bank and cash balances		12,373	20,127
		<b>122,475</b>	84,964
<b>Total assets</b>		<b>624,574</b>	461,777
<b>Current liabilities</b>			
Trade payables	13	25,420	17,119
Accruals and other payables		40,119	37,185
Income tax payable		726	393
Borrowings		69,642	63,846
Promissory notes		123,500	–
		<b>259,407</b>	118,543

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
<b>Net current liabilities</b>		<b>(136,932)</b>	(33,579)
<b>Total assets less current liabilities</b>		<b>365,167</b>	343,234
<b>Non-current liabilities</b>			
Convertible bonds		<b>10,887</b>	20,207
Deferred income tax liabilities		<b>29,709</b>	29,836
		<b>40,596</b>	50,043
<b>Net assets</b>		<b>324,571</b>	293,191
<b>Equity</b>			
Share capital	14	<b>289,558</b>	257,838
Reserves		<b>25,390</b>	26,336
<b>Equity attributable to equity holders of the Company</b>		<b>314,948</b>	284,174
Non-controlling interests		<b>9,623</b>	9,017
<b>Total equity</b>		<b>324,571</b>	293,191

The notes on pages 19 to 28 form an integral part of these condensed consolidated interim financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital	Share premium	Statutory reserve	Contributed surplus	Foreign currency translation reserve	Share-based payment reserve	Property revaluation reserve	Convertible bonds equity reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2014	119,386	984,947	4,371	303	104,311	7,393	39,002	-	(1,128,338)	131,375	8,083	139,458
Total comprehensive (loss)/income for the period	-	-	-	-	(2,345)	-	557	-	(20,159)	(21,947)	801	(21,146)
Issue of shares on placement	21,060	13,996	-	-	-	-	-	-	-	35,056	-	35,056
Transfer to reserve	-	-	23	-	-	-	-	-	(23)	-	-	-
At 30 June 2014	140,446	998,943	4,394	303	101,966	7,393	39,559	-	(1,148,520)	144,484	8,884	153,368
At 1 January 2015	<b>257,838</b>	<b>1,422,969</b>	<b>4,394</b>	<b>303</b>	<b>103,774</b>	<b>21,363</b>	<b>38,919</b>	<b>72,581</b>	<b>(1,637,967)</b>	<b>284,174</b>	<b>9,017</b>	<b>293,191</b>
Total comprehensive income/(loss) for the period	-	-	-	-	40	-	1,833	-	(26,188)	(24,315)	606	(23,709)
Issue of shares on placements	6,720	4,668	-	-	-	-	-	-	-	11,388	-	11,388
Issued of shares upon conversion of convertible bonds	10,000	36,808	-	-	-	-	-	(36,291)	-	10,517	-	10,517
Issue of consideration shares	15,000	17,550	-	-	-	-	-	-	-	32,550	-	32,550
Recognition of share-based payment	-	-	-	-	-	634	-	-	-	634	-	634
Release on forfeiture of share options	-	-	-	-	-	(2,736)	-	-	2,736	-	-	-
Transfer to reserve	-	-	94	-	-	-	-	-	(94)	-	-	-
At 30 June 2015	<b>289,558</b>	<b>1,481,995</b>	<b>4,488</b>	<b>303</b>	<b>103,814</b>	<b>19,261</b>	<b>40,752</b>	<b>36,290</b>	<b>(1,661,513)</b>	<b>314,948</b>	<b>9,623</b>	<b>324,571</b>

The notes on pages 19 to 28 form an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	<b>Six months ended 30 June</b>	
	<b>2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2014 (Unaudited) HK\$'000
Net cash outflow from operating activities	<b>(13,844)</b>	(37,621)
Net cash outflow from investing activities	<b>(3,034)</b>	(2,400)
Net cash inflow from financing activities	<b>9,136</b>	39,761
Net decrease in cash and cash equivalents	<b>(7,742)</b>	(260)
Cash and cash equivalents at 1 January	<b>20,127</b>	18,603
Effect of foreign exchange rate changes	<b>(12)</b>	708
Cash and cash equivalents at 30 June	<b>12,373</b>	19,051

The notes on pages 19 to 28 form an integral part of these condensed consolidated interim financial statements.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 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 20/F., Hong Kong Diamond Exchange Building, 8–10 Duddell Street, Central, 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.

These unaudited condensed consolidated interim financial statements are presented in thousands of units of HK dollars (HK\$'000), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved by the Board for issue on 31 August 2015.

## 2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

### Going Concern

At 30 June 2015, the Group's current liabilities exceeded its current assets by approximately HK\$136,932,000 and the Group recorded a loss of approximately HK\$25,582,000 and a net operating cash outflow of approximately HK\$13,844,000 during the period ended 30 June 2015. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able 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.

Taking into account the above-mentioned measures, the opinion of the directors of the Company with respect to sufficiency of the working capital of the Group remains as stated in the 2014 annual report dated 31 March 2015. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 2 BASIS OF PREPARATION *(Continued)*

Our ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to our future operating performance, market conditions, our ability to issue new shares to fund current and prospective operating and investing activities and other factors, many of which are beyond our control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet our needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then we may not be able to repay our borrowings, particularly our short-term borrowings, upon maturity. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The unaudited condensed consolidated interim financial statements do not include any of these adjustments.

## 3 ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the financial year ended 31 December 2014, except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2015. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group and has no material impact on the Group. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

## 5 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 fruit plantation related business through an associate of the Group

Leisure — Investment in PRC outbound tourism related business through an associate 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 has 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.

## 5 SEGMENT INFORMATION *(Continued)*

(a) Information about reportable segment revenue, results, total assets and total liabilities:

	<b>Exploration</b>	<b>Toys and gifts items</b>	<b>Fruit plantation</b>	<b>Leisure</b>	<b>Culture</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2015 (unaudited):						
Revenue from external customers	–	99,667	–	–	–	99,667
Segment (loss)/profit	(334)	(1,925)	2,969	(1,830)	(296)	(1,416)
Six months ended 30 June 2014 (unaudited):						
Revenue from external customers	–	70,259	–	–	–	70,259
Segment loss	(1,534)	(7,373)	–	–	–	(8,907)
Total assets:						
30 June 2015 (unaudited)	148,296	157,885	144,821	124,496	38,000	613,498
31 December 2014 (audited)	148,555	156,985	143,339	–	–	448,879
Total liabilities:						
30 June 2015 (unaudited)	(19,673)	(106,028)	–	–	–	(125,701)
31 December 2014 (audited)	(19,665)	(105,064)	–	–	–	(124,729)

(b) Reconciliation of reportable segment results and total assets:

	<b>Six months ended 30 June</b>	
	<b>2015 (Unaudited) HK\$'000</b>	2014 (Unaudited) HK\$'000
<b>Reconciliation of segment results:</b>		
Total loss of reportable segments	<b>(1,416)</b>	(8,907)
Unallocated amounts:		
Corporate finance costs	<b>(2,996)</b>	(2,502)
Other corporate income and expenses	<b>(21,170)</b>	(7,949)
Loss for the period	<b>(25,582)</b>	(19,358)

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 5 SEGMENT INFORMATION *(Continued)*

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
<b>Reconciliation of segment assets:</b>		
Total assets of reportable segments	<b>613,498</b>	448,879
Unallocated corporate assets:		
Current assets	<b>11,076</b>	12,898
Total assets	<b>624,574</b>	461,777

## 6 INCOME TAX EXPENSE/(CREDIT)

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2014: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

	<b>Six months ended 30 June</b>	
	<b>2015 (Unaudited) HK\$'000</b>	2014 (Unaudited) HK\$'000
Current tax:		
— Hong Kong	<b>66</b>	(95)
— The PRC	<b>373</b>	282
Total current tax	<b>439</b>	187
Deferred income tax	<b>338</b>	(1,627)
Income tax expense/(credit)	<b>777</b>	(1,440)

## 7 LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging:

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	4,444	2,678
Amortisation of prepaid land lease payments	60	60
Amortisation of license rights	6	6
Staff costs (including directors' emoluments):		
Wages and salaries	28,418	21,617
Retirement benefits scheme contributions	896	878
Share-based payment expenses	634	–
Interest expenses on borrowings wholly repayable within 5 years	2,656	4,392

## 8 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2014: Nil).

## 9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the period of approximately HK\$26,188,000 (2014: HK\$20,159,000) and the weighted average of 2,725,847,479 (2014: 1,298,323,934) ordinary shares in issue during the period.

For the six months ended 30 June 2015 and 30 June 2014, the average market price of the Company's ordinary shares was below the exercise price of the outstanding share options. Accordingly, the weighted average number of ordinary share was not adjusted to compute the diluted loss per share for the effect of the share options.

As the Group has incurred a loss for the period ended 30 June 2015, the conversion of all potential ordinary shares arising from the convertible bonds would have an anti-dilutive effect on the loss per share. Accordingly, the weighted average number of ordinary shares was not adjusted to compute the diluted loss per share for the effect of the convertible bonds.

## 10 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK\$3,037,000 (2014: HK\$2,409,000).

## 11 EXPLORATION AND EVALUATION ASSETS

During the reporting period, exchange gain of approximately HK\$56,000 has been recognised as a result of the translation of foreign operations in the PRC (2014: exchange loss of HK\$2,383,000).

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 12 TRADE AND BILLS RECEIVABLES

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
Trade receivables	<b>34,918</b>	30,943
Bills receivables	–	2,570
	<b>34,918</b>	33,513

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.

At 30 June 2015 and 31 December 2014, the ageing analysis of trade receivables based on invoice date, net of provision, were as follows:

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
Within 30 days	<b>25,112</b>	16,102
31 days to 90 days	<b>5,104</b>	10,424
91 days to 180 days	<b>4,174</b>	4,295
181 days to 360 days	<b>468</b>	122
Over 360 days	<b>60</b>	–
	<b>34,918</b>	30,943



### 13 TRADE PAYABLES

At 30 June 2015 and 31 December 2014, the ageing analysis of trade payables based on invoice date were as follows:

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
Within 30 days	<b>21,075</b>	11,015
31 days to 90 days	<b>1,309</b>	3,429
91 days to 180 days	<b>978</b>	623
181 days to 360 days	<b>189</b>	284
Over 360 days	<b>1,869</b>	1,768
	<b>25,420</b>	17,119

### 14 SHARE CAPITAL

	Number of shares		Ordinary share capital	
	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited)	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
<i>Notes</i>				
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 each	<b>4,000,000,000</b>	4,000,000,000	<b>400,000</b>	400,000
<b>Issued and fully paid:</b>				
At beginning of period/year	<b>2,578,377,599</b>	1,193,860,934	<b>257,838</b>	119,386
Issue of shares				
— on placement (a)	<b>67,200,000</b>	274,200,000	<b>6,720</b>	27,420
— upon exercise of share options	—	3,650,000	—	365
— upon conversion of convertible bonds (b)	<b>100,000,000</b>	706,666,665	<b>10,000</b>	70,667
— upon completion of the acquisition (c)	<b>150,000,000</b>	400,000,000	<b>15,000</b>	40,000
At end of period/year	<b>2,895,577,599</b>	2,578,377,599	<b>289,558</b>	257,838

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 14 SHARE CAPITAL (Continued)

Notes:

- (a) On 21 April 2015, the Company and its placing agent entered into a conditional placing and subscription agreement in respect of the placement of 67,200,000 ordinary shares of HK\$0.10 each of the Company to not less than six placees at the placing price of HK\$0.174 per share. The placement and subscription of 67,200,000 ordinary shares of HK\$0.10 each of the Company was completed on 4 May 2015. The premium on the issue of these shares amounting to approximately HK\$4,668,000 in aggregate (after deducting placing expenses) was credited to the Company's share premium account for the period ended 30 June 2015.
- (b) During the period ended 30 June 2015, the Company issued 100,000,000 ordinary shares of HK\$0.10 each in relation to the conversion of the convertible bonds at the conversion price of HK\$0.15 per share. The relevant portion of convertible bonds equity reserve in relation to the conversion of the convertible bonds during the period ended 30 June 2015 of approximately HK\$36,291,000 was transferred to the Company's share capital and share premium account for the period ended 30 June 2015.
- (c) On 3 March 2015 and 23 April 2015, pursuant to the acquisition of 20% equity interest in Eagle Praise Limited, the Company issued 75,000,000 ordinary shares of HK\$0.10 each to Unicorn Sino Limited with an issue price of HK\$0.22 per share, respectively. The premium on the issue of these shares amounting to HK\$17,550,000 in aggregate was credited to the Company's share premium account for the period ended 30 June 2015.
- (d) All new ordinary shares issued during the reporting period rank *pari passu* in all respects with the existing shares of the Company.

## 15 RELATED PARTY TRANSACTIONS

	Note	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Product development, sale and marketing services fee paid to a related company	(a)	832	963

Note:

- (a) The sole owner of the related company is also the director and beneficial owner of 49% (2014: 49%) equity interest in the Company's subsidiary paying for the services.

## 16 CAPITAL COMMITMENTS

The Group did not have any capital commitments at the end of the reporting period (2014: HK\$Nil).

## 17. EVENTS AFTER THE REPORTING PERIOD

### (i) Acquisition of a property sale business

On 20 July 2015, the Company entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Mr. Lin Xiong (林雄, the “**Vendor**”), an independent third party and the ultimate sole beneficial owner of the Shun Jun Ventures Limited (the “**Target Company**”), regarding the Company’s acquisition of the entire equity interest of the Target Company. The Target Company will be engaged in the property sale business in the PRC.

The total consideration of this acquisition of maximum HK\$117,349,155 or minimum HK\$112,349,155 (as the case may be) will be satisfied by the issue of the convertible bonds.

In accordance with the Sale and Purchase Agreement, Wise Park Limited (“**Wise Park**”), a wholly-owned subsidiary of the Company, was nominated by the Company to acquire the entire issued share capital of the Target Company. On 7 August 2015, the Company has issued the convertible bonds as consideration in the principal amount of HK\$112,349,155 to the Vendor. The conversion price is HK\$0.225 per share for the maximum of 499,329,577 ordinary shares of HK\$0.10 each of the Company to be issued upon full conversion of the convertible bonds. The acquisition was completed on the same day, and as a result, the Target Company becomes an indirect wholly-owned subsidiary of the Company.

The Company may issue further convertible bonds of the maximum principal amount of HK\$5,000,000 at the conversion price of HK\$0.225 per share under certain circumstances in accordance with the terms of the Sale and Purchase Agreement and subject to the granting of approval by the Stock Exchange for the listing of, and the permission to deal in, the shares of the Company which the convertible bonds may be converted into.

For details, please refer to the Company’s announcements dated 20 July 2015, 30 July 2015 and 7 August 2015.

### (ii) Acquisition of a PRC outbound tourism business

Reference is made to the sale and purchase agreement dated 3 February 2015 entered into among the Company, Kiu Hung Leisure Holidays Company Limited (“**KH Leisure**”), a wholly owned subsidiary of the Company, Unicorn Sino Limited (“**Unicorn Sino**”) and Ms. Wei Xin Jie (魏欣捷), an independent third party and the ultimate sole beneficial owner of Unicorn Sino, regarding KH Leisure’s acquisition of 20% equity interests of Eagle Praise Limited (the “**Acquisition**”) and the completion of the Acquisition. A side letter was signed on 4 August 2015 to extend the milestone time limit to 3 December 2015 (or such later date as the parties to the sale and purchase agreement may agree in writing).

For details of the Acquisition, please refer to the Company’s announcements dated 3 February 2015, 12 February 2015, 6 March 2015, 1 April 2015, 16 April 2015 and 23 April 2015. For details of the extension of the milestone time limit, please refer to the Company’s announcement dated 4 August 2015 and 28 August 2015.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 17. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

### (iii) **MOU in relation to an acquisition of wine business in PRC**

With reference to the memorandum of understanding (the “**MOU**”) dated 16 October 2014 entered into between Kiu Hung Health Food Company Limited (“**KH Health Food**”), a wholly owned subsidiary of the Company, and Rising Fortune Group Limited, an independent third party, regarding an acquisition of certain equity interests of a target company (the “**Possible Acquisition**”), on 15 July 2015 and 14 August 2015, in order to allow additional time for KH Health Food to conduct due diligence review relating to the target company and its subsidiaries (the “**Target Group**”) and for the parties’ further negotiation of the terms of the Possible Acquisition, the parties to the MOU entered into the fifth and sixth supplemental letter to the MOU respectively to extend the expiry date of the exclusivity period to 15 September 2015.

The Target Group is principally engaged in wine business in the PRC with principal assets of inventories, machineries and equipments.

The acquisition may or may not materialise and is subject to the execution and completion of a formal sales and purchase agreement.

For details, please refer to the Company’s announcements dated 16 October 2014, 13 January 2015, 12 April 2015, 15 May 2015, 15 June 2015, 15 July 2015 and 14 August 2015.