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## 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)

### FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The Board (the “**Board**”) of Directors (the “**Directors**”) of Kiu Hung International Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2015 as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Turnover</b>	4	223,313	229,022
Cost of sales		(143,645)	(155,446)
<b>Gross profit</b>		79,668	73,576
Other income	4	7,645	1,810
Selling and distribution costs		(36,575)	(33,060)
Administrative expenses		(119,195)	(81,329)
Other gains/(losses), net	7	1,515	(1,158)
<b>Operating loss</b>		(66,942)	(40,161)
Finance costs	5	(14,683)	(11,022)
		(81,625)	(51,183)
Provision for impairment of investment in an associate	11	–	(453,886)
Share of result of associates/an associate	11	(3,769)	(3,896)
<b>Loss before income tax</b>		(85,394)	(508,965)
Income tax (expense)/credit	6	(1,858)	293
<b>Loss for the year</b>	7	(87,252)	(508,672)

	<i>Note</i>	<b>2015</b> <b><i>HK\$'000</i></b>	2014 <i>HK\$'000</i>
<b>(Loss)/profit attributable to:</b>			
– equity holders of the Company		<b>(89,665)</b>	(509,606)
– non-controlling interests		<u><b>2,413</b></u>	<u>934</u>
		<u><b>(87,252)</b></u>	<u>(508,672)</u>
		<b><i>HK cents</i></b>	<i>HK cents</i>
<b>Loss per share attributable to the equity holders of the Company</b>			
Basic and diluted loss per share	<i>8</i>	<u><b>(2.95)</b></u>	<u>(31.58)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Loss for the year</b>	(87,252)	(508,672)
<b>Other comprehensive (loss)/income:</b>		
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Surplus on revaluation of properties	3,047	176
Deferred income tax expense arising on revaluation of properties	(562)	(259)
<u>Items that may be reclassified to profit or loss:</u>		
Exchange difference arising from translation of foreign operations	(12,751)	(537)
<b>Other comprehensive loss for the year, net of tax</b>	(10,266)	(620)
<b>Total comprehensive loss for the year</b>	<u>(97,518)</u>	<u>(509,292)</u>
<b>Total comprehensive (loss)/income attributable to:</b>		
– equity holders of the Company	(99,931)	(510,226)
– non-controlling interests	2,413	934
	<u>(97,518)</u>	<u>(509,292)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2015*

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		63,991	66,783
Prepaid land lease payments		4,149	4,526
Investment properties		10,950	10,100
Exploration and evaluation assets	<i>10</i>	139,178	147,805
Other intangible asset		1,047	1,059
Investment in associates/an associate	<i>11</i>	257,499	143,339
Available-for-sale financial asset	<i>12</i>	93,338	–
Deferred income tax assets		308	377
Rental deposits		2,222	2,824
		572,682	376,813
		572,682	376,813
<b>Current assets</b>			
Inventories		51,487	15,640
Trade and bills receivables	<i>13</i>	42,686	33,513
Prepayments, deposits and other receivables	<i>14</i>	126,785	15,071
Income tax recoverable		38	613
Bank and cash balances		13,755	20,127
		234,751	84,964
		234,751	84,964
<b>Total assets</b>		<b>807,433</b>	461,777
<b>Current liabilities</b>			
Trade payables	<i>15</i>	17,330	17,119
Accruals and other payables		51,899	37,185
Income tax payable		579	393
Promissory notes	<i>17</i>	135,527	–
Derivative financial liabilities	<i>18</i>	9,403	–
Obligation under finance leases		832	–
Borrowings		74,062	63,846
		289,632	118,543
		289,632	118,543
<b>Net current liabilities</b>		<b>(54,881)</b>	(33,579)
<b>Total assets less current liabilities</b>		<b>517,801</b>	343,234

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Convertible bonds	<i>16</i>	–	20,207
Promissory notes	<i>17</i>	<b>87,673</b>	–
Deferred income tax liabilities		<b>29,100</b>	29,836
		<u>116,773</u>	<u>50,043</u>
<b>Net assets</b>		<b>401,028</b>	293,191
<b>Equity</b>			
Share capital	<i>21</i>	<b>354,391</b>	257,838
Reserves		<b>35,207</b>	26,336
<b>Equity attributable to equity holders of the Company</b>		<b>389,598</b>	284,174
Non-controlling interests		<b>11,430</b>	9,017
<b>Total equity</b>		<b>401,028</b>	293,191

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus HK\$'000	Contributed surplus HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payment reserve HK\$'000	Property revaluation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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
<b>Total comprehensive (loss)/ income for the year</b>	-	-	-	-	(537)	-	(83)	-	(509,606)	(510,226)	934	(509,292)
<b>Transaction with equity holders</b>												
Issue of shares upon exercise of share options	365	1,387	-	-	-	(422)	-	-	-	1,330	-	1,330
Issue of shares on placements	27,420	37,058	-	-	-	-	-	-	-	64,478	-	64,478
Issue of convertible bonds	-	-	-	-	-	-	-	329,034	-	329,034	-	329,034
Issue of shares upon conversion of convertible bonds	70,667	255,577	-	-	-	-	-	(256,453)	-	69,791	-	69,791
Issue of Consideration Shares	40,000	144,000	-	-	-	-	-	-	-	184,000	-	184,000
Recognition of share-based payment	-	-	-	-	-	14,392	-	-	-	14,392	-	14,392
Transfer to reserve	-	-	23	-	-	-	-	-	(23)	-	-	-
<b>Total transactions with equity holders</b>	<u>138,452</u>	<u>438,022</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>13,970</u>	<u>-</u>	<u>72,581</u>	<u>(23)</u>	<u>663,025</u>	<u>-</u>	<u>663,025</u>
At 31 December 2014	<u>257,838</u>	<u>1,422,969</u>	<u>4,394</u>	<u>303</u>	<u>103,774</u>	<u>21,363</u>	<u>38,919</u>	<u>72,581</u>	<u>(1,637,967)</u>	<u>284,174</u>	<u>9,017</u>	<u>293,191</u>
At 1 January 2015	257,838	1,422,969	4,394	303	103,774	21,363	38,919	72,581	(1,637,967)	284,174	9,017	293,191
<b>Total comprehensive (loss)/ income for the year</b>	-	-	-	-	(12,751)	-	2,485	-	(89,665)	(99,931)	2,413	(97,518)
<b>Transaction with equity holders</b>												
Issue of shares on placements	6,720	4,668	-	-	-	-	-	-	-	11,388	-	11,388
Issue of convertible bonds	-	-	-	-	-	-	-	24,087	-	24,087	-	24,087
Issue of shares upon conversion of convertible bonds	69,933	127,216	-	-	-	-	-	(96,668)	-	100,481	-	100,481
Issue of Consideration Shares	19,900	19,750	-	-	-	-	-	-	-	39,650	-	39,650
Recognition of share-based payment	-	-	-	-	-	29,749	-	-	-	29,749	-	29,749
Release on expiry/forfeiture of share option	-	-	-	-	-	(2,736)	-	-	2,736	-	-	-
Transfer to reserve	-	-	104	-	-	-	-	-	(104)	-	-	-
<b>Total transactions with equity holders</b>	<u>96,553</u>	<u>151,634</u>	<u>104</u>	<u>-</u>	<u>-</u>	<u>27,013</u>	<u>-</u>	<u>(72,581)</u>	<u>2,632</u>	<u>205,355</u>	<u>-</u>	<u>205,355</u>
At 31 December 2015	<u>354,391</u>	<u>1,574,603</u>	<u>4,498</u>	<u>303</u>	<u>91,023</u>	<u>48,376</u>	<u>41,404</u>	<u>-</u>	<u>(1,725,000)</u>	<u>389,598</u>	<u>11,430</u>	<u>401,028</u>

*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 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 financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 31 March 2016.

**2. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the applicable requirements of the Hong Kong Companies Ordinance for this financial year and the comparative period.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain buildings and investment properties which are carried at their fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise its judgement in the process of applying the Group's accounting policies.

## 2.1 Going Concern

At 31 December 2015, the Group's current liabilities exceeded its current assets by approximately HK\$54,881,000 and the Group recorded a loss of approximately HK\$87,252,000 and a net operating cash outflow of approximately HK\$35,647,000 during the year ended 31 December 2015. In addition, up to the date of the approval of the consolidated financial statements, the Group has entered into agreements for certain business and asset acquisitions. Pursuant to the terms of these agreements, the Group has committed a minimum HK\$123,500,000 million to be settled within the next twelve months from 31 December 2015. All of 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 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.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2015. The directors of the Company are of the opinion that, taking into account the above-mentioned 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 2015. Accordingly, the consolidated financial statements have been prepared on a going concern basis.



The Group's ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to the Group's future operating performance, market conditions, the Group's ability to issue new shares to fund current and prospective operating and investing activities and other factors, many of which are beyond the Group's control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet the Group's needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then the Group may not be able to repay the borrowings, particularly the 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 consolidated financial statements do not include any of these adjustments.

### **3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

#### **Changes in accounting policy and disclosures**

The HKICPA has issued the following amendments to HKFRS that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

The Group has not applied new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRS are discussed below:

#### ***Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions***

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group has no defined benefit plans.

***Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle***

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related parties disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

**4. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION**

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Turnover		
Sales of goods	<b><u>223,313</u></b>	<b><u>229,022</u></b>
Other income		
Moulds income	<b>12</b>	201
Interest income	<b>5</b>	10
Rental income	<b>911</b>	1,021
Gain on bargain purchase	<b>4,200</b>	–
Others	<b><u>2,517</u></b>	<u>578</u>
	<b><u>7,645</u></b>	<b><u>1,810</u></b>

## 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 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.

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

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 December</b>												
Revenue from external customers	–	–	223,313	229,022	–	–	–	–	–	–	223,313	229,022
<b>Segment result</b>	<b>(959)</b>	<b>(734)</b>	<b>3,826</b>	<b>(414)</b>	<b>(3,122)</b>	<b>(460,780)</b>	<b>(1,934)</b>	–	<b>(335)</b>	–	<b>(2,524)</b>	<b>(461,928)</b>
Depreciation and amortisation	(8)	(8)	(5,430)	(5,331)	–	–	–	–	–	–	(5,438)	(5,339)
Provision for impairment of exploration and evaluation assets	–	–	–	–	–	–	–	–	–	–	–	–
Provision for impairment of investment in an associate	–	–	–	–	–	(453,886)	–	–	–	–	–	(453,886)
Interest income	–	9	5	1	–	–	–	–	–	–	5	10
Interest expenses	–	–	(1,465)	(3,526)	–	–	–	–	–	–	(1,465)	(3,526)
Income tax credit/(expenses)	–	–	(2,165)	293	–	–	–	–	–	–	(2,165)	293
	<u>–</u>	<u>–</u>	<u>3,826</u>	<u>(414)</u>	<u>(3,122)</u>	<u>(460,780)</u>	<u>(1,934)</u>	<u>–</u>	<u>(335)</u>	<u>–</u>	<u>(2,524)</u>	<u>(461,928)</u>
<b>At 31 December</b>												
Segment assets	139,390	148,555	168,630	156,985	233,075	143,339	117,763	–	35,303	–	694,161	448,879
Segment liabilities	(18,723)	(19,665)	(109,935)	(105,064)	–	–	–	–	–	–	(128,658)	(124,729)
Additions to segment non-current assets	–	–	4,167	3,030	–	601,121	–	–	–	–	4,167	604,151
	<u>–</u>	<u>–</u>	<u>4,167</u>	<u>3,030</u>	<u>–</u>	<u>601,121</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,167</u>	<u>604,151</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Reconciliation of segment results:</b>		
Total loss of reportable segments	(2,524)	(461,928)
Unallocated amount		
Corporate finance costs	(13,218)	(7,496)
Other corporate income and expenses	(71,510)	(39,248)
	<u>(87,252)</u>	<u>(508,672)</u>
Loss for the year	<u>(87,252)</u>	<u>(508,672)</u>
<b>Reconciliation of segment assets:</b>		
Total assets of reportable segments	694,161	448,879
Unallocated corporate assets		
Property, plant and equipment	1,473	2,005
Bank and cash balances	3,762	6,492
Prepayments, deposits and other receivables	108,037	4,401
	<u>113,272</u>	<u>12,898</u>
Total assets	<u>807,433</u>	<u>461,777</u>
<b>Reconciliation of segment liabilities:</b>		
Total liabilities of reportable segments	128,658	124,729
Unallocated corporate liabilities		
Borrowings	12,726	6,357
Accruals and other payables	32,420	17,293
Convertible bonds	–	20,207
Promissory notes	232,601	–
	<u>277,747</u>	<u>43,857</u>
Total liabilities	<u>406,405</u>	<u>168,586</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The PRC (including Hong Kong)	255	287
North America <sup>1</sup>	209,623	211,863
European Union <sup>2</sup>	8,670	10,738
Others <sup>3</sup>	4,765	6,134
	<u>223,313</u>	<u>229,022</u>

<sup>1</sup> North America includes the United States of America (the "USA") and Canada.

<sup>2</sup> European Union includes Spain, Italy, France and the United Kingdom.

<sup>3</sup> Others include Middle East, South America and Southeast Asia.

Revenue from two customers, each accounted for more than 10% of the Group's total revenue for the year, represented approximately 36% and 10% of the total Group's revenue for the year ended 31 December 2015, respectively (2014: 47% and 13%).

(d) **Analysis of revenue by category:**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sales of toys and gifts items	<u>223,313</u>	<u>229,022</u>

(e) **Analysis of non-current assets by geographical locations:**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The PRC (including Hong Kong)	475,235	371,981
USA	1,579	1,631
	<u>476,814</u>	<u>373,612</u>

## 5. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on:		
Bank borrowings and overdrafts wholly repayable within 5 years	1,160	2,702
Other loans	3,670	5,842
Trust receipt loans	232	567
Convertible bonds wholly repayable within 3 years	1,853	1,911
Imputed Interest on promissory notes	7,768	–
	<u>14,683</u>	<u>11,022</u>

## 6. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
Provision for the year	875	382
Over-provision of prior years	(52)	(103)
	<u>823</u>	<u>279</u>
Overseas		
Provision for the year	922	1,226
	<u>922</u>	<u>1,226</u>
Total current tax	1,745	1,505
Deferred income tax	113	(1,798)
Income tax expense/(credit)	<u>1,858</u>	<u>(293)</u>

## 7. LOSS FOR THE YEAR

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amortisation of other intangible asset	12	11
Amortisation of prepaid land lease payments	118	120
Auditor's remuneration	1,500	2,400
Cost of inventories sold	101,182	113,829
Depreciation of property, plant and equipment	5,309	5,279
Fair value gain on investment properties <sup>1</sup>	(698)	(32)
Net foreign exchange (gain)/loss <sup>1</sup>	(4,311)	384
Provision for impairment of other receivables <sup>1</sup>	2,589	394
Provision for impairment of trade receivables	64	87
Minimum lease payments under operating leases in respect of leasehold land and buildings	12,022	5,991
Write back of provision for inventories obsolescence	(419)	(1,625)
Write-off and loss on disposals of property, plant and equipment <sup>1</sup>	905	412
Staff costs (excluding directors' remuneration)		
Salaries, bonus and allowance	61,080	42,934
Retirement benefits scheme contributions	1,740	1,701
Share-based payment expenses	27,862	12,505
	<b>90,682</b>	<b>57,140</b>

<sup>1</sup> Included in other gains/(losses), net

## 8. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company, if any.

The calculations of basic and diluted loss per share are based on the following:

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Loss attributable to the equity holders of the Company</b>		
Loss for the purpose of calculating basic and diluted loss per share	<u><b>(89,665)</b></u>	<u>(509,606)</u>
	<b>2015</b>	2014
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u><b>3,035,500,397</b></u>	<u>1,613,523,241</u>

For the years ended 31 December 2015 and 31 December 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 shares 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 year ended 31 December 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.

## **9. FINAL DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: Nil).



## 10. EXPLORATION AND EVALUATION ASSETS

	<b>Group</b> <b>HK\$'000</b>
<b>Cost</b>	
At 1 January 2014	1,415,284
Exchange difference	<u>(4,843)</u>
At 31 December 2014 and 1 January 2015	1,410,441
Exchange difference	<u>(82,323)</u>
At 31 December 2015	<u>-----</u> 1,328,118
<b>Accumulated impairment loss</b>	
At 1 January 2014	1,266,972
Exchange difference	<u>(4,336)</u>
At 31 December 2014 and 1 January 2015	1,262,636
Exchange difference	<u>(73,696)</u>
At 31 December 2015	<u>-----</u> 1,188,940
<b>Carrying amount</b>	
At 31 December 2015	<u>-----</u> <u>139,178</u>
At 31 December 2014	<u>-----</u> <u>147,805</u>

The exploration and evaluation assets represent exploration rights of Bayanhushuo Coal Field (“**BCF**”) and Guerbanhada Coal Mine (“**GCM**”). At 31 December 2015, the carrying amount is attributable to BCF of approximately HK\$102,112,000 (2014: HK\$108,441,000) and GCM of approximately HK\$37,066,000 (2014: HK\$39,364,000).

The current licence period of the exploration right of BCF and GCM is from 4 July 2014 to 4 July 2016 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 2015 using the fair value less costs to sell model. The recoverable amounts of the exploration and evaluation assets were valued by Hong Kong Appraisal Advisory Limited.

The fair values were developed primarily through the application of a market valuation methodology, where comparable acquisition of exploration and evaluation assets were identified and analysed to determine the approximate value of the Group's assets.

To derive the fair values, such approximate values were then adjusted to reflect (i) the estimated difference in coal quality and coal type among the identified comparable transactions and the mines owned by the Group; and (ii) the estimated time difference between the comparable transactions and the valuation date; and (iii) the estimated likelihood that the licences would be sold in open market or returned to the government to seek for compensation.

The directors are satisfied with the recoverability of exploration and evaluation assets with carrying value of approximately HK\$139,178,000, in aggregate, as at 31 December 2015 (2014: HK\$147,805,000) by reference to their respective fair values.

## 11. INVESTMENT IN ASSOCIATES/AN ASSOCIATE

The amount recognised in the consolidated statement of financial position are as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>143,339</b>	–
Acquisition	<b>117,929</b>	601,121
Provision for impairment of investment in an associate	–	(453,886)
Share of loss	<u><b>(3,769)</b></u>	<u>(3,896)</u>
At 31 December	<u><b>257,499</b></u>	<u>143,339</u>

The amount recognised in the consolidated income statement are as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
For the year or period ended 31 December	<u><b>(3,769)</b></u>	<u>(3,896)</u>

## **Acquisition of the Multijoy Group**

On 17 September 2014, the Group completed the acquisition of 28% equity interest in Multijoy Developments Limited (together with its subsidiaries, the “**Multijoy Group**”), a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability, at a total consideration satisfied by (i) the issuance of 400,000,000 new ordinary shares of the Company (the “**Consideration Shares**”) at HK\$0.15 per Consideration Share; and (ii) the issuance of convertible bonds of the Company with face value of HK\$136,000,000 (the “**Convertible Bonds**”) to Delight Grace Limited, a company incorporated in the BVI with limited liability on 17 September 2014. The Convertible Bonds can be converted into a maximum of 906,666,666 ordinary shares of the Company at a conversion price of HK\$0.15 per share.

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**”). Pursuant to the forestry concession rights certificates, the forestry concession rights are valid for a term from 24 November 2011 to 31 December 2048.

The Multijoy Group 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.

On 17 September 2014, being the date of acquisition, the fair value of the Consideration Shares was approximately HK\$184,000,000 and the fair value of the Convertible Bonds was approximately HK\$417,121,000. At the date of acquisition, management assessed the recoverable amount of the investment in the Multijoy Group by using the direct comparison approach, where comparable tangerine plantation businesses with fixed royalty income were identified and analysed. The fair value of the Company’s share of the net identifiable assets recognised, which also represents the recoverable amount of the underlying business, was approximately HK\$147,235,000. Therefore, the excess of (i) the fair value of the total consideration of approximately HK\$601,121,000 over (ii) the fair value of the Company’s share of net identifiable assets acquired of approximately HK\$147,235,000 was considered to be immediately impaired, and as a result, a provision for impairment of investment in an associate of approximately HK\$453,886,000 was recorded in the consolidated financial statements. The Multijoy Group is a private group and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group’s interest in the associate.

## **Summarised financial information of the Multijoy Group**

Set out below are the summarised financial information of the Multijoy Group which are accounted for using the equity method.

## Summarised statement of financial position

<b>The Multijoy Group</b>	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current</b>		
Total current assets	222	400
Total current liabilities	(9,462)	(10,228)
<b>Non-current</b>		
Total non-current assets	673,952	694,165
Total non-current liabilities	<u>(167,443)</u>	<u>(172,411)</u>

## Summarised income statement

<b>The Multijoy Group</b>	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
For the year or period ended 31 December		
Revenue	33,897	9,749
Loss before income tax for the year/period	7,203	12,942
Loss after income tax for the year/period	<u>12,866</u>	<u>13,913</u>

## Acquisition of the Eagle Praise Group

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 to be issued by the Company.

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). On 16 December 2015, a supplemental agreement to the Sale and Purchase Agreement & a supplemental agreement to the Shareholders’ Agreement were entered into to amend and modify certain terms of the two agreements, including the cancellation of the the Promissory Notes (in the principal amount of HK\$92,000,000) issued by the Company at the Initial Completion and replaced by the New Promissory Notes (also in the principal amount of HK\$92,000,000) and the Convertible Bonds will set off in full the entire principal amount of the New Promissory Notes upon completion of the issue of the Convertible Bonds pursuant to a supplemental agreement to the Sales and Purchase Agreement.

The Company entered into an addendum on 22 December 2015 to revise the lower and upper limits of the Conversion Price to HK\$0.115 and HK\$0.22 instead of HK\$0.15 and HK\$0.22 as set out in the 16 December 2015 Announcement.

The Eagle Praise Group's wholly-owned subsidiary will operate the business of designing, developing and selling tourism and travel related products in the PRC.

### **Summarised financial information of the Eagle Praise Group**

Set out below are the summarised financial information of the Eagle Praise Group which are accounted for using the equity method.

#### **Summarised statement of financial position**

<b>The Eagle Praise Group</b>	<b>2015</b> <b>HK\$'000</b>
<b>Current</b>	
Total current assets	703
Total current liabilities	(1,439)
<b>Non-current</b>	
Total non-current assets	–
Total non-current liabilities	–
	<u>–</u>

#### **Summarised income statement**

<b>The Eagle Praise Group</b>	<b>2015</b> <b>HK\$'000</b>
<b>For the period from date of acquisition to 31 December</b>	
Revenue	–
Loss before income tax for the period	830
Loss after income tax for the period	<u>830</u>

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSET

The Group's available-for-sale financial asset include equity securities with the following details:

	<b>2015</b> <b>HK\$'000</b>
Addition	<u><u>93,338</u></u>

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 Company's acquisition of 19% equity interests of USO Management & Holding Co. Ltd. (the "**Target Company**"). The Target Company entered into the Tenancy Agreement with The Alii and Faipule of the village of Sasina, Savaii ("**AFS**") pursuant to which AFS granted to the Target Company the legal right to use prime agricultural property with approximately 500 acres located at Sasina, Savaii in Samoa (the "**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 the Target Company's Plantation Business.

The total consideration of this acquisition of approximately HK\$120,000,000 was satisfied by issue 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 total principal amount of HK\$112,944,000. The consideration share was 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.

### 13. TRADE AND BILLS RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	29,504	31,041
<i>Less: provision for impairment</i>	<u>(162)</u>	<u>(98)</u>
Trade receivables, net	29,342	30,943
Bills receivables	<u>13,344</u>	<u>2,570</u>
	<u><b>42,686</b></u>	<u><b>33,513</b></u>

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 movements in provision for trade receivables are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	98	11
Provision for impairment	<u>64</u>	<u>87</u>
At 31 December	<u><b>162</b></u>	<u><b>98</b></u>

The provision for impairment of trade receivables has been included in "administrative expenses" in the consolidated income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The aging analysis of net trade receivables as at the end of reporting period, based on invoice dates, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	6,757	16,102
31 days to 90 days	11,687	10,424
91 days to 180 days	10,611	4,295
181 days to 360 days	208	122
Over 360 days	79	–
	<u>29,342</u>	<u>30,943</u>

#### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The breakdown of prepayments, deposits and other receivables as below:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deposits for sales right of a property development	101,868	–
Trade deposits	8,525	5,641
Other deposits and prepayments	16,392	9,430
	<u>126,785</u>	<u>15,071</u>

#### 15. TRADE PAYABLES

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	13,547	11,015
31 days to 90 days	1,133	3,429
91 days to 180 days	640	623
181 days to 360 days	86	284
Over 360 days	1,924	1,768
	<u>17,330</u>	<u>17,119</u>



## 16. CONVERTIBLE BONDS

### (i) CB2014

On 17 September 2014, the Company issued the 3-year Convertible Bonds as part of the consideration for the acquisition of an associate. The Convertible Bonds are interest free and convertible into 906,666,666 ordinary shares of the Company at a conversion price of HK\$0.15 per share, at any time up from the date of issue to the maturity on 16 September 2017, subject to certain conversion restrictions.

The fair value of the Convertible Bonds as at 17 September 2014 as a whole was calculated using Binomial Option Pricing Model, which was estimated to be approximately HK\$417,121,000. For accounting purpose, the fair value of the Convertible Bonds is divided into a liability component and an equity component. The fair value of the liability component as at 17 September 2014 was calculated using discounted cash flow method, which was estimated to be approximately HK\$88,087,000. At the issue date, the difference between the fair value of the Convertible Bonds and the fair value of its liability component of approximately HK\$329,034,000 representing conversion option for the holder of the Convertible Bonds to convert the Convertible Bonds into ordinary shares of the Company was included in shareholders' equity of the Company (as convertible bonds equity reserve).

Any amount of the Convertible Bonds which remains outstanding on the maturity date shall be, subject to conversion restriction, converted. In the event that the outstanding principal amount cannot be converted due to conversion restriction, such amount shall be redeemed at its then outstanding principal amount.

During the year ended 31 December 2015, the Company issued 200,000,000 (2014: 706,666,665) 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 fair value of the Convertible Bonds of approximately HK\$417,121,000 at issue date is determined by using the Binomial Option Pricing Model, with the following key assumptions:

Fair value of shares of the Company	HK\$0.46 per share
Conversion price	HK\$0.15 per share
Coupon rate	0%
Risk free rate	0.78%
Time to maturity	3 years
Expected volatility	73.83%
Expected dividend yield	0%

The fair value of the liability component of approximately HK\$88,087,000 at issue date is determined by using the discounted cash flow method, with the following key assumptions:

Time to maturity	3 years
Effective interest rate	15%

*Note:* The Convertible Bonds are measured under Level 3, inputs for the valuation are not based on observable market data (that is, unobservable inputs).

(ii) **CB2015**

On 7 August 2015, the Company issued the 3-year convertible bonds (the “**2015 Convertible Bonds**”) as part of the consideration for the acquisition of a subsidiary. The 2015 Convertible Bonds are interest free and convertible into 499,329,577 ordinary shares of the Company at a conversion price of HK\$0.225 per share, at any time up from the date of issue to the maturity on 7 August 2018, subject to certain conversion restrictions.

The fair value of the 2015 Convertible Bonds as at 7 August 2015 as a whole was calculated using Binomial Option Pricing Model, which was estimated to be approximately HK\$102,508,000. For accounting purpose, the fair value of the 2015 Convertible Bonds is divided into a liability component and an equity component. The fair value of the liability component as at 7 August 2015 was calculated using discounted cash flow method, which was estimated to be approximately HK\$78,421,000. At the issue date, the difference between the fair value of the 2015 Convertible Bonds and the fair value of its liability component of approximately HK\$24,087,000 representing conversion option for the holder of the 2015 Convertible Bonds to convert the Convertible Bonds into ordinary shares of the Company was included in shareholders’ equity of the Company (as convertible bonds equity reserve).

Any amount of the 2015 Convertible Bonds which remains outstanding on the maturity date shall be, subject to conversion restriction, converted. In the event that the outstanding principal amount cannot be converted due to conversion restriction, such amount shall be redeemed at its then outstanding principal amount.

During the year ended 31 December 2015, the Company issued 499,329,577 ordinary shares of HK\$0.10 each in relation to the conversion of the 2015 Convertible Bonds at the conversion price of HK\$0.225 per share.

The fair value of the 2015 Convertible Bonds of approximately HK\$102,508,000 at issue date is determined by using the Binomial Option Pricing Model, with the following key assumptions:

Fair value of shares of the Company	HK\$0.18 per share
Conversion price	HK\$0.225 per share
Coupon rate	0%
Risk free rate	0.719%
Time to maturity	3 years
Expected volatility	80.03%
Expected dividend yield	0%

The fair value of the liability component of approximately HK\$78,421,000 at issue date is determined by using the discounted cash flow method, with the following key assumptions:

Time to maturity	3 years
Effective interest rate	11.72%

*Note:* the 2015 Convertible Bonds are measured under Level 3, inputs for the valuation are not based on observable market data (that is, unobservable inputs).

	<b>CB2014</b>	<b>CB2015</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2014			
Fair value of the convertible bonds	417,121	–	417,121
Equity component			
– Convertible bond equity reserve	<u>(329,034)</u>	<u>–</u>	<u>(329,034)</u>
Liability component	88,087	–	88,087
Interest expenses	1,911	–	1,911
Converted into ordinary shares of the Company	<u>(69,791)</u>	<u>–</u>	<u>(69,791)</u>
Liability component at 31 December 2014 and 1 January 2015	20,207	–	20,207
Fair value of the convertible bonds	–	102,508	102,508
Equity component			
– Convertible bond equity reserve	<u>–</u>	<u>(24,087)</u>	<u>(24,087)</u>
Liability component	20,207	78,421	98,628
Interest expenses	1,489	364	1,853
Converted into ordinary shares of the Company	<u>(21,696)</u>	<u>(78,785)</u>	<u>(100,481)</u>
Liability component at 31 December 2015	<u>–</u>	<u>–</u>	<u>–</u>

## 17 PROMISSORY NOTE

The Group's promissory notes with the following details:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<u>Current liabilities</u>		
Issue during the year	<u><u>135,527</u></u>	<u><u>–</u></u>
<u>Non-current liabilities</u>		
Issue during the year	<u><u>87,673</u></u>	<u><u>–</u></u>

The Promissory Note is measured at amortised cost using the effective interest method with the effective interest rate at 9% per annum.

On 27 March 2015, the Company issued a promissory note with a principal amount of HK\$31,500,000, as part of the consideration for the acquisition of 19 pieces of Jingdezhen contemporary ceramics including ceramic vases and plates. The promissory note is unsecured, non-interest bearing and has a maturity period of one year after the date of issue. The promissory note is measured at amortised cost using the effective interest rate method with the effective interest rate at 9% per annum.

On 23 April 2015, the Company issued a promissory note with a principal amount of HK\$92,000,000, as part of the consideration for the acquisition of 20% equity interests of Eagle Praise Limited. The promissory note is unsecured, non-interest bearing and has a maturity period of one year after the date of issue. The promissory note is measured at amortised cost using the effective interest rate method with the effective interest rate at 9% per annum.

On 29 July 2015, the Company issued a promissory note with a principal amount of HK\$13,500,000 for the settlement of other borrowings. The promissory note is unsecured, non-interest bearing and has a maturity period of six months after the date of issue. The fair value of the promissory note approximate their carrying amount.

On 19 September 2015, the Company issued a promissory note with a principal amount of HK\$2,622,000 for the settlement of other borrowings. The promissory note is unsecured, non-interest bearing and has a maturity period of three months after the date of issue. The fair value of the promissory note approximate their carrying amount.

On 7 December 2015, the Company issued a promissory note with a principal amount of HK\$100,767,000, as part of the consideration for the acquisition of 19% equity interests of USO Management & Holding Co Ltd.. The promissory note is unsecured, non-interest bearing and has a maturity period of three years after the date of issue. The promissory note is measured at amortised cost using the effective interest rate method with the effective interest rate at 9% per annum.

On 14 December 2015, the Company issued two promissory notes with a principal amount of HK\$5,000,000 and HK\$3,292,000 respectively for the settlement of other borrowings. Those promissory notes are unsecured, non-interest bearing and have a maturity period of six months after the date of issue. The fair value of the promissory note approximate their carrying amount.

## 18. DERIVATIVE FINANCIAL LIABILITIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<u>Derivative financial instrument:</u>		
Other derivative	<u>9,403</u>	<u>–</u>

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 (or such later date as Trinity Force Investments Limited and the Vendor).

The directors of the Company estimate that all undertakings set out in a supplemental agreement will be completed. The fair value of the derivative financial instrument approximate its carrying amount.

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

## 19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period (2014: Nil).

## 20. CAPITAL COMMITMENTS

The Group had no capital commitments at the end of the reporting period (2014: Nil).

## 21. SHARE CAPITAL

	<i>Notes</i>	Number of shares		Ordinary share capital	
		2015	2014	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Authorised:</b>					
Ordinary shares of HK\$0.10 each	<i>(a)</i>	<u>30,000,000,000</u>	<u>4,000,000,000</u>	<u>3,000,000</u>	<u>400,000</u>
<b>Issued and fully paid:</b>					
At beginning of year		2,578,377,599	1,193,860,934	257,838	119,386
Issue of shares					
– on placement	<i>(b)</i>	67,200,000	274,200,000	6,720	27,420
– upon exercise of share options		–	3,650,000	–	365
– upon conversion of convertible bonds	<i>(c)</i>	699,329,577	706,666,665	69,933	70,667
– upon acquisitions	<i>(d)</i>	<u>199,000,000</u>	<u>400,000,000</u>	<u>19,900</u>	<u>40,000</u>
At end of year		<u>3,543,907,176</u>	<u>2,578,377,599</u>	<u>354,391</u>	<u>257,838</u>

*Notes:*

- (a) On 30 December 2015, in order to facilitate (i) the issue of an aggregate of 9,546,000 ordinary shares granted pursuant to the 2002 share option scheme, (ii) the issue of an aggregate of 361,500,000 shares granted pursuant to the share option scheme to be issued by the Company, and the future expansion and growth of the Company, the Company increased its authorised share capital from HK\$400,000,000 divided into 4,000,000,000 ordinary shares of HK\$0.10 each to HK\$3,000,000,000 divided into 30,000,000,000 ordinary shares of HK\$0.10 each by the creation of additional 26,000,000,000 new ordinary shares of HK\$0.10 each.
- (b) 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 year ended 31 December 2015.
- (c) During the year ended 31 December 2015, the Company issued 699,329,577 ordinary shares of HK\$0.10 each in relation to the conversion of the convertible bonds at the conversion price of HK\$0.15 and HK\$0.225 per share. The relevant portion of convertible bonds equity reserve in relation to the conversion of the convertible bonds during the year ended 31 December 2015 of approximately HK\$96,668,000 was transferred to the Company's share capital and share premium account for the year ended 31 December 2015.
- (d) 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\$18,525,000 in aggregate was credited to the Company's share premium account for the year ended 31 December 2015.

On 20 October 2015, pursuant to the acquisition of 19% equity interest in USO Management & Holding Co Ltd, the Company issued 49,000,000 ordinary shares of HK\$0.10 each to Green Luxuriant Group Investment Limited with an issue price of HK\$0.144 per share. The premium on the issue of these shares amounting to HK\$1,225,000 in aggregate was credited to the Company's share premium account for the year ended 31 December 2015.

- (e) All new ordinary shares issued during the reporting period rank pari passu in all respects with the existing shares of the Company.

## 22. RELATED PARTY TRANSACTIONS

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Product development, sale and marketing services fee paid to a related company	(a)	<u>2,655</u>	<u>1,794</u>

*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.

## 23 LITIGATIONS

There are litigations being undertaken against the Group as at and after the end of the reporting period, details of which are summarized as follows:

### (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, Dah Sing Financial 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 11 December 2015, 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\$1,561,000 as at 3 December 2015; (iii) rent, management fees and rates from 1 January 2016 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 (vi) further or other relief.

On 24 December 2015 and 4 March 2016, the Company made a payment of approximately HK\$1,569,000 to settle the above said sum and the interest calculated up to 24 December 2015, and a payment of HK\$500,000 as partial payment of the rental of January 2016, respectively.



As Super Dragon and the Company had not filed a defence, the High Court entered judgment on 11 March 2016 (the “**Judgment**”) that (i) Super Dragon to give Wing Siu vacant possession of the Wanchai Property; (ii) Super Dragon and the Company to pay the judgment sum of approximately HK\$1,561,000; (iii) rent, management fees and rates from 1 January 2016 to the date of delivery of vacant possession of the Wanchai Property; (iv) interest on the sum of approximately HK\$1,561,000 at judgment rate 8%; (v) damage for breach of the tenancy agreement to be assessed; and (vi) cost of this action.

On 16 March 2016, the Company received a statutory demand from Wing Siu in relation to the Judgment. Wing Siu demand the Company to pay approximately HK\$1,800,000 representing rent, management fees and other charges from 1 January 2016 calculated up to 16 March 2016 and which is due and payable by Super Dragon.

As at the date of this announcement, the Company is liaising with Wing Siu and expects to settle the above claim in April 2016.

**(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 February 2016, Super Dragon received from Ultimate Dream a writ of summons issued in the High Court with an indorsement of claim against Super Dragon for (i) vacant possession of the Central Property; (ii) the outstanding total amount of rent, management fees and rates of approximately HK\$724,000 as at 4 February 2016; (iii) rent, management fees and rates from 1 March 2016 to the date of delivery of vacant possession of the Central Property; (iv) interest on the sum of approximately HK\$724,000; (v) further and/or other relief; and (vi) cost of this action.

On 4 March 2016, Super Dragon received from Ultimate Dream a notice of intention to enter judgment against Super Dragon.

As at the date of this announcement, the Company is liaising with Ultimate Dream and expects to settle the above claim in April 2016.

(c) **Others**

On 1 March 2016, the Company received a statutory demand from REF Financial Press Limited for approximately HK\$199,000 being outstanding fees for its professional service rendered to the Company. As at the date of this announcement, HK\$100,000 was already settled and the Company expects to settle the remaining amount in April 2016.

On 16 March 2016, Super Dragon received a claim from Gether Profit Limited for approximately HK\$46,000 being outstanding fees for its professional service rendered to Super Dragon. The Company expects to settle this claim in April 2016.

On 21 March 2016, the Company received a statutory demand from Asian Capital (Corporate Finance) Limited for HK\$50,000 being outstanding fees for its professional service rendered to the Company. The Company expects to settle this claim in April 2016.

**24. EVENTS AFTER THE REPORTING PERIOD**

(i) **Acquisition of a property sale business in the PRC**

With reference to the sale and purchase agreement (the “**Sale and Purchase Agreement**”) dated 20 July 2015 entered into between Wise Park Limited (“**Wise Park**”), a wholly owned subsidiary of the Company and Mr. Lin Xiong (林雄), an independent third party and the ultimate sole beneficial owner of Shun Jun Ventures Limited (the “**Shun Jun**”), regarding Wise Park’s acquisition of the entire equity interest of Shun Jun (the “**Acquisition**”) and the completion of the Acquisition.

On 2 February 2016, according to information from Shun Jun, four permits or certificates, namely Land certificate\* (土地證), Property Developing Quality Certificate\* (房地產開發資質證書), Construction Approval\* (施工許可證), Planning Approval\* (規劃許可證), have to be obtained as pre-requisite for the obtaining of the Pre-Sale Permit. However, one of the above mentioned certificates, namely the Property Developing Quality Certificate\* (房地產開發資質證書), was found to have expired while applying for the Pre-sale Permits. As such, the developer of this property project is in the progress of renewing the Property Developing Quality Certificate. Upon the renewal of the Property Developing Quality Certificate, the developer would re-initiate the application of the Pre-sale Permits as soon as practicable and would expect the Pre-sale Permits to be successfully obtained before 30 April 2016 based on the experience of the management of the developer.

For details, please refer to the Company’s announcements dated 20 July 2015, 30 July 2015, 7 August 2015, 8 January 2016 and 2 February 2016.

\* *For identification only*

(ii) **Acquisition of tea products and tea wares products related business in the PRC**

With reference to the sales and purchase agreements (the “**Sale and Purchase Agreements**”) dated 18 December 2015 entered into between Fujian Qiaoxiong Jiuye Limited\* (福建僑雄酒業有限公司) (“**Qiaoxiong**”), a wholly owned subsidiary of the Company, Ms. Lin Qunzhu (林群珠) and Mr. Li Qingsheng (李清生), both are independent third parties and the ultimate beneficial owners of Fujian Yuguo Chaye Limited\* (福建鈺國茶業有限公司) (the “**Fujian Yuguo Chaye**”), regarding Qiaoxiong’s acquisition of 33% equity interest of Fujian Yuguo Chaye (the “**Acquisition**”). All the Conditions set out in the Sale and Purchase Agreements have been fulfilled on or before 1 January 2016, and the Completion took place on 4 January 2016.

On 22 January 2016, the Company entered into the Subscription Agreement under which the Promissory Note 1 and Promissory Note 2 of HK\$57,264,480 and HK\$10,225,800 respectively will be used to fully set off the subscription monies for the Convertible Bonds in the principal amount of HK\$67,490,280 with the rights to convert into 674,902,800 Conversion Shares at an initial Conversion Price of HK\$0.10 (subject to adjustments) per Conversion Share.

For details, please refer to the Company’s announcement dated 18 December 2015, 5 January 2016 and 22 January 2016.

(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 tenth supplemental letter to the MOU respectively to extend the expiry date of the exclusivity period to 15 April 2016.

The Target Group is principally engaged in wine business in the PRC with principal assets of inventories, machineries and equipment. 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, 14 August 2015, 8 September 2015, 15 September 2015, 12 October 2015, 15 October 2015, 3 November 2015, 15 December 2015 and 16 February 2016.

\* For identification only

**(iv) Acquisition of noni fruit plantation business**

With reference to the acquisition of 19% equity interest of USO Management & Holding Co Ltd, the Company entered into the Subscription Agreement on 25 January 2016 with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe or procure subscription by its nominee(s) for the Convertible Bonds in the principal amount of HK\$100,766,562 with the rights to convert into 877,757,508 Conversion Shares at an initial Conversion Price of HK\$0.1148 (subject to adjustments) per Conversion Share. The subscription monies payable by the Subscriber or procured by the Subscriber to be payable by its nominee(s) will be satisfied by fully setting off against the Promissory Notes of HK\$100,766,562.

For details, please refer to the Company's announcement dated 25 January 2016.

**(v) Acquisition of additional equity interest tangerine plantation business**

On 11 January 2016, Kiu Hung Properties Company Limited, an indirect wholly owned subsidiary of the Company (the "**Purchaser**") and Delight Grace Limited (the "**Vendor**") entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares for a consideration of HK\$70,000,000, which will be satisfied by the issue of Consideration Shares by the Company at Completion. The Sale Shares represent 12% of the issued share capital of Multijoy Developments Limited as at the date of this announcement.

Completion took place on 27 January 2016. As such, 700,000,000 Consideration Shares have been allotted and issued to the Vendor.

For details, please refer to Company's announcements dated 11 January 2016 and 27 January 2016.

**(vi) Acquisition of arts and cultural related business**

With reference to the acquisition 19 pieces of ceramics that was completed on 27 March 2015, the Company entered into the Subscription Agreement on 11 March 2016 with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe the Convertible Bonds in the principal amount of HK\$31,500,000 with the rights to convert into 315,000,000 Conversion Shares at an initial Conversion Price of HK\$0.10 (subject to adjustments) per Conversion Share. The subscription monies payable by the Subscriber will be satisfied by fully setting off against the Promissory Notes of HK\$31,500,000.

For details, please refer to Company's announcement dated 11 March 2016.

**(vii) Adoption of Share Award Scheme**

On 21 January 2016, the Board of the directors of the Company had approved the adoption of the Share Award Scheme. The purposes and objectives of the Share Award Scheme are to provide incentives and reward the contributions of certain employees and directors of the Group. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Pursuant to the Share Award Scheme, existing issued Shares may be acquired by the Trustee on the open market, at the direction and cost of the Group, and new Shares may be allotted and issued to it under the general mandate granted or to be granted by the Shareholders at general meetings from time to time, and be held in trust for the relevant Selected Participants until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Share Award Scheme.

For details, please refer to the Company's announcements dated 1 February 2016 and 5 February 2016.

**(viii) Litigations**

Subsequent to the financial reporting period, the Group received a number of legal claims, details of which have been disclosed in Note 23.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL HIGHLIGHTS**

During the financial year ended 31 December 2015 (the “Year”), the Group recorded a turnover of approximately HK\$223.3 million (2014: approximately HK\$229.0 million), representing a decrease of approximately 2.5% as compared to the previous year. The Group’s loss attributable to shareholders for the Year was approximately HK\$89.7 million (2014: approximately HK\$509.6 million). Basic loss per share for the Year was approximately 2.95 HK cents (2014: approximately 31.58 HK cents).

The decrease in the Group’s loss attributable to shareholders and the basic loss per share for the Year, of approximately HK\$419.9 million and approximately 28.63 HK cents, respectively, was mainly attributable to the impact of the provision for impairment of investment in an associate of approximately HK\$453.9 million that was provided in 2014. Details of such provision for impairment of investment in an associate are set out in note 11 to the consolidated financial statements.

Excluding the above-mentioned provision for impairment of investment in an associate, the loss for the Year is comparable to the previous year.

### **DIVIDEND**

The Board does not recommend the payment of any dividend for the Year (2014: 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***

Turnover from toys and gifts business for the Year was approximately HK\$223.3 million (2014: approximately HK\$229.0 million), representing a decrease of approximately 2.5% as compared to the previous year. The decrease in turnover from toys and gifts business was mainly due to the decrease of sales of toys and gifts products. The gross profit ratio of the toys and gifts business was approximately 35.7% for the Year (2014: approximately 32.1%).

### ***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:

	<b>Inferred Resources</b> <i>(Million tonnes)</i>
Bayanhushuo Coal Field (“ <b>BCF</b> ”)	394.05
Guerbanhada Coal Mine (“ <b>GCM</b> ”)	106.00
	<hr/>
Total	<u>500.05</u>

# 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. 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.

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 announcement, 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 31 December 2015 and 31 December 2014, which was approximately HK\$37,066,000 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.

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 (總體規劃) 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***

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.

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 Company’s acquisition of 19% equity interests of USO Management & Holding Co Ltd. (the “**Target Company**”). The Target Company entered into the Tenancy Agreement with AFS pursuant to which AFS granted to the Target Company the legal right to use the 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 the Target Company’s Plantation Business.

The total consideration of this acquisition of approximately HK\$120 million was satisfied by issue 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 total principal amount of HK\$112.9 million. The consideration share was 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.

For details, please refer to the Company’s announcements dated 5 October 2015 and 7 December 2015.

## *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 million 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). On 16 December 2015, a supplemental agreement to the Sale and Purchase Agreement & a supplemental agreement to the Shareholders’ Agreement were entered into to amend and modify certain terms of the two agreements, including the cancellation of the promissory notes (in the principal amount of HK\$92.0 million) issued by the Company at the Initial Completion and replaced by the New Promissory Notes (also in the principal amount of HK\$92.0 million) and the Convertible Bonds will set off in full the entire principal amount of the New Promissory Notes upon completion of the issue of the Convertible Bonds pursuant to a supplemental agreement to the Sale and Purchase Agreement.

The Company entered into an addendum on 22 December 2015 to revise the lower and upper limits of the Conversion Price to HK\$0.115 and HK\$0.22 instead of HK\$0.15 and HK\$0.22 as set out in the 16 December 2015 Announcement. 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, 28 August 2015, 3 December 2015, 16 December 2015 and 22 December 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 (the fair value was HK\$35.0 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.

## **GEOGRAPHICAL INFORMATION**

During the Year, the Group recorded revenues in North America (includes the USA and Canada) of approximately HK\$209.6 million for the Year compared to approximately HK\$211.9 million last year and represented approximately 93.9% (2014: approximately 92.5%) of the Group’s total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) amounted to approximately HK\$8.7 million compared to approximately HK\$10.7 million last year and represented approximately 3.9% (2014: approximately 4.7%) of the Group’s total revenue.

## **SELLING AND DISTRIBUTION COSTS**

The amount of the selling and distribution costs for the Year was approximately HK\$36.6 million (2014: approximately HK\$33.1 million). The increase was mainly attributable to the increase of the staff costs of toys and gifts products segment.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses for the Year increased by approximately 46.6% to approximately HK\$119.2 million as compared to approximately HK\$81.3 million in the previous year. The increase in administrative expenses was mainly due to an increase in (i) share-based payments of approximately HK\$15.4 million; (ii) staff costs of approximately HK\$16.6 million; (iii) rental expenses of approximately 6.0 million and (iv) legal and professional fees of approximately HK\$5.1 million during the Year.

## **FINANCE COSTS**

Finance costs for the Year increased by approximately 33.6% to approximately HK\$14.7 million as compared to approximately HK\$11.0 million in the previous year. The increase in finance costs was mainly due to imputed interest from promissory notes issued during the year.

## **INCOME TAX (EXPENSE)/CREDIT**

The Group recorded an income tax expense of approximately HK\$1.9 million during the Year (2014: approximately income tax credit of HK\$0.3 million). The increase in income tax expense was mainly due to the increase in deferred income tax expense of approximately HK\$1.9 million.

## **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\$13.8 million at 31 December 2015 (2014: approximately HK\$20.1 million). The Group's cash and bank balances were mostly held in Hong Kong dollars and Renminbi.

At 31 December 2015, the Group's borrowings amounted to approximately HK\$74.1 million (2014: approximately HK\$63.8 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi, of which approximately 70% (2014: approximately 40.5%) bore interest at fixed lending rates.

At 31 December 2015, the Company has no fair value of the liability component of Convertible Bonds (2014: approximately HK\$20.2 million). The Group had incurred interest expenses for the Convertible Bonds of approximately HK\$1.9 million (2014: approximately HK\$1.9 million) for the Year.

The gearing ratio of the Group calculated as the Group's borrowings less bank and cash balances over its total equity was approximately 15.0% at 31 December 2015 (2014: approximately 14.9%).

Net current liabilities of the Group at 31 December 2015 was approximately HK\$54.9 million (2014: approximately HK\$33.6 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was approximately 0.81 (2014: approximately 0.72).

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 2015, certain property, plant and equipment, prepaid land lease payments and investment properties held by the Group with aggregate carrying value of approximately HK\$49.8 million (2014: approximately HK\$68.2 million), were pledged to secure general banking facilities granted to the Group.

The Group had no capital commitments as at 31 December 2015 (2014: Nil).

The Group had no contingent liabilities as at 31 December 2015 (2014: 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. This is evidenced by (a) the acquisition of the fruit plantation related businesses (completed on 17 September 2014 and 7 December 2015); (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.

On 4 January 2016, the Group has an acquisition of 33% equity interest of tea related business. The Acquisition is an attractive opportunity for the Group to enhance the business portfolio in the tea business. The Group is actively exploring for business opportunities in other sectors to diversify risk and broaden the sources of income of the Group, please refer to the announcements of the Company dated 18 December 2015 and 5 January 2016.

On 27 January 2016, the Group has further acquisition of 12% equity interest of the tangerine plantation related business. The Acquisition represents an investment opportunity with earning potentials in terms of the fixed revenue to be generated from the plantation business under the Cooperation Agreement, please refer to the announcements of the Company dated 11 January 2016 and 27 January 2016.

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 2015, the capital structure of the Company was constituted of 3,543,907,176 ordinary shares of HK\$0.1 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 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 deducing 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 31 December 2015, 380,346,000 share options and no conversion shares remained outstanding (2014: 157,796,120 share options; 2014: 200,000,000 conversion shares).

## **EMPLOYMENT, TRAINING AND DEVELOPMENT**

At 31 December 2015, the Group had a total of 500 employees (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.

## **SCOPE OF WORK OF CHENG & CHENG LIMITED**

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditor, Cheng & Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2015. The work performed by Cheng & Cheng Limited 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 Cheng & Cheng Limited on the preliminary announcement.

## **AUDIT OPINION**

The auditor of the Group will issue a disclaimer report with emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT" below.

## **EXTRACT OF THE AUDITOR'S REPORT**

### **Basis for Disclaimer of Opinion**

#### ***Prepayment, deposits and other receivables***

Included in the prepayment, deposits and other receivables of HK\$126,785,000 stated in the consolidated statement of financial position as at 31 December 2015 there are deposits paid amounting to HK\$101,868,000. The Group entered into a property agency agreement with a property developer regarding a property development project in Nanjing, the PRC. 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 is obtained from the relevant authority. Subsequently, the developer was found to be involved in a number of litigations. Up to the date of approval of these consolidated financial statements, 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 that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 31 December 2015, its net loss for the year then ended, and the related disclosures in the consolidated financial statements.



### ***Available-for-sales financial assets***

During the year, the Group has acquired a 19% equity interest of USO Management and Holding Co Ltd. Due to the limitation in the scope of our audit in relation to ascertainment of the present value of estimated future cash flow from such investment, we were unable to satisfy ourselves as to the carrying value of such financial assets stated in the consolidated statement of financial position at HK\$93,338,000 as at 31 December 2015. There were no alternative audit procedure that we could perform to satisfy ourselves as to carrying amount of available-for-sale financial assets or to determine whether any provision for impairment loss is necessary as at 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.

### ***Investment in associates***

During the year ended 31 December 2014, the Group completed the acquisition of 28% equity interest in Multijoy Developments Limited (“Multijoy”), which principally engaged in the plantation business in the PRC, as disclosed in note 11 to the consolidated financial statements, the acquisition agreement entitled the Group to the share of economic benefits or losses from the holding of forestry concession rights in relation to a forest land situated in the PRC. Before the acquisition, Multijoy had appointed an independent third party under a cooperation agreement as operator of tangerine plantation business on this forest land in exchange of a fixed royalty income for five consecutive years, starting from 1 April 2013.

During the course of our audit, evidence obtained by us indicated that Multijoy failed to collect the royalty income mentioned above. Due to such event, we were unable to obtain sufficient appropriate audit evidence regarding the value-in-use of the forest land as at the end of the reporting period. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 31 December 2015, its net loss for the year then ended and the related disclosures in the consolidated financial statements.

As also disclosed in note 11 to the consolidated financial statements, the Group completed the acquisition of 20% equity interest in Eagle Praise Limited (“Eagle Praise”) during the year. According to the relevant agreement, a wholly-owned subsidiary of Eagle Praise would engage in providing travel related products to Samoa. During the course of our audit, we were unable to obtain relevant financial information from Eagle Praise to support the fair value determination of the acquisition. There were no alternatives audit procedures we could perform to satisfy ourselves that there were no impairment indicators existing as at the date of acquisition and the end of the reporting period. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 31 December 2015, its net loss for the year then ended and the related disclosures in the consolidated financial statements.

### **Material Uncertainty relating to the going concern basis**

The Group incurred a consolidated loss after tax of HK\$87,252,000 and had net cash outflows used in operating activities of approximately HK\$35,647,000 during the year ended 31 December 2015 with net current liabilities of HK\$54,881,000 as at 31 December 2015.

As explained in the basis of preparation set out in note 2 to the consolidated financial statements, the consolidated financial statements had been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group as described in note 2 to the consolidated financial statements. However, we were unable to obtain sufficient appropriate audit evidence regarding the continuing provision of financing by the future income generated from the investments, the successful implementation and outcome of the measures and therefore on the appropriateness of the use of the going concern assumption adopted for the preparation of the consolidated financial statements. In view of the extent of the material uncertainties relating to the successful implementation and outcome of the measures to be undertaken by the Group as mentioned above which might cast a significant doubt on the Group’s ability to continue as a going concern, we were unable to express an opinion whether the going concern basis is appropriate for the preparation of the consolidated financial statements.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The necessary consequential adjustments have not been incorporated in the consolidated financial statements.

### **Disclaimer of Opinion**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements. In all other respects, in our opinion the financial statements have been properly prepared in compliance with disclosure requirement of the Hong Kong Companies Ordinance.

### **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 2015.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

In the opinion of the directors, 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 during the year ended 31 December 2015.

### **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 complied with the Model Code during the year ended 31 December 2015.

## **AUDIT COMMITTEE**

The primary duties of the audit committee are to review and supervise the Company's financial reporting process, risk management and internal control systems and provide advice and comments to the Board. As at the date of this announcement, the audit committee comprises two independent non-executive Directors, namely, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning (both are the members of this committee). The audit committee members have reviewed the Company's consolidated financial statements for the year ended 31 December 2015 and the accounting principles and practices adopted, and discussed auditing, risk management, internal controls, and financial reporting matters with management and the Company's external auditors.

## **NON-COMPLIANCE WITH RULES 3.10(A), 3.21 AND 3.28 OF THE LISTING RULES**

References are made to the announcements of the Company dated 23 February 2016, 24 February 2016 and 26 February 2016. On 20 February 2016, Mr. Lam Siu Lun, Simon (“**Mr. Lam**”), tendered his resignation as an independent non-executive Director of the Company due to other personal commitments. Following his resignation as an independent non-executive Director, Mr. Lam also ceased to act as the chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Company.

Following the resignation of Mr. Lam, the Company has three independent non-executive directors and two audit committee members. As a result, the current number of audit committee members falls below the minimum number required under Rule 3.21 of the Listing Rules. In addition, under Rule 3.10A, the Company must appoint independent non-executive directors representing at least one-third of the Board.

As at the date of this announcement, the Board comprises ten directors, of which three are independent non-executive Directors. The current number of independent non-executive Directors in the Company, therefore, falls below the requirement under the Listing Rules. The Board is currently identifying suitable candidate to fill the vacancy and will ensure that an additional independent non-executive Director will be appointed as soon as practicable and within three months from 20 February 2016 in order to ensure the compliance by the Company with Rules 3.10A and 3.21 of the Listing Rules. The Company will release a further announcement as soon as practicable after the appointment of the new independent non-executive Director of the Company.

Furthermore, reference is made to the announcement of the Company dated 16 February 2016. On 16 February 2016, Ms. Lo Oi Ling (“**Ms. Lo**”) has tendered her resignation as the company secretary of the Company with the effect from 16 February 2016. The Company is in the process of identifying suitable candidate to fill in the vacancy of company secretary of the Company. Further announcement will be made once the new company secretary of the Company is appointed.

## **PUBLICATION OF RESULTS**

This announcement of results has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kh381.com](http://www.kh381.com)). The annual report of the Company for the year ended 31 December 2015 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.

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

Hong Kong, 31 March 2016

*As at the date of this announcement, the Board comprises six executive Directors, Mr. Hui Kee Fung, Mr. Sao Cheung Yung, Aaron, Mr. Yu Won Kong, Dennis, Mr. Nojiri Makoto, Mr. Yip Kong Nam and Mr. Zhang Qijun, one non-executive Director, Mr. Lam Kit Sun and three independent non-executive Directors, Mr. So Chun Pong, Ricky, Mr. Wang Xiao Ning and Mr. Xia Liming.*