



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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 00381)

Leading
the Way Towards
a Bright Future

— Interim Report —
2017

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hui Kee Fung (*Chairman*)
Mr. Yu Won Kong, Dennis (*Chief Executive Officer*)
Mr. Zhang Yun (*Deputy Chief Executive Officer*)
Mr. Zhang Qijun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So Chun Pong, Ricky
Mr. Wang Xiao Ning
Mr. Cheung Man Loon, Michael

REGISTERED OFFICE

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Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

19th Floor
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108 Gloucester Road
Wan Chai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY'S WEBSITE

www.kh381.com

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road Central
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OCBC Wing Hang Bank Limited
Head office
161 Queen's Road Central
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AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701-3 & 8
Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “**Board**”) of Kiu Hung International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries and associated companies (the “**Group**”) for the six months ended 30 June 2017.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2017 (the “**Period**”), the Group recorded turnover of approximately HK\$104.0 million (2016: HK\$105.8 million), representing a decrease of approximately 1.7% as compared with the same period last year. The Group’s loss attributable to equity holders of the Company for the Period was approximately HK\$29.9 million (2016: HK\$147.5 million). The decrease in loss attributable to equity holders of the Company for the Period was mainly attributable to the provision for impairment of investment in an associate of approximately HK\$117.9 million in the last period ended 30 June 2016. Basic loss per share for the Period was 0.49 HK cents (2016: 3.56 HK cents). The Board has resolved not to pay any interim dividend for the Period (2016: Nil).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

During the Period, the Group has five reportable segments, namely “Manufacturing and trading of toys and gifts items”, “Exploration of natural resources”, “Fruit plantation”, “Leisure” and “Culture”.

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

Manufacturing and Trading of Toys and Gifts Items

Turnover from toys and gifts business for the Period was approximately HK\$104.0 million (2016: HK\$105.8 million). Gross profit ratio for the Period was 40.9% (2016: 38.9%). The increase in gross profit ratio is mainly due to the implementation of the cost control by the Group during the Period. The segment profit of the manufacturing and trading of toys and gifts items was approximately HK\$5.9 million (2016: segment profit of HK\$2.7 million). The increase in segment profit was mainly attributable to an increase in gross profit.

Exploration of Natural Resources

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

	Inferred Resources (Million Tonnes)
Bayanhushuo Coal Field (“ BCF ”)	394.05 [#]
Guerbanhada Coal Mine (“ GCM ”)	106.00
Total	500.05

In order to fulfill the requirement of the PRC government before submitting the master planning 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BCF is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting China Ltd on 31 January 2008, BCF has estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. The current licence period of the exploration right of BCF is from 4 July 2016 to 4 July 2018. The master planning* (總體規劃) of BCF 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. As at the date of this report, the Group has applied to renew the licence of the exploration right of GCM for another two years.

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

Fruit Plantation

(a) *Multijoy Group*

Multijoy Developments Limited, 40% equity interest of which was acquired by the Group, 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.

(b) *USO Management & Holding Co. Ltd*

Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Green Luxuriant Group Investment Limited, regarding the Group’s acquisition of 19% equity interest of USO Management & Holding Co. Ltd. (“**USO**”) on 5 October 2015. USO entered into the Tenancy Agreement with The Alii and Faipule of the Village of Sasina, Savaii (“**AFS**”), owners of a parcel of approximately 500 acres of prime agricultural property located at Sasina, Savaii in Samoa (the “**Leased Properties**”) pursuant to which AFS granted to USO the legal right to use its Leased Properties for a term of 90 plus 30 years (120 years in total) at an annual lease payment of US\$120,000 (equivalent to approximately HK\$936,000) for the development of USO’s noni fruit plantation business.

Leisure

(a) *Fujian Yuguo*

The Group acquired 33% equity interest of tea related business for a total consideration of approximately HK\$67.5 million on 4 January 2016. This acquisition is an attractive opportunity for the Group to enhance the business portfolio in the tea related business.

(b) *Eagle Praise Group*

Regarding the Group’s 20% equity interest in the Eagle Praise Group, which is principally engaged in outbound tourism related business in the PRC, the business development of the Eagle Praise Group was slower than expected. Based on the information available to the Board, the Eagle Praise Group has not yet arranged any outbound travel tours in accordance with the business plan as scheduled in the supplemental shareholders’ agreement dated 16 December 2015, entered

MANAGEMENT DISCUSSION AND ANALYSIS

into between the Group and the vendor of the Eagle Praise Group. The Group gave notice to the vendor on 30 December 2016, to rescind the various agreements entered into with the vendor (the “**Rescission of Agreements**”) on the ground of fraudulent misrepresentations made by the vendor and its representative. As a result, the Board considered that full provision for impairment in the investment of approximately HK\$117.8 million was required to be made during the year ended 31 December 2016. The Group has discussed with its legal adviser and is considering to take further legal action regarding the Rescission of Agreements. The Group will make further announcement(s) to update the development of the Rescission of Agreements as and when appropriate.

Culture

On 27 March 2015, the Group acquired certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a total consideration of HK\$38.0 million. These ceramic items had carrying amounts of approximately HK\$35.3 million as at 30 June 2017.

The management of the Group changed the intention of holding ceramic items from selling during the ordinary course of business to capital appreciation during the period ended 30 June 2017. The ceramic items of approximately HK\$35.3 million, which were classified as inventories as at 31 December 2016, were reclassified as other investment as at 30 June 2017. Accordingly, the related comparative figures have been reclassified to conform to the current period’s presentation. The Directors consider that the new classifications are more appropriate to reflect the financial position of the Group.

Selling and Distribution Costs

The amount of selling and distribution costs for the Period increased by approximately 57.5% to approximately HK\$18.9 million as compared to approximately HK\$12.0 million in the same period last year. The increase was mainly attributable to the increase in advertising, transportation and staff costs of approximately HK\$4.4 million during the Period.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in the PRC. As at 30 June 2017, the Group had bank and cash balances of approximately HK\$29.8 million (31 December 2016: approximately HK\$36.9 million). The Group’s bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2017, the Group’s borrowings amounted to approximately HK\$62.9 million (31 December 2016: approximately HK\$30.8 million). The Group’s borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 June 2017, the Group’s promissory notes amounted to approximately HK\$209.1 million (31 December 2016: approximately HK\$192.2 million) in aggregate. The Group’s promissory notes were denominated in Hong Kong dollars.

The Group monitors its capital using a gearing ratio, which is the Group’s net debt (comprising trade payables, accruals and other payables, income tax payable, promissory notes, obligation under finance lease and borrowings less bank and cash balances) over its total equity. The Group’s policy is to keep the gearing ratio at a reasonable level. The Group’s gearing ratio as at 30 June 2017 was 76.1% (31 December 2016: 57.8%).

MANAGEMENT DISCUSSION AND ANALYSIS

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 Period.

As at 30 June 2017, certain property, plant and equipment and investment properties held by the Group with aggregate carrying values of approximately HK\$51.7 million (31 December 2016: approximately HK\$52.5 million), were pledged to secure general banking facilities granted to the Group.

As at 30 June 2017, the Group had no material capital commitments (31 December 2016: Nil).

As at 30 June 2017, the Group had no material contingent liabilities (31 December 2016: Nil).

BUSINESS PROSPECTS AND FUTURE PLAN FOR MATERIAL INVESTMENTS

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

On 12 June 2017, New Harbour Global Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**") and Stunning Honour Enterprises Limited (the "**Vendor**") entered into a sale and purchase agreement (as supplemented on 11 August 2017), pursuant to which the Purchaser has conditionally agreed to purchase from the Vendor and the Vendor has conditionally agreed to sell to the Purchaser the entire issued share capital of Silver Metro Holdings Limited (the "**Target Company**") at the consideration of HK\$400 million.

The Consideration shall be satisfied as to (i) HK\$80 million by cash as refundable deposit; upon completion, (ii) HK\$120 million by cash; (iii) HK\$100 million by way of allotment and issue of the shares of the Company at the issue price of HK\$0.10 per share; and (iv) HK\$100 million by way of issue of the convertible notes of the Company with the initial conversion price of HK\$0.12 per conversion share (subject to adjustments according to the term and conditions of the instrument constituting the convertible notes).

Shanghai Liming Intelligent Technology Limited* (上海立名智能科技有限公司), a company established in the PRC with limited liability ("**Shanghai Liming Technology**") will be a subsidiary of the Target Company, which was incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Vendor, upon the completion of its reorganization.

Shanghai Liming Technology is principally engaged in hotel intelligent technology, robotic hotel operation and intelligent security and the research and development and operation of building data interactive platform. The management and scientific research team of Shanghai Liming Technology mainly comprise renowned and experienced scientific personnel of the computing profession. The core product currently developed by Shanghai Liming Technology is the front desk robot.

Upon completion, the Target Company will become a wholly-owned subsidiary of the Company and accordingly, the consolidated results of the Target Company (including Shanghai Liming Technology) will be consolidated into the financial statements of the Group.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

For details, please refer to the Company's announcement(s) dated 12 June 2017 and 11 August 2017.

Going forward, the Group will review its current operations from time to time and will continue to explore other investment opportunities 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 30 June 2017, the capital structure of the Company was constituted of 6,092,715,976 ordinary shares of HK\$0.10 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the share options to subscribe for the Company's shares.

At 30 June 2017, 324,800,000 share options remained outstanding (31 December 2016: 324,800,000). The share option scheme of the Company with a scheme life of ten years and approved by the shareholders of the Company on 31 May 2013, will expire on 30 May 2023.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 June 2017, the Group had a total of 547 employees (31 December 2016: 483 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance. During the Period, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 “Corporate Governance Code and Corporate Governance Report” to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), except for the deviation from code provision A.6.7 of the Corporate Governance Code as described below.

Code Provision A.6.7

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Directors, Mr. So Chun Pong, Ricky, Mr. Suen Chun Hung, Benjamin, Mr. Chan Wai Keung and Mr. Wang Xiao Ning had other important engagements at the same time and did not attend the annual general meeting of the Company held on 30 June 2017.

DIRECTORS’ SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The audit committee assists the Board in meeting its responsibilities for ensuring effect systems of financial reporting process, risk management, internal control and compliance, and in meeting its external financial reporting objectives. The audit committee of the Company comprises Mr. So Chun Pong, Ricky, Mr. Wang Xiao Ning and Mr. Cheung Man Loon, Michael, all of them are the independent non-executive directors of the Company. The audit

committee members have reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Group for the six months ended 30 June 2017.

CHANGE OF DIRECTORS

Details for the changes of directors during the reporting period are summarized as follows:

- (i) On 3 March 2017, Mr. Hui Lap Keung tendered his resignation as an executive Director, with effect from 3 March 2017, due to his other personal commitments.
- (ii) On 3 March 2017, Mr. Li Wenjun was appointed as an executive Director, with effect from 3 March 2017. On 30 June 2017, Mr. Li Wenjun was not re-elected at the annual general meeting of the Company held on 30 June 2017 (the “**AGM**”) and thus retired as an executive Director with effect from 30 June 2017.
- (iii) On 29 March 2017, Mr. Nojiri Makoto tendered his resignation as an executive Director, with effect from 29 March 2017, due to his other personal commitments.
- (iv) On 29 March 2017, Mr. Chan Wai Keung was appointed as an independent non-executive Director, with effect from 29 March 2017. On 30 June 2017, Mr. Chan Wai Keung was not re-elected at the AGM and thus retired as an independent non-executive Director with effect from 30 June 2017.
- (v) On 30 June 2017, both Mr. Yip Kong Nam and Dr. Lau Siu Wa were not re-elected at the AGM and thus retired as executive Directors with effect from 30 June 2017.
- (vi) On 30 June 2017, Mr. Li Zhaosheng was not re-elected at the AGM and thus retired as a non-executive Director with effect from 30 June 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (vii) On 30 June 2017, Mr. Suen Chun Hung, Benjamin was not re-elected at the AGM and thus retired as an independent non-executive Director with effect from 30 June 2017.

For more details, please refer to the Company's announcements dated 3 March 2017, 29 March 2017 and 30 June 2017, respectively.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2017, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of

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

Long position in the shares of the Company

Names of Directors	Number of shares or underlying shares held	Capacity		Beneficial owner	Approximate percentage of shareholding
		Interest of controlled corporation	Interest of child under 18 or spouse		
Hui Kee Fung (<i>Note</i>)	178,500,000	153,500,000	–	25,000,000	2.93%
Yu Won Kong, Dennis	128,107,364	–	2,900,000	125,207,364	2.10%
Zhang Qijun	670,000	–	–	670,000	0.01%

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

Save as disclosed above, as at 30 June 2017, none of the directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2017, the persons or companies (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the shares of the Company

Names of shareholders	Number of shares or underlying shares held	Capacity			Approximate percentage of shareholding
		Beneficial owner	Interest of child under 18 or spouse	Interest of controlled corporation	
Lin Qunzhu	674,902,800	674,902,800	–	–	11.08%
Delight Grace Limited (<i>Note</i>)	315,000,000	315,000,000	–	–	5.17%
Shu Zhong Wen	315,000,000	315,000,000	–	–	5.17%

Note: Delight Grace Limited, is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is wholly-owned by Mr. Buer Gude. The number of shares held by Delight Grace Limited was agreed to that as shown in the list of shareholders of the Company as at 30 June 2017.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having interests in 5% or more of the issued share capital of the Company as at 30 June 2017.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) which became effective on 31 May 2013.

Eligible participants, including executive directors, non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group are invited to take up options to subscribe for the shares. The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares on the date of the offer; (ii) the average closing price of the shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share on the date of offer.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme. For the avoidance of doubt, options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised) would not be counted for the purpose of calculating such 10% limit. The Company may seek approval of the Company's shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option

Scheme under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

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

Grantee	Date of grant	Number of share options				Exercise price HK\$	Exercise period
		Outstanding at 1 January 2017	Cancelled during the Period	Lapsed during the Period	Outstanding at 30 June 2017		
(Executive Directors)							
Yu Won Kong, Dennis	1 September 2014	2,200,000	-	-	2,200,000	0.4000	1 September 2014 to 31 August 2019
	14 July 2015	20,000,000	-	-	20,000,000	0.2320	14 July 2015 to 13 July 2018
Hui Kee Fung	1 September 2014	5,000,000	-	-	5,000,000	0.4000	1 September 2014 to 31 August 2019
	14 July 2015	20,000,000	-	-	20,000,000	0.2320	14 July 2015 to 13 July 2018
Yip Kong Nam (retired on 30 June 2017)	14 July 2015	2,000,000	-	-	2,000,000	0.2320	14 July 2015 to 13 July 2018
Employees							
	1 September 2014	92,800,000	-	-	92,800,000	0.4000	1 September 2014 to 31 August 2019
	14 July 2015	174,000,000	-	-	174,000,000	0.2320	14 July 2015 to 13 July 2018
	20 July 2015	4,000,000	-	-	4,000,000	0.2250	20 July 2015 to 19 July 2018
Non-employees							
	1 September 2015	4,800,000	-	-	4,800,000	0.1308	1 September 2015 to 31 August 2018
		324,800,000	-	-	324,800,000		

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

APPRECIATION

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

By Order of the Board

Kiu Hung International Holdings Limited

Hui Kee Fung

Chairman

Hong Kong, 31 August 2017

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Turnover	5	104,045	105,780
Cost of sales		(61,476)	(64,584)
Gross profit		42,569	41,196
Other income		412	594
Selling and distribution costs		(18,897)	(12,033)
Administrative expenses		(52,047)	(51,590)
Operating loss		(27,963)	(21,833)
Finance costs		(8,175)	(11,941)
		(36,138)	(33,774)
Provision for impairment of investment in an associate		–	(117,929)
Share of result of associates		4,919	5,930
Loss before income tax		(31,219)	(145,773)
Income tax expense	6	(416)	(416)
Loss for the period	7	(31,635)	(146,189)
(Loss)/profit attributable to:			
– equity holders of the Company		(29,861)	(147,484)
– non-controlling interests		(1,774)	1,295
		(31,635)	(146,189)
		HK cents	HK cents
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per share	9	(0.49)	(3.56)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(31,635)	(146,189)
Other comprehensive (loss)/income:		
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Surplus on revaluation of properties	–	1,469
<u>Items that may be reclassified to profit or loss:</u>		
Exchange difference arising from translation of foreign operations	7,843	(6,251)
Share of exchange translation difference of associates	6,939	–
Other comprehensive loss for the period, net of tax	14,782	(4,782)
Total comprehensive loss for the period	(16,853)	(150,971)
Total comprehensive (loss)/income attributable to:		
– equity holders of the Company	(15,079)	(152,266)
– non-controlling interests	(1,774)	1,295
	(16,853)	(150,971)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Notes</i>	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) (Restated) HK\$'000
Non-current assets			
Property, plant and equipment	10	61,180	53,122
Investment properties		11,224	10,954
Exploration and evaluation assets	11	145,201	140,883
Other intangible asset		1,035	1,035
Investment in associates		247,451	248,036
Available-for-sale financial asset		74,182	74,182
Deferred income tax assets		178	188
Other investment		35,303	35,303
		575,754	563,703
Current assets			
Inventories		40,651	40,566
Trade and bills receivables	12	35,346	29,985
Prepayments, deposits and other receivables		150,846	114,322
Income tax recoverable		44	437
Bank and cash balances		29,800	36,920
		256,687	222,230
Total assets		832,441	785,933
Current liabilities			
Trade payables	13	14,855	14,021
Accruals and other payables		75,407	62,210
Income tax payable		737	242
Promissory notes		119,900	106,901
Obligation under finance leases		538	167
Borrowings		62,867	30,793
		274,304	214,334

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Notes</i>	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) (Restated) HK\$'000
Net current (liabilities)/assets		(17,617)	7,896
Total assets less current liabilities		558,137	571,599
Non-current liabilities			
Promissory notes		89,153	85,313
Deferred income tax liabilities		30,747	30,741
Obligation under finance leases		–	455
		119,900	116,509
Net assets		438,237	455,090
Equity			
Share capital	14	609,272	609,272
Reserves		(182,367)	(167,288)
Equity attributable to equity holders of the Company		426,905	441,984
Non-controlling interests		11,332	13,106
Total equity		438,237	455,090

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve 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 2016 (Audited)	354,391	1,574,603	4,498	303	91,023	48,376	41,404	-	(1,725,000)	389,598	11,430	401,028
Total comprehensive income/(loss) for the period	-	-	-	-	(6,251)	-	1,469	-	(147,484)	(152,266)	1,295	(150,971)
Issue of consideration shares	70,000	-	-	-	-	-	-	-	-	70,000	-	70,000
Release on expiry/forfeiture of share options	-	-	-	-	-	(7,281)	-	-	7,281	-	-	-
At 30 June 2016 (Unaudited)	424,391	1,574,603	4,498	303	84,772	41,095	42,873	-	(1,865,203)	307,332	12,725	320,057
At 1 January 2017 (Audited)	609,272	1,554,840	4,375	303	53,036	38,904	41,911	-	(1,860,657)	441,984	13,106	455,090
Total comprehensive income/(loss) for the period	-	-	-	-	14,782	-	-	-	(29,861)	(15,079)	(1,774)	(16,853)
At 30 June 2017 (Unaudited)	609,272	1,554,840	4,375	303	67,818	38,904	41,911	-	(1,890,518)	426,905	11,332	438,237

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities	(43,209)	6,904
Net cash inflow/(outflow) from investing activities	1,983	(143)
Net cash inflow/(outflow) from financing activities	33,961	(1,988)
Net (decrease)/increase in cash and cash equivalents	(7,265)	4,773
Cash and cash equivalents at 1 January	36,920	13,755
Effect of foreign exchange rate changes	145	600
Cash and cash equivalents at 30 June	29,800	19,128

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 19/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange.

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

These unaudited condensed consolidated interim financial statements are presented in thousands of units of HK dollars (HK\$'000), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved for issue by the Board on 31 August 2017.

2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016 ("2016 Annual Report"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

Going Concern

At 30 June 2017, the Group's current liabilities exceeded its current assets by approximately HK\$17,617,000 and the Group recorded a loss of approximately HK\$31,635,000. 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

2 BASIS OF PREPARATION *(continued)*

Going Concern *(continued)*

Taking into account of the above-mentioned measures, the opinion of the directors of the Company with respect to sufficiency of the working capital of the Group remains as stated in the 2016 Annual Report dated 30 May 2017. Accordingly, the unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements do not include any of these adjustments.

3 ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the 2016 Annual Report, except for (i) ceramic items; and (ii) the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning from 1 January 2017 as follows:

- (1) The management of the Group changed the intention of holding ceramic items from selling during the ordinary course of business to capital appreciation during the period ended 30 June 2017. The ceramic items of approximately HK\$35.3 million, which were classified as inventories as at 31 December 2016, were reclassified as other investment as at 30 June 2017. Accordingly, the related comparative figures have been reclassified to conform to the current period's presentation. The Directors consider that the new classifications are more appropriate to reflect the financial position of the Group.
- (2) The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group and has no material impact on the Group.

In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4 ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5 SEGMENT INFORMATION

The Group has five reportable segments as follows:

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

	Exploration HK\$'000	Toys and gifts items HK\$'000	Fruit plantation HK\$'000	Leisure HK\$'000	Culture HK\$'000	Total HK\$'000
Six months ended 30 June 2017 (Unaudited):						
Revenue from external customers	—	104,045	—	—	—	104,045
Segment (loss)/profit	(688)	5,935	2,017	(8,867)	(355)	(1,958)
Six months ended 30 June 2016 (Unaudited):						
Revenue from external customers	—	105,780	—	—	—	105,780
Segment (loss)/profit	(426)	2,650	2,945	(114,943)	(3)	(109,777)
Total assets:						
30 June 2017 (Unaudited)	145,734	156,181	260,622	116,218	35,303	714,058
31 December 2016 (Audited)	141,489	160,362	261,590	83,971	35,303	682,715
Total liabilities:						
30 June 2017 (Unaudited)	(22,094)	(67,638)	(1,004)	(31,442)	—	(122,178)
31 December 2016 (Audited)	(22,445)	(74,763)	—	(722)	—	(97,930)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5 SEGMENT INFORMATION *(continued)*

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Reconciliation of segment results:		
Total loss of reportable segments	(1,958)	(109,777)
Unallocated amounts:		
Corporate finance costs	(6,553)	(7,852)
Other corporate income and expenses	(23,124)	(28,560)
Loss for the period	(31,635)	(146,189)
Reconciliation of segment assets:		
Total assets of reportable segments	714,058	682,715
Unallocated corporate assets:		
Current assets	118,383	103,218
Total assets	832,441	785,933

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax:		
Hong Kong	–	–
Overseas	416	416
Total current tax	416	416
Deferred income tax	–	–
Income tax expense	416	416

7 LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	2,836	2,192
Amortisation of prepaid land lease payments	–	56
Amortisation of license rights	–	6
Provision for impairment of investment in an associate	–	117,929
Staff costs (including directors' remuneration):		
Salaries, bonus and allowance	30,808	27,275
Retirement benefits scheme contributions	621	561
Interest expenses on borrowings wholly repayable within 5 years	8,175	11,941

8 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2016: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the period of approximately HK\$29,861,000 (2016: HK\$147,484,000) and the weighted average of 6,092,715,976 (2016: 4,143,907,176) ordinary shares in issue during the period.

For the six months ended 30 June 2017 and 30 June 2016, the average market price of the Company's ordinary shares was below the exercise price of the outstanding share options. Accordingly, the weighted average number of ordinary share was not adjusted to compute the diluted loss per share for the effect of the share options.

10 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK\$10,462,000 (2016: HK\$145,000).

11 EXPLORATION AND EVALUATION ASSETS

During the reporting period, exchange gain of approximately HK\$4,318,000 has been recognised as a result of the translation of foreign operations in the PRC (2016: exchange loss of HK\$2,752,000).

12 TRADE AND BILLS RECEIVABLES

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Trade receivables	34,939	27,014
Bills receivables	407	2,971
	35,346	29,985

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12 TRADE AND BILLS RECEIVABLES *(continued)*

At 30 June 2017 and 31 December 2016, the aging analysis of trade receivables, based on invoice date, net of allowance, are as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Within 30 days	29,089	15,192
31 days to 90 days	5,481	10,746
91 days to 180 days	303	1,058
181 days to 360 days	5	–
Over 360 days	61	18
	34,939	27,014

13 TRADE PAYABLES

At 30 June 2017 and 31 December 2016, the aging analysis of trade payables, based on invoice date, are as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Within 30 days	14,136	12,880
31 days to 90 days	303	840
91 days to 180 days	172	184
181 days to 360 days	115	6
Over 360 days	129	111
	14,855	14,021

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14 SHARE CAPITAL

	Number of shares		Ordinary share capital	
	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	30,000,000,000	30,000,000,000	3,000,000	3,000,000
Issued and fully paid:				
At beginning of period/year	6,092,715,976	3,543,907,176	609,272	354,391
Issue of shares				
— on placement	—	840,000,000	—	84,000
— upon conversion of convertible bonds	—	989,902,800	—	98,990
— upon acquisition	—	700,000,000	—	70,000
— settlement of remuneration	—	18,906,000	—	1,891
At end of period/year	6,092,715,976	6,092,715,976	609,272	609,272

15 RELATED PARTY TRANSACTIONS

	Note	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Product development, sales and marketing services fee paid to a related company	(a)	832	832

Note:

- (a) The sole owner of the related company is also the director and beneficial owner of 49% (2016: 49%) equity interest in the Company's subsidiary paying for the services.

16 CAPITAL COMMITMENTS

The Group had no material capital commitments at the end of the reporting period (2016: HK\$Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

17 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, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong (the “**Wanchai Property**”) for a term of three years from 15 December 2014 to 14 December 2017.

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

As at the date of this report, the Company is liaising with Wing Siu to settle the above claim.

(b) Others

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

The Company, the director of the Company and Mr. Guo entered into a deed of settlement before the end of 2016. As at the date of this report, the Company is liaising with Mr. Guo and expects to settle outstanding principal and interest amounts of such borrowing after completion of the proposed placing of new shares of the Company under specific mandate (as announced by the Company on 14 June 2017), which is subject to obtaining the approval of (i) the Stock Exchange; and (ii) the Company’s shareholders in an extraordinary general meeting to be convened.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

18 EVENTS AFTER THE REPORTING PERIOD

(a) Issue of convertible bonds under specific mandate to set off against the promissory notes in relation to the acquisition of noni fruit plantation business in Samoa

On 2 August 2017, the Company entered into a subscription agreement with Green Luxuriant Group Investment Limited (the “**Subscriber**”), pursuant to which the Subscriber has conditionally agreed to subscribe or procure subscription by its nominee(s) for the convertible bonds of the Company in the aggregate principal amount of HK\$100,766,562 with the rights to convert into 1,007,665,620 conversion shares (each a “**Conversion Share**”) at an initial conversion price of HK\$0.10 (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 the Company in the aggregate principle amount of HK\$100,766,562.

For details, please refer to the Company’s announcement dated 2 August 2017.