



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

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

LEADING THE  
WAY TOWARDS  
**A BRIGHT FUTURE**

INTERIM REPORT 2019

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Zhang Qijun (*Chairman*)  
Mr. Chen Jian

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Xiao Ning  
Mr. Cheng Ho On  
Mr. Kong Chun Wing

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1403,  
Capital Center,  
151 Gloucester Road,  
Wan Chai,  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited  
Royal Bank House — 3rd Floor  
24 Shedden Road, P.O. Box 1586  
Grand Cayman  
KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPANY'S WEBSITE

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

## PRINCIPAL BANKERS

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

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

## AUDITOR

KTC Partners CPA Limited  
Room 617, 6/F  
Seapower Tower  
Concordia Plaza  
1 Science Museum Road  
Tsim Sha Tsui East  
Kowloon, 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 2019.

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019 (the “**Period**”), the Group recorded turnover of approximately HK\$75.1 million (2018: HK\$72.2 million), representing an increase of approximately 4% as compared with the same period last year. The Group’s profit/(loss) attributable to equity holders of the Company for the Period was approximately HK\$22.4 million (2018: (HK\$37.8 million)). The increase in profit/(loss) attributable to equity holders of the Company for the Period was mainly attributable to (i) an increase in the share of the results of associates of approximately HK\$28.5 million; (ii) release of foreign currency translate reserve due to disposal of assets and liabilities of a disposal group of approximately HK\$24.7 million; and (iii) a rise of sales revenue of approximately HK\$3.0 million. Whereas, such increase of revenue was offset by (i) a decrease in cost of sales of approximately HK\$1.5 million; and (ii) an increase of selling and administrative expenses of approximately HK\$7.3 million. Basic earnings/(loss) per share for the Period was 0.23 HK cents (2018: (0.52) HK cents). The Board has resolved not to pay any interim dividend for the Period (2018: 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\$75.1 million (2018: HK\$72.2 million). Gross profit ratio for the Period was 36.5% (2018: 31.8%). The increase in gross profit ratio was mainly due to a decrease in the material costs during the Period. The segment loss of the manufacturing and trading of toys and gifts items was approximately HK\$12.0 million (2018: segment loss of HK\$11.6 million). The segment loss was mainly due to a major customer filed for bankruptcy after the second quarter of last year which incurred a provision for bad debt of HK\$9.4 million during the Period.

### 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:

The exploration and evaluation assets represent exploration rights of Bayanhushuo Coal Field (“**BCF**”) and Guerbanhada Coal Mine (“**GCM**”). During the year ended 31 December 2018, the management of the Company was being informed that the approval of the master planning of GCM from the National Development and Reform Commission of the PRC and the National Energy Commission of the PRC was very remote. On the consideration of the best interest of shareholders, and based on the valuation performed by the professional valuer on 1 November 2018, the management decided to dispose the Group’s 80% equity interest in Inner Mongolia Mingrunfeng Energy Co., Ltd. and Inner Mongolia Run Heng Mining Company Limited (the “**Disposal Group**”), which held BCF and GCM respectively. On 15 December 2018, the Disposal Group was bid at open market auction.

# MANAGEMENT DISCUSSION AND ANALYSIS

On 15 December 2018, the disposal of 80% equity interest of the Inner Mongolia Mingrunfeng Energy Co., Limited (PRC) and 80% equity interest of the Inner Mongolia Run Heng Mining Company Limited (PRC) (together referred to as the Disposal Group) was bid in open market auction via the agent “福建省廣業拍賣有限公司” was completed. The sales proceeds of the Disposal Group was RMB15,000,000.

As at 30 June 2019, the carrying value of fair value on financial assets, representing 20% equity interest of the Inner Mongolia Mingrunfeng Energy Co., Limited (PRC) and 20% equity interest of the Inner Mongolia Run Heng Mining Company Limited (PRC), were amounted to approximately HK\$3,435,000.

## 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 1,700 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. A new cooperation agreement has been signed in the early of 2018 for another term of three years from 1 April 2018 to 31 March 2021 at an annual royalty income of approximately HK\$35,500,000).

### (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 (the “**Vendor**”), regarding the Group’s acquisition of 19% equity interest of USO Management & Holding Co. Ltd. (“**USO**”) on 5 October 2015. USO entered into a 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. And the formal lease agreement with the Ministry of Natural Resources and Environment in Samoa was completed on 19 July 2017.

On 23 January 2019, Trinity Force Investments Limited had completed all the conditions set out in the sale and purchase agreement with the Vendor in relation to further acquisition of an effective 28% equity interest in Noni-fruit plantation related business in the Independent State of Samoa (“**Samoa**”) and in total owned 47% equity interest of the target company.

As at 30 June 2019, the carrying value of the investment in USO amounted to approximately HK\$296.9 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Leisure

### (a) *Tea related business*

Since the Group's acquisition of 33% equity interest in Fujian Yuguo Tea Chaye Limited\* (福建鈺國茶業有限公司) ("**Fujian Yuguo**") (a limited company incorporated in Fujian Province, the PRC, engaging mainly in the distribution of tea related products in PRC) in January 2016, Fujian Yuguo has been generating profits from its operations. For the six months ended 30 June 2019, Fujian Yuguo's total revenue amounted to approximately HK\$5.9 million (2018: HK\$19.3 million). In the recent years, competition in the tea industry becomes more fierce as the traditional sales model is facing a keen competition from those online business platform. During the Period, Fujian Yuguo has begun to fine-tune its operation model to meet its customers' needs, including but not limited to provide more attractive terms to its selected customers to increase its competitiveness in the markets. Fujian Yuguo's revenue is expected to increase steadily in the coming years.

### (b) *Wine related business*

Since the end of 2016, the Group has invested in the yellow base wine. In view of the insufficient working capital recently, the Group has adopted a strategy to look for potential cooperators in producing and distributing the yellow wine products. On 15 January 2018, the Group entered into a sale and purchase agreement with the vendor of Anhui Fu Lao Wine Development Company Limited\* (安徽省福老酒業發展有限公司) ("**Anhui Fu Lao**"), a company established in PRC with limited liability and is owned as to 80% by the vendor. Pursuant to the sale and purchase agreement, the Group had agreed to acquire and the vendor of Anhui Fu Lao had agreed to sell 20% equity interest of Anhui Fu Lao held by the vendor, at the consideration of RMB84 million (equivalent to approximately HK\$101 million). The completion of acquisition took place on 31 May 2018. As such, 1,010,000,000 consideration shares at the price of HK\$0.10 per consideration share (approximately

HK\$101 million) have been allotted and issued to the vendor in accordance with the terms and conditions of the sale and purchase agreement. For details, please refer to the Company's announcements dated 15 January 2018, 28 February 2018, 17 April 2018, 18 May 2018 and 31 May 2018, respectively.

### (c) *Outbound tourism*

Regarding the Group's 20% equity interest in the Eagle Praise Group, which is principally engaged in outbound tourism related business in 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 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 and instructed its legal adviser to take further legal action against the vendor of Eagle Praise Group 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 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Selling and Distribution Costs

The amount of selling and distribution costs for the Period decreased by approximately 15% to approximately HK\$11.5 million as compared to approximately HK\$13.5 million in the same period last year. The decrease was mainly attributable to the decrease in sales commissions, compensation and advertising and promotion expenses of approximately HK\$1.2 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 2019, the Group had bank and cash balances of approximately HK\$7.7 million (31 December 2018: approximately HK\$21.8 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2019, the Group's borrowings amounted to approximately HK\$98.0 million (31 December 2018: approximately HK\$101.9 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 June 2019, the Group's promissory notes amounted to approximately HK\$231.3 million (31 December 2018: approximately HK\$153.6 million) in aggregate. The Group's promissory notes were denominated in Hong Kong dollars.

The Group monitors capital using a gearing ratio, which is the Group's net debt (comprising trade payables, accruals and other payables, income tax payable, promissory notes, obligation under finance lease and borrowings less bank and cash balances) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 30 June 2019 was 95.1% (31 December 2018: 121.8%).

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 2019, certain property, plant and equipment and investment properties held by the Group with aggregate carrying values of approximately HK\$73.9 million (31 December 2018: approximately HK\$73.9 million), were pledged to secure general banking facilities granted to the Group.

As at 30 June 2019, the Group had no significant capital commitments (31 December 2018: Nil).

As at 30 June 2019, the Group had no significant contingent liabilities (31 December 2018: 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. This is evidenced by (a) on 4 January 2019, entering into a non-legally binding memorandum of understanding in relation to a mutual intention on a possible acquisition (the "**Possible Acquisition**") of certain inventories/using rights of production plant and machineries/using rights of wine patents/using rights of wine production licenses in relation to the fermentation and production of Chinese rice wine located at Tieling Industrial Zone\*, Minhou County, Fujian Province (福建省閩侯縣鐵嶺工業區); (b) on 20 May 2019, entering into a non-legally binding memorandum of understanding in relation to a mutual intention on the possible sales of various kinds of the Group's products (including but not limited to tea, noni fruit and yellow base wine) through agency by the Sales Agent; (c) on 23 May 2019, entering into the Operation and Management Contract with respect to the "Forestry-Pulp Integration" Project in Amazar, Russia, pursuant to which, the Project is comprised of forestry resources, pulp production facilities, forestry harvesting, wood processing, paper pulp production equipment, office supplies, warehousing sites, transportation vehicles, etc.; (d) on 13 June 2019, entering into a non-legally binding memorandum of understanding in relation to a mutual intention on a possible acquisition of certain equity interests of 西昌聚龍礦業有限公司 (Xichang Julong Mining Co., Ltd.\*).

# MANAGEMENT DISCUSSION AND ANALYSIS

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 operating and to diversify its business to maximize the interests of the Group and our shareholders as a whole.

## **CAPITAL STRUCTURE**

As at 30 June 2019, the capital structure of the Company was constituted of 9,890,381,596 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 2019, 69,000,000 share options remained outstanding (31 December 2018: 69,000,000). 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. The share option scheme was refreshed on 15 May 2019.

## **EMPLOYMENT, TRAINING AND DEVELOPMENT**

As at 30 June 2019, the Group had a total of 487 employees (31 December 2018: 390 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 Listing Rules, except for the deviation from code provisions A.6.7 of the Corporate Governance Code as described below.

### Code Provision A.6.7

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Directors, Mr. So Chun Pong, Mr. Wang Xiao Ning and Mr. Cheung Man Loon, Michael had other important engagements at the same time and did not attend the annual general meeting of the Company held on 28 June 2019.

## 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 securities transactions by the Directors of the Company. Having made specific enquiry of the Directors of the Company, all Directors confirmed that they had complied with the required standards as set out in the Model Code during the Period.

## AUDIT COMMITTEE

The audit committee assists the Board in meeting its responsibilities for ensuring 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. Kong Chun Wing, Mr. Wang Xiao Ning and Mr. Chong Ho On, 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 2019.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2019, 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			Approximate percentage of shareholding
		Interest of controlled corporation	Interest of child under 18 or spouse	Beneficial owner	
Zhang Qijun	670,000	–	–	670,000	0.01%
Cheng Ho On	170,000	–	–	170,000	0.01%

Save as disclosed above, as at 30 June 2019, 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 2019, 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	
Green Luxuriant Group Investment Limited	987,665,620	987,665,620	–	–	9.99%

*Note:* Green Luxuriant Group Investment Limited is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is wholly-owned by Ms. Lin Meiling. The number of shares held by Green Luxuriant Group Investment Limited and Mr. Chen Zongji were agreed to that as shown in the list of shareholders of the Company as at 30 June 2019, respectively.

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 2019.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) which became effective on 15 May 2019. The outstanding share options granted under the Share Option Schemes, which being effective on 31 May 2013, would be lapsed on 31 August 2019.

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			Outstanding at 30 June 2019	Exercise price HK\$	Exercise period
		Outstanding at 1 January 2019	Cancelled during the Period	Lapsed during the Period			
<b>Executive Directors</b>							
Yu Won Kong, Dennis	1 September 2014	2,200,000	-	-	2,200,000	0.4000	1 September 2014 to 31 August 2019
Hui Kee Fung	1 September 2014	5,000,000	-	-	5,000,000	0.4000	1 September 2014 to 31 August 2019
<b>Employees</b>							
	1 September 2014	61,800,000	-	-	61,800,000	0.4000	1 September 2014 to 31 August 2019
		69,000,000	-	-	69,000,000		

# 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**

**Zhang Qijun**

*Chairman*

Hong Kong, 30 August 2019

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Turnover</b>	5	75,137	72,157
Cost of sales		(47,747)	(49,210)
<b>Gross profit</b>		27,390	22,947
Gain on disposal of subsidiaries	15	37,535	–
Other income		1,333	932
Selling and distribution costs		(11,520)	(13,499)
Administrative expenses		(53,771)	(44,454)
<b>Operating profit/(loss)</b>		967	(34,074)
Finance costs		(11,920)	(6,700)
		(10,953)	(40,774)
Share of results of associates		28,534	2,767
<b>Profit/(loss) before income tax</b>		17,581	(38,007)
Income tax expense	6	(333)	(477)
<b>Profit/(loss) for the period</b>	7	17,248	(38,484)
<b>Profit/(loss) attributable to:</b>			
— equity holders of the Company		22,374	(37,791)
— non-controlling interests		(5,126)	(693)
		17,248	(38,484)
		HK cents	HK cents
<b>Earnings/(loss) per share attributable to the equity holders of the Company</b>			
Basic and diluted earnings/(loss) per share	9	0.23	(0.52)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	<b>Six months ended 30 June</b>	
	<b>2019 (Unaudited) HK\$'000</b>	<b>2018 (Unaudited) HK\$'000</b>
<b>Profit/(loss) for the period</b>	<b>17,248</b>	<b>(38,484)</b>
<b>Other comprehensive income/(loss):</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value changes on equity investment at fair value through other comprehensive income	–	53,818
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference arising from translation of foreign operations	13,127	(2,931)
Share of exchange translation difference of associates	–	(1,670)
<b>Other comprehensive income for the period, net of tax</b>	<b>13,127</b>	<b>49,217</b>
<b>Total comprehensive income for the period</b>	<b>30,375</b>	<b>10,733</b>
<b>Total comprehensive income/(loss) attributable to:</b>		
— equity holders of the Company	35,501	11,426
— non-controlling interests	(5,126)	(693)
	<b>30,375</b>	<b>10,733</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	78,515	78,660
Investment properties		14,883	14,902
Other intangible asset		1,012	1,012
Investment in associates		613,273	235,920
Financial assets at fair value through other comprehensive income	11	3,435	133,000
Deferred income tax assets		198	198
Prepayments, deposits and other receivables		2,245	2,249
Right-of-use assets		8,363	–
		<b>721,924</b>	465,941
<b>Current assets</b>			
Inventories		97,352	70,758
Trade and bills receivables	12	20,865	43,301
Prepayments, deposits and other receivables		208,000	181,029
Bank and cash balances		7,748	21,818
		<b>333,965</b>	316,906
Assets of a disposal group classified as held for sale	15	–	20,514
		<b>333,965</b>	337,420
<b>Total assets</b>		<b>1,055,889</b>	803,361
<b>Current liabilities</b>			
Trade payables	13	17,203	12,982
Accruals and other payables		159,505	172,853
Income tax payable		266	740
Promissory notes		231,265	153,607
Obligation under finance leases		342	324
Borrowings		92,847	95,333
		<b>501,428</b>	435,839
<b>Net current liabilities</b>		<b>(167,463)</b>	(98,419)
<b>Total assets less current liabilities</b>		<b>554,461</b>	367,522



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Deferred income tax liabilities		15,265	14,968
Borrowings		5,117	6,545
Obligation under finance leases		239	417
Lease liability		4,524	–
		<b>25,145</b>	21,930
<b>Net assets</b>			
<b>Equity</b>			
Share capital	14	989,039	811,039
Reserves		(460,394)	(471,244)
<b>Equity attributable to owners of the Company</b>			
Non-controlling interests		671	5,797
<b>Total equity</b>			
		<b>529,316</b>	345,592

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	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	Fair value reserve for financial assets at FVTOCI HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2018 (Audited)</b>	710,039	1,523,602	4,375	303	85,726	28,364	59,183	-	(1,941,406)	470,186	9,301	479,487
Total comprehensive income for the period	-	-	-	-	14,381	-	-	53,818	(37,791)	30,408	(693)	29,715
Issue of consideration shares	101,000	-	-	-	-	-	-	-	-	101,000	-	101,000
<b>At 30 June 2018 (Unaudited)</b>	811,039	1,523,602	4,375	303	100,107	28,364	59,183	53,818	(1,979,197)	601,594	8,608	610,202
<b>At 1 January 2019 (Audited)</b>	811,039	1,451,892	4,375	303	72,188	9,219	62,288	58,818	(2,130,327)	339,795	5,797	345,592
Total comprehensive income for the period	-	-	-	-	13,127	-	-	-	22,374	35,501	(5,126)	30,375
Issue of consideration shares	178,000	-	-	-	-	-	-	-	-	178,000	-	178,000
Disposal of subsidiaries	-	-	-	-	(24,651)	-	-	-	-	(24,651)	-	(24,651)
<b>At 30 June 2019 (Unaudited)</b>	989,039	1,451,892	4,375	303	60,664	9,219	62,288	58,818	(2,107,953)	528,645	671	529,316

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	<b>Six months ended 30 June</b>	
	<b>2019 (Unaudited) HK\$'000</b>	2018 (Unaudited) HK\$'000
Net cash outflow from operating activities	<b>(72,434)</b>	(49,479)
Net cash (outflow)/inflow from investing activities	<b>(210,675)</b>	10,373
Net cash inflow from financing activities	<b>269,235</b>	15,887
Net decrease in cash and cash equivalents	<b>(13,874)</b>	(23,219)
Cash and cash equivalents at 1 January	<b>21,818</b>	31,581
Effect of foreign exchange rate changes	<b>(196)</b>	(1,087)
Cash and cash equivalents at 30 June	<b>7,748</b>	7,275

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 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 Room 1403, Capital Center, 151 Gloucester Road, Wan Chai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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 30 August 2019.

## 2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 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 2018 ("**2018 Annual Report**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

### Going Concern

At 30 June 2019, the Group's current liabilities exceeded its current assets by approximately HK\$167,463,000. 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;
- (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; and
- (4) Green Luxuriant Group Investment Limited, a shareholder of the Company, has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

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 2018 Annual Report dated 29 March 2019. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 2 BASIS OF PREPARATION *(continued)*

### Going Concern *(continued)*

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 2018 Annual Report, except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning from 1 January 2019 as follows:

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over income tax treatments
HKFRS 9 (Amendments)	Prepayment features with negative compensation
HKAS 28 (Amendments)	Long-term interests in associates and joint venture
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

### (b) HKFRS 16

The Group leases various offices, carparks and vehicles. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 3 ACCOUNTING POLICIES *(continued)*

### (b) HKFRS 16 *(continued)*

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

The Group recognised lease liabilities of HK\$11,088,000 and right-of-use assets of HK\$11,088,000 at 1 January 2019. There was no impact on retained earnings on 1 January 2019.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 3 ACCOUNTING POLICIES *(continued)*

### (b) HKFRS 16 *(continued)*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 4.75%.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

### (ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

The Group has not early adopted any other standard, amendment or interpretation that has been issued but not yet effective.

## 4 ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 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 2019 (unaudited):						
Revenue from external customers	–	75,137	–	–	–	75,137
Segment (loss)/profit	37,535	(12,022)	28,325	(912)	–	52,926
Six months ended 30 June 2018 (unaudited):						
Revenue from external customers	–	72,157	–	–	–	72,157
Segment(loss)/profit	(187)	(11,552)	2,470	(3,308)	(3)	(12,580)
Total assets:						
30 June 2019 (unaudited)	20,515	166,483	543,112	142,591	35,303	908,004
31 December 2018 (audited)	20,837	164,769	312,968	131,866	35,303	665,743
Total liabilities:						
30 June 2019 (unaudited)	–	(75,893)	(2,063)	(85,461)	–	(163,417)
31 December 2018 (audited)	(702)	(71,349)	(2,063)	(72,434)	–	(146,548)



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 5 SEGMENT INFORMATION *(continued)*

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

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Reconciliation of segment results:</b>		
Total profit/(loss) of reportable segments	52,926	(12,580)
Unallocated amounts:		
Corporate finance costs	(11,446)	(6,073)
Other corporate income and expenses	(24,232)	(19,831)
Profit/(loss) for the period	17,248	(38,484)
<b>Reconciliation of segment assets:</b>		
Total assets of reportable segments	908,004	665,743
Unallocated corporate assets	147,885	137,618
Total assets	1,055,889	803,361

## 6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current tax:		
Overseas	333	477
Deferred income tax	–	–
Income tax expense	333	477

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 7 PROFIT/(LOSS) FOR THE PERIOD

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

	<b>Six months ended 30 June</b>	
	<b>2019 (Unaudited) HK\$'000</b>	2018 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,209	3,769
Depreciation on right-of-use assets	2,725	–
Staff costs (including directors' remuneration):		
Salaries, bonus and allowance	27,165	23,338
Retirement benefits scheme contributions	978	1,170
Legal and professional fees	6,139	4,299
Interest expenses on borrowings wholly repayable within 5 years	11,920	6,700

## 8 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2018: Nil).

## 9 EARNINGS/(LOSS) PER SHARE

The calculation of basic earning/(loss) per share is based on the profit/(loss) attributable to the equity holders of the Company for the period of approximately HK\$22,374,000 (2018: (HK\$37,791,000)) and the weighted average of 9,612,039,055 (2018: 7,273,365,021) ordinary shares in issue during the period.

For the six months ended 30 June 2019 and 30 June 2018, 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\$850,000 (2018: HK\$800,000).

## 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The financial assets at fair value through other comprehensive income ("FVTOCI") for the year ended 31 December 2018 of approximately of HK\$133,000,000 was reclassified as investment in associates upon the completion of further acquisition of 28% equity interest in USO Management & Holding Co Ltd on 23 January 2019. Please refer to Note 41(b) of the Group's Annual Report 2018 for more details.

During the reporting period, financial assets at FVTOCI of approximately HK\$3,435,000 was recognized for the 20% retained interest in the disposal group (2018: financial assets at FVTOCI of HK\$133,000,000). Please refer to Note 15 for more details.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 12 TRADE AND BILLS RECEIVABLES

	<b>As at 30 June 2019 (Unaudited) HK\$'000</b>	As at 31 December 2018 (Audited) HK\$'000
Trade receivables	18,963	41,429
Bills receivables	1,902	1,872
	<b>20,865</b>	43,301

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At 30 June 2019 and 31 December 2018, the aging analysis of trade receivables, based on invoice date, net of allowance, are as follows:

	<b>As at 30 June 2019 (Unaudited) HK\$'000</b>	As at 31 December 2018 (Audited) HK\$'000
Within 30 days	15,691	12,367
31 days to 90 days	2,499	11,032
91 days to 180 days	714	12,059
181 days to 360 days	19	5,902
Over 360 days	40	69
	<b>18,963</b>	41,429

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 13 TRADE PAYABLES

At 30 June 2019 and 31 December 2018, the aging analysis of trade payables, based on invoice date, are as follows:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Within 30 days	15,883	11,405
31 days to 90 days	1,161	1,311
91 days to 180 days	7	165
181 days to 360 days	40	–
Over 360 days	112	101
	<b>17,203</b>	<b>12,982</b>

## 14 SHARE CAPITAL

	Number of shares		Ordinary share capital	
	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 each	30,000,000,000	30,000,000,000	3,000,000	3,000,000
<b>Issued and fully paid:</b>				
At beginning of period/year	8,110,381,596	7,100,381,596	811,039	710,039
Issue of shares				
— upon allotment of share	80,000,000	–	8,000	–
— upon acquisition of an associate	1,700,000,000	1,010,000,000	170,000	101,000
At end of period/year	<b>9,890,381,596</b>	<b>8,110,381,596</b>	<b>989,039</b>	<b>811,039</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 15. DISPOSAL OF SUBSIDIARIES

### Analysis of liabilities over which control was lost:

	HK\$'000
Bank and cash balances	5
Prepayments and other receivables	316
Accruals and other payables	(701)
Amounts due to other subsidiaries of the Group	(12,504)
<b>Net liabilities disposed of</b>	<b>(12,884)</b>

### Gain on disposal of the Disposal Group:

	HK\$'000
Exploration and evaluation assets	20,410
Property, plant and equipment	104
Assets and liabilities of a disposal group classified as held for sale	20,514
Transfer to Financial assets of FVTOCI for 20% residual equity interest	(3,435)
Less: Net liabilities disposed of	(12,884)
Less: Release of foreign currency translation reserve upon disposal of subsidiaries	(24,651)
	(20,456)
Less: Sales proceeds	(17,079)
<b>Gain on disposal of subsidiaries</b>	<b>(37,535)</b>

During the year ended 31 December 2018, the management decided to dispose the Group's 80% equity interest in Inner Mongolia Mingrunfeng Energy Co., Ltd. and Inner Mongolia Run Heng Mining Company Limited (the "**Disposal Group**"). On 15 December 2018, the Disposal Group was bid at open market auction for RMB15,000,000. The disposal was completed on 15 January 2019. The assets and liabilities of the Disposed Group are classified as assets of a disposal group classified at held for sale.

As at 30 June 2019 the fair value of the 20% retained interest was HK\$3,435,000 which was classified as Financial assets at FVTOCI. The fair value was calculated based on the 20% of the consideration received upon the disposal of subsidiaries with discounted for control premium of 24.29%. The retained equity interest was regarded as financial assets at FVTOCI since the Group has no significant influence to participate in the financial and operating policy decisions of the Disposal Group. For further information about the disposal of subsidiaries, please refer to note 17 and note 26 in the Group's Annual Report 2018.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 16 RELATED PARTY TRANSACTIONS

	Note	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Product development, sales & marketing, and other services fee paid to a related company	(a)	1,618	1,780

Note:

- (a) The sole owner of the related company is also the director and beneficial owner of 49% (2018: 49%) equity interest in the Company's subsidiary paying for the services.

## 17 CAPITAL COMMITMENTS

The Group had no material capital commitments at the end of the reporting period (2018: HK\$Nil).

## 18 CONTINGENT LIABILITIES

The Group had no material contingent liability at the end of the reporting period (2018: HK\$Nil).

## 19 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) Everbright Centre

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Everbright Centre Company Limited ("**Everbright Centre**") (changed its name from Wing Siu Company Limited to Everbright Centre Company Limited effective from 8 March 2018) 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, Everbright Centre 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 Everbright Centre a writ of summons issued by the Court of First Instance of 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.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 19 LITIGATIONS *(continued)*

### (a) **Everbright Centre** *(continued)*

The Company vacated from the Wanchai Property in the third quarter of 2017 and has settled part of the amount claimed above. As at 30 June 2019, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK\$4,503,000. The Company is liaising with Everbright Centre and expects to settle the outstanding amount during the fourth quarter of 2019.

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

### (b) **Guo Jingsheng**

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 by 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.

A deed of settlement was made between the Company, the director of the Company and Mr. Guo on 29 April 2019, and on 21 May 2019, all the conditions set out in this Settlement Deed have been fulfilled and the Completion of the allotment and issue of 80,000,000 Relevant Shares of the Company of HK\$0.1 each in an aggregate principal amount of HK\$8,000,000.

As at the date of this report, the Company is liaising with Mr. Guo and expects to settle the outstanding amount of such borrowing including interests ended 30 June 2019 of approximately HK\$9,600,000 by installments within one year.

## 20 EVENTS AFTER THE REPORTING PERIOD

- (a) Reference is made to the announcements dated 23 May 2019, 30 May 2019 and 29 July 2019 in relation to the entering into the operation and management contract with respect to the Project with Polaris, in order to achieve the Company’s expected return from the Project upon completion of the Contract, the Group has employed Mr. Chen Jianing (陳嘉寧先生) and Mr. Chu Haoran (儲浩然先生) as the project director and the project consultant respectively for the management and operation at the first stage of the Project.
- (b) Reference is made to the announcements dated 13 June 2019 and 19 August 2019 in relation to a mutual intention on a possible acquisition under the MOU, after the reporting period, the Group has employed Mr. Zhang Baohe (張寶河) and Mr. Feng Xianfei (馮憲飛) as the provisional project director and the provisional project consultant in connection with the possible acquisition, both of which will be responsible for procuring completion of the possible acquisition, respectively. Upon completion of the acquisition, the Group will officially appoint Mr. Zhang and Mr. Feng to manage and operate the Target Company.
- (c) Reference is made on the announcement dated 19 August 2019 in relation to the business operation of the Group in Samoa, AFS (as owner of the Leased Properties) agreed in a letter delivered to USO Management & Holding Co. Ltd. (“the Associate” of the Group) that the land use of the Leased Properties will be under the application for change on land use to include public amenities, hotel operation, real estate, and commercial activities. The change on land use will also be submitted to the government of Samoa for final approval.