



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**

**2021** INTERIM REPORT

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Zhang Qijun (*Chairman*)

Mr. Chen Jian

Mr. Liu Mingqing

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Xiao Ning

Mr. Cheng Ho On

Mr. Kong Chun Wing

Mr. Lai Chi Yin, Samuel

Ms. Chen Yuxin

## REGISTERED OFFICE

Zuill Corporate Services (Bermuda) Limited

Continental Buildings, 3rd Floor,

25 Church Street,

Hamilton HM12,

Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat E,

20th Floor,

Lucky Plaza,

315–321

Lockhart Road,

Wan Chai,

Hong Kong

## BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Zuill Corporate Service (Bermuda) Limited

Continental Building, 3rd Floor,

25 Church Street,

Hamilton HM12,

Bermuda

## 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 (the “**Board**”) of directors (the “**Directors**”) 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 2021.

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2021 (the “**Period**”), the Group recorded turnover of approximately HK\$86.3 million (2020: HK\$60.8 million), representing an increase of approximately 42% 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\$46.1 million (2020: HK\$46.5 million). The decrease in loss attributable to equity holders of the Company for the Period was mainly attributable to (i) a decrease in the share of the results of associates of approximately HK\$11.8 million; and (ii) an increase of sales revenue of approximately HK\$25.5 million. Whereas, such increase of revenue was offset by (i) an increase in cost of sales of approximately HK\$22.8 million; and (ii) an increase of selling and administrative expenses of approximately HK\$7.2 million. Basic loss per share for the Period was 5.52 HK cents (2020: 0.46 HK cents). The Board has resolved not to pay any interim dividend for the Period (2020: 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\$78.5 million (2020: HK\$60.8 million). Gross profit ratio for the Period was 27.8% (2020: 35.0%). The decrease in gross profit ratio was mainly due to an increase in the material costs during the Period. The segment loss of the manufacturing and trading of toys and gifts items was approximately HK\$1.7 million (2020: segment loss of HK\$3.0 million).

## Exploration of Natural Resources

The Group owns the minor interest of 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.

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 Investment Group.

In the opinion of the directors of the Company as at 31 December 2020, the Investment Group is still unable to generate cash flows to the Group due to the absence of the mining rights of coal mines concerned. Hence, fair value of approximately HK\$3,435,000 was recognised to fully write down the carry amount of the investment.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 one year from 1 April 2020 to 31 March 2021.

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

USO entered into a development cooperation agreement with Plantation Construction & Development Co Ltd. (the “**Development Company**”), pursuant to which USO and the Development Company will jointly develop the leased properties. The management expected that the leased properties will be mainly developed for commercial purposes such as residential properties and hotels, residential villas, high-end hotel and casino, and ancillary public amenities. Under the impact of COVID-19 pandemic, the expected begin construction date of the luxury hotel and casino, as well as the first 100 residential villas will be in August 2021. The management of the Group is assessing the operational and financial impacts of the proposed arrangements to the Group.

## Leisure

### (a) Tea related business

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.

### (b) Wine related business

Wine culture forms an important part and has a long history in the Chinese culture. In view of the increase in the living standard of the Chinese people in the recent years, the Group is optimistic about the future growth in the wine industry and has intention to invest in the wine business, especially for the yellow wine products. Since the end of 2016, the Group has invested in the yellow base wine.

As stated in the Company’s announcement dated 18 March 2020, the acquisition of 20% equity interest in Anhui Fu Lao was completed on 31 May 2018. However, due to the lack of cooperation from the administrator of the deceased vendor of Anhui Fu Lao (the “**Administrator**”), the transfer procedures of 20% equity to the Group remains incomplete. Based on the legal opinion, the directors of the Company believe that the Group could obtain a court order to enforce the transfer of 20% equity from the Administrator to the Group.

### (c) Outbound tourism

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 and the promissory notes of approximately of HK\$92 million issued to the vendor of the Eagle Praise Group. The Group will make further announcement(s) to update the development of the Rescission of Agreements as and when appropriate.

These will be a contingent gain on the rescission of the promissory note of approximately HK\$92 million. Please refer to the note 43 of the Group’s annual report for the year ended 31 December 2020 for more details.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (d) Chinese herbs related business

Hubei Jincaotang Pharmaceutical Co., Ltd. (湖北金草堂藥業有限公司), 51% equity interest of which was acquired by the Group, is principally engaged in the business of Chinese herbs and the decoction business in Mainland China.

Turnover from the Chinese herbs related business for the Period was approximately HK\$7.8 million (2020: Nil).

## Culture

Turnover from culture business for the Period was Nil (2020: Nil).

## Selling and Distribution Costs

The amount of selling and distribution costs for the Period increased by approximately 37% to approximately HK\$11.9 million as compared to approximately HK\$8.7 million in the same period last year. The increase was mainly attributable by the newly acquired Chinese herbs business 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 2021, the Group had bank and cash balances of approximately HK\$53.2 million (31 December 2020: approximately HK\$21.6 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2021, the Group's borrowings amounted to approximately HK\$98.4 million (31 December 2020: approximately HK\$121.8 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 June 2021, the Group's promissory notes amounted to approximately HK\$186.6 million (31 December 2020: approximately HK\$256.3 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 2021 was 93% (31 December 2020: 177.5%).

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 2021, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$56 million (31 December 2020: approximately HK\$56 million), were pledged to secure other loan granted to the Group.

As at 30 June 2021, the Group had no significant capital commitments (31 December 2020: Nil).

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 the entering of (a) on 8 August 2021, the Group as a buyer entered into the MOU with Yuanta Chinese Medicine Chain (Shenzhen) Co., Ltd (the “**Vendor**”), according to which, among other things, the Group has intention to acquire from the Vendor, and the Vendor has intention to sell certain equity interests in the Target Company. The principal activities of the Target Company are mainly engages in Chinese medicine diagnosis and treatment, Chinese medicine physiotherapy, Chinese medicine diet therapy, family doctors, health and wellness and sales of Chinese medicine. Centered on the community Chinese medicine clinic chain, it has formed a well-known Chinese medicine chain enterprise with stronger regional competitiveness; and (b) on 8 August 2021, the Group entered into the MOU with Waisheng Industrial Group Co., Limited (the “**PRC JV Partner**”) in respect of the establishment of a new joint venture (the “**JV Co**”) by the Company (or its designated subsidiaries) and the PRC JV Partner (or its designated subsidiaries) in the PRC.

## CAPITAL STRUCTURE

As at 30 June 2021, the capital structure of the Company was constituted of 1,151,859,658 ordinary shares of HK\$0.01 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the share options and the convertible bonds to subscribe for the Company’s shares.

At 30 June 2021, the Group has no share options remained outstanding (31 December 2020: Nil). 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 2021, the Group had a total of 356 employees (31 December 2020: 356 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. Kong Chun Wing 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 2021.

## 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 2021.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2021, 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		
Liu Mingqing	5,600,000	–	–	5,600,000	0.01%
Zhang Qijun	33,500	–	–	33,500	0.01%
Cheng Ho On	8,500	–	–	8,500	0.01%

Save as disclosed above, as at 30 June 2021, 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, 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.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Revenue</b>	4	<b>86,334</b>	60,806
Cost of sales		<b>(62,364)</b>	(39,524)
<b>Gross profit</b>		<b>23,970</b>	21,282
Other income		<b>1,425</b>	1,396
Other gains/(losses), net		<b>2,477</b>	(2,331)
Selling and distribution costs		<b>(11,936)</b>	(8,736)
Administrative expenses		<b>(34,747)</b>	(27,522)
Finance costs		<b>(22,581)</b>	(15,772)
Share of results of associates		<b>(2,959)</b>	(14,722)
<b>Loss before income tax</b>		<b>(44,351)</b>	(46,405)
Income tax expense	5	<b>(322)</b>	(459)
<b>Loss for the period</b>	6	<b>(44,673)</b>	(46,864)
<b>Loss attributable to:</b>			
— equity holders of the Company		<b>(46,112)</b>	(46,549)
— non-controlling interests		<b>1,439</b>	(315)
		<b>(44,673)</b>	(46,864)
		<b>HK cents</b>	HK cents
<b>Loss per share attributable to the equity holders of the Company</b>			
Basic and diluted loss per share	8	<b>(5.52)</b>	(0.46)



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(44,673)</b>	(46,864)
<b>Other comprehensive loss:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference arising from translation of foreign operations	<b>(8,267)</b>	(11,122)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(8,267)</b>	(11,122)
<b>Total comprehensive loss for the period</b>	<b>(52,940)</b>	(57,986)
<b>Total comprehensive loss attributable to:</b>		
— equity holders of the Company	<b>(54,379)</b>	(57,671)
— non-controlling interests	<b>1,439</b>	(315)
	<b>(52,940)</b>	(57,986)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	83,887	64,721
Right-of-use assets		3,682	4,348
Investment properties		12,033	12,243
Other intangible asset		983	989
Investment in associates	10	566,986	569,945
Prepayments, deposits and other receivables		3,932	3,932
Contingent consideration receivables		7,523	–
Deferred income tax assets		177	180
Goodwill		83,476	–
		<b>762,679</b>	656,358
<b>Current assets</b>			
Inventories		33,930	13,040
Trade and bills receivables	11	75,092	54,744
Prepayments, deposits and other receivables		78,471	107,102
Bank balances and cash		53,216	21,645
		<b>240,709</b>	196,531
<b>Total assets</b>		<b>1,003,388</b>	852,889
<b>Current liabilities</b>			
Trade payables	12	32,973	11,672
Accruals and other payables		118,831	148,842
Income tax payable		382	518
Promissory notes		186,603	256,320
Lease liabilities		1,543	1,586
Borrowings		93,616	55,732
		<b>433,948</b>	474,670
<b>Net current liabilities</b>		<b>(193,239)</b>	(278,139)
<b>Total assets less current liabilities</b>		<b>569,440</b>	378,219

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Borrowings		4,752	66,028
Convertible bonds		129,364	–
Deferred income tax liabilities		15,429	15,371
Lease liabilities		2,586	2,829
		<b>152,131</b>	84,228
<b>Net assets</b>			
		<b>417,309</b>	293,991
<b>Equity</b>			
Share capital	13	11,478	6,074
Reserves		357,925	280,834
<b>Equity attributable to owners of the Company</b>			
Non-controlling interests		369,403	286,908
		47,906	7,083
<b>Total equity</b>			
		<b>417,309</b>	293,991



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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	Equity component of convertible bonds 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 2020 (Audited)</b>	981,039	1,597,444	2,961	303	42,863	-	64,501	58,818	(2,421,631)	326,298	5,409	331,707
Total comprehensive loss for the period	-	-	-	-	(11,122)	-	-	-	(46,549)	(57,671)	(315)	(57,986)
Issue of consideration shares	38,000	-	-	-	-	-	-	-	-	38,000	-	38,000
<b>At 30 June 2020 (Unaudited)</b>	1,019,039	1,597,444	2,961	303	31,741	-	64,501	58,818	(2,468,180)	306,627	5,094	311,721
<b>At 1 January 2021 (Audited)</b>	<b>6,074</b>	<b>1,591,305</b>	<b>2,961</b>	<b>303</b>	<b>52,913</b>	<b>-</b>	<b>65,392</b>	<b>55,383</b>	<b>(1,487,423)</b>	<b>286,908</b>	<b>7,083</b>	<b>293,991</b>
Total comprehensive loss for the period	-	-	-	-	(8,267)	-	-	-	(46,112)	(54,379)	1,439	(52,940)
Non-controlling interests arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	39,384	39,384
Issue of shares under share placement	1,500	28,500	-	-	-	-	-	-	-	30,000	-	30,000
Issue of shares for loan capitalisation	3,904	100,343	-	-	-	-	-	-	-	104,247	-	104,247
Issue of convertible bonds	-	-	-	-	-	2,627	-	-	-	2,627	-	2,627
<b>At 30 June 2021 (Unaudited)</b>	<b>11,478</b>	<b>1,720,148</b>	<b>2,961</b>	<b>303</b>	<b>44,646</b>	<b>2,627</b>	<b>65,392</b>	<b>55,383</b>	<b>(1,533,535)</b>	<b>369,403</b>	<b>47,906</b>	<b>417,309</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Net cash outflow from operating activities	<b>(28,788)</b>	(11,986)
Net cash outflow from investing activities	<b>25,747</b>	(720)
Net cash inflow from financing activities	<b>34,670</b>	8,975
Net decrease in cash and cash equivalents	<b>31,629</b>	(3,731)
Cash and cash equivalents at 1 January	<b>21,645</b>	18,519
Effect of foreign exchange rate changes	<b>(58)</b>	(244)
Cash and cash equivalents at 30 June	<b>53,216</b>	14,544

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the Companies Act 1981 of the Bermuda. The address of its registered office is Continental Buildings, 25 Church Street, Hamilton HM12, Bermuda. The address of its principal place of business is Flat E, 20/F., Lucky Plaza, 315–321 Lockhart 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 Hong Kong dollars ("**HK\$**"), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved for issue by the Board on 31 August 2021.

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES Going Concern

The Group incurred a loss of approximately HK\$44,673,000 for the six months ended 30 June 2021 and as at 30 June 2021, the Group's current liabilities exceeded its current assets by approximately HK\$193,239,000. 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;
- (2) The Group is in negotiation with its creditors to extend payment due dates; and
- (3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds.

Taking into account 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 annual report for the year ended 31 December 2020 dated 31 March 2021. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

*(continued)*

Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those set out in the annual report for the year ended 31 December 2020.

The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised standards, interpretations and amendments to standards which are effective for accounting period beginning 1 January 2021:

Amendments to HKFRS 9, HKAS 39

and HKFRS 7, HKFRS 4 and HKFRS 16

*Interest Rate Benchmark Reform — Phase 2*

The adoption of these revised accounting standards does not have material impact on the Group's unaudited condensed consolidated interim financial statements.

## 3 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 2020.

## 4 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, Chinese herbs business, and tea products related business through associates or subsidiaries of the Group
Culture	–	Investment in cultural items

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

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



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 4 SEGMENT INFORMATION *(continued)*

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

	Exploration	Toys and gifts items	Fruit plantation	Leisure	Culture	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2021 (unaudited):						
Revenue from external customers	-	78,504	-	7,830	-	86,334
Segment profit/(loss)	-	(1,655)	(2,240)	2,936	-	(959)
Six months ended 30 June 2020 (unaudited):						
Revenue from external customers	-	60,806	-	-	-	60,806
Segment profit/(loss)	11,352	(3,035)	(23,986)	(104)	-	(15,773)
Total assets:						
30 June 2021 (unaudited)	1	175,575	441,772	379,978	-	997,326
31 December 2020 (audited)	1	181,563	440,515	223,702	-	845,781
Total liabilities:						
30 June 2021 (unaudited)	-	(87,406)	(5,427)	(15,106)	-	(107,939)
31 December 2020 (audited)	-	(132,604)	(4,135)	(3,493)	-	(140,232)

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Reconciliation of segment results:</b>		
Total loss of reportable segments	(959)	(15,773)
Unallocated amounts:		
Corporate finance costs	(20,922)	(15,462)
Other corporate income and expenses	(22,792)	(15,629)
Loss for the period	(44,673)	(46,864)

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 4 SEGMENT INFORMATION *(continued)*

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

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
<b>Reconciliation of segment assets:</b>		
Total assets of reportable segments	<b>997,326</b>	845,781
Unallocated corporate assets	<b>6,062</b>	7,108
Total assets	<b>1,003,388</b>	852,889

## 5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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.

	<b>Six months ended 30 June</b>	
	<b>2021 (Unaudited) HK\$'000</b>	2020 (Unaudited) HK\$'000
Current tax:		
Overseas	<b>322</b>	459
Deferred income tax	<b>-</b>	-
Income tax expense	<b>322</b>	459

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 6 LOSS FOR THE PERIOD

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

	<b>Six months ended 30 June</b>	
	<b>2021 (Unaudited) HK\$'000</b>	2020 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	<b>3,954</b>	3,982
Depreciation on right-of-use assets	<b>854</b>	1,025
Staff costs (including directors' remuneration):		
Salaries, bonus and allowance	<b>23,190</b>	18,928
Retirement benefits scheme contributions	<b>851</b>	1,291
Legal and professional fees	<b>3,275</b>	1,993
Interest expenses on borrowings wholly repayable within 5 years	<b>22,581</b>	15,772

## 7 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2020: Nil).

## 8 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\$46,112,000 (2020: HK\$46,549,000) and the weighted average of 835,431,794 (2020: 10,123,140,217) ordinary shares in issue during the period.

For the six months ended 30 June 2021 and 30 June 2020, 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.

## 9 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK\$22,500,000 (2020: HK\$720,000).

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 10 TRADE AND BILLS RECEIVABLES

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Trade receivables — contract with customers	<b>72,355</b>	61,010
Less: Allowance for credit losses	<b>(1,825)</b>	(12,115)
Trade receivables, net	<b>70,530</b>	48,895
Bills receivables	<b>4,562</b>	5,849
	<b>75,092</b>	54,744

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 2021 and 31 December 2020, the aging analysis of trade receivables, based on invoice date, net of allowance, are as follows:

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Within 30 days	<b>13,742</b>	9,696
31 days to 90 days	<b>46,194</b>	33,585
91 days to 180 days	<b>10,514</b>	5,540
181 days to 360 days	<b>23</b>	26
Over 360 days	<b>57</b>	48
	<b>70,530</b>	48,895



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 11 TRADE PAYABLES

At 30 June 2021 and 31 December 2020, the aging analysis of trade payables, based on invoice date, are as follows:

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Within 30 days	<b>24,106</b>	8,707
31 days to 90 days	<b>5,048</b>	1,469
91 days to 180 days	<b>1,658</b>	694
181 days to 360 days	<b>384</b>	138
Over 360 days	<b>1,777</b>	664
	<b>32,973</b>	11,672

## 12 SHARE CAPITAL

	Number of shares		Ordinary share capital	
	<b>As at 30 June 2021 (Unaudited)</b>	As at 31 December 2020 (Audited)	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<b>198,605,703,709</b>	198,605,703,709	<b>1,986,056</b>	1,986,056
<b>Issued and fully paid:</b>				
At beginning of period/year	<b>611,419,079</b>	9,890,381,596	<b>6,114</b>	989,039
Issue of shares				
— upon settlement of promissory notes	—	300,000,000	—	30,000
— capital reorganisation	—	(9,680,862,517)	—	(1,013,944)
— upon debt capitalisation	<b>390,440,579</b>	—	<b>3,904</b>	—
Shares issued in placing arrangement	<b>150,000,000</b>	101,900,000	<b>1,500</b>	1,019
At end of period/year	<b>1,151,859,658</b>	611,419,079	<b>11,518</b>	6,114

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 13 BUSINESS COMBINATION

As part of the Group's plan to expand its leisure business in the PRC, the Group acquired 51% of the equity interests in Hubei Jincaotang Pharmaceutical Co., Ltd. (湖北金草堂藥業有限公司), which is engaged in the Chinese herbs business and the decoction business in Mainland China, from certain third parties on 27 May 2021 at a total consideration of HK\$170,000,000. The purchase consideration for the acquisition was in the form of convertible bonds.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	<b>Recognised fair value on acquisition date</b>
	HK\$'000
Property, plant and equipment	22,446
Inventories	22,685
Trade receivables	21,111
Cash and cash equivalents	25,747
Trade payables	(5,148)
Accruals and other payables	(6,215)
Borrowings	(250)
<b>Total identifiable net assets</b>	<b>80,376</b>
Goodwill on acquisition	83,476
Non-controlling interest	(39,384)
Considerations transferred:	
— Convertible bonds	131,991
— Contingent consideration receivables	(7,523)
<b>Total fair value of the consideration</b>	<b>124,468</b>
An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:	
Cash consideration paid	—
Cash acquired	25,747
<b>Net cash inflow</b>	<b>25,747</b>

Since the acquisition, the acquired business contributed approximately HK\$7,830,000 to the Group's revenue and approximately HK\$2,936,000 of profit to the consolidated loss for the six months ended 30 June 2021.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 14 RELATED PARTY TRANSACTIONS

	Note	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Product development, sales & marketing, and other services fee paid to a related company	(a)	2,070	–

Note:

- (a) The sole owner of the related company is also the director and beneficial owner of 49% (2020: 49%) equity interest in the Company's subsidiary paying for the services.

## 15 CAPITAL COMMITMENTS

The Group had no material capital commitments at the end of the reporting period (2020: HK\$Nil).

## 16 CONTINGENT LIABILITIES

The Group had no material contingent liability at the end of the reporting period (2020: HK\$Nil).

## 17 LITIGATIONS

### (a) Chow Lai Wah Livia

Pursuant to a Loan Agreement dated 26 November 2018 entered into between Chow Lai Wah Livia ("Ms. Chow") as Lender and the Company as Borrower, Ms. Chow agreed to lend to the Company an amount of HK\$20,000,000 for a term until 1 December 2019.

On 12 September 2019 and 10 October 2019, the Company received from Ms. Chow a writ of summons and a statement of claim issued by the High Court, respectively, against the Company as borrower for the outstanding amount of borrowing of HK\$20,000,000 and interest rate of 1.25% per month from 27 May 2019 until payment. On 8 December 2019, the Company filed a defence and counterclaim to the High Court.

On 12 May 2020, the Company received a writ of summons from Ms. Chow issued by the High Court demanding an order that on favor of her amended statement of claim with interest and the Company's counterclaim be struck out.

The Company received the judgement dated 25 January 2021 from the Court. According to the judgement, the Company has to pay a sum of approximately HK\$25,255,000 including accrued interest of approximately HK\$5,255,000 up to 26 March 2021 to Ms. Chow. The Company made a payment of approximately HK\$10,000,000 to Ms. Chow on 26 March 2021 as partial settlement of the judgement debt. The outstanding amount of the judgement debt has been fully settled by the Company on 30 July 2021.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 17 LITIGATIONS *(continued)*

### (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 (the "**Settlement Deed**") was made between the Company, the director of the Company and Mr. Guo on 29 April 2019. Pursuant to the Settlement Deed, the Company would issue 80,000,000 ordinary shares of the Company at HK\$0.10 per share (the "**Shares**") for the settlement of HK\$8,000,000 as partial settlement of Mr. Guo's debt of approximately HK\$17,600,000 as at 29 April 2019. The Settlement Deed contains a buy-back clause for the Shares by the Company should the quoted market price of the Company's shares fail to reach at least HK\$0.10 per share within one year from the date of issue of the Shares. The Company issued and allotted the Shares to Mr. Guo on 21 May 2019. On 15 May 2020 and 8 June 2020, the Company received a writ of summons from Mr. Guo demanding an order that the Company buy back the Shares from Mr. Guo.

As at the date of this report, the Company is liaising with Mr. Guo about the buy-back of the Shares and the outstanding amount of borrowings of approximately HK\$9,600,000, which is included in accruals and other payables as at 30 June 2021.

### (c) Everbright Centre

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Everbright Centre Company Limited ("**Everbright Centre**") (formerly known as Wing Siu Company Limited) 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, for a lease of premises 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 premises; (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.

The Company vacated from the premises in the third quarter of 2017 and has settled part of the amount claimed above. As at 30 June 2021, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK\$3,225,000 which is included in accruals and other payables.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 17 LITIGATIONS *(continued)*

### (d) Eternal Galaxy Group Limited

A winding-up petition (Companies Winding-up No. 266/2020) (the "**Petition**") was presented on 20 August 2020 against the Company by Eternal Galaxy Group Limited (the "**Petitioner**") for the claim of HK\$10,000,000 in a debt owed to the Petitioner by way of an assignment of a promissory note with a principal amount of HK\$10,000,000 (the "**Promissory Note**"), originally owed to a supplier of the Group (the "**Assignor**").

On 28 August 2020, the Company took out a striking out application (the "**Dismissal Application**") to dismiss the Petition mainly on three grounds:

- (1) The service of a statutory demand dated 7 July 2020 and the Petition was improperly carried out;
- (2) The Petition is inherently defective and demurrable on the basis that the Promissory Note was never signed by the Assignor; and
- (3) The underlying debts alleged by the Petitioner is false, as the petitioner was never a creditor of the Company and was in fact merely abusing the legal process by commencing groundless winding-up proceedings.

The Petition has been dismissed by way of consent summons filed to the registrar of High Court on 4 June 2021.

### (e) Veda Capital Limited

On 17 July 2020, the Company received a writ of summons from Veda Capital Limited issued by the District Court of the Hong Kong Special Administrative Region for a claim of HK\$803,000 for the provision of consultancy service fee against the Company.

As at the date of this report, the Company is liaising with Veda Capital Limited to settle the above claim which is included in accruals and other payables as at 30 June 2021 and 31 December 2020.

## 18 EVENTS AFTER THE REPORTING PERIOD

### (a) Proposed Capital Reorganisation and Proposed Rights Issue

The Board proposes to implement the Capital Reorganisation which will involve the following:

- (i) the Share Consolidation whereby every five (5) issued and unissued Existing Shares of par value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.05 each;
- (ii) the Capital Reduction whereby the par value of each issued Consolidated Share will be reduced from HK\$0.05 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.04 on each issued Consolidated Share and any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation will be cancelled;
- (iii) the Share Subdivision of every unissued Consolidated Share of par value of HK\$0.05 each in the authorised share capital of the Company into five (5) Adjusted Shares of par value of HK\$0.01 each;

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 18 EVENTS AFTER THE REPORTING PERIOD *(continued)*

### (a) Proposed Capital Reorganisation and Proposed Rights Issue *(continued)*

- (iv) the Credit Transfer whereby the credit arising from the Capital Reduction in the amount equal to the total number of the then issued Consolidated Shares upon the Share Consolidation becoming effective multiplied by HK\$0.04 shall be credited to the contributed surplus account of the Company within the meaning of the Companies Act; and
- (v) the amount standing to the credit of the contributed surplus account be applied in full to set off the accumulated losses of the Company or be applied in any other manner as may be permitted under the Bye-laws and all applicable laws of Bermuda.

For details, please refer to the Company's announcements dated 3 August 2021.

### (b) The Possible Acquisition of certain equity interest in the Target Company

On 8 August 2021, the Group as a buyer entered into the MOU with Yuanta Chinese Medicine Chain (Shenzhen) Co., Ltd (the "**Vendor**"), according to which, among other things, the Group has intention to acquire from the Vendor, and the Vendor has intention to sell certain equity interests in the Target Company. The principal activities of the Target Company are mainly engages in Chinese medicine diagnosis and treatment, Chinese medicine physiotherapy, Chinese medicine diet therapy, family doctors, health and wellness and sales of Chinese medicine. Centered on the community Chinese medicine clinic chain, it has formed a well-known Chinese medicine chain enterprise with stronger regional competitiveness.

The amount of the equity interest under the Possible Acquisition, the consideration of the Possible Acquisition and the payment terms of the consideration will be subject to further negotiation between the parties to the MOU.

For details, please refer to the Company's announcements dated 9 August 2021 and 12 August 2021.

### (c) Memorandum of Understanding in respect of establishment of the JV Co

On 8 August 2021, the Group entered into the MOU with Waisheng Industrial Group Co., Limited (the "**PRC JV Partner**") in respect of the establishment of a new joint venture (the "**JV Co**") by the Company (or its designated subsidiaries) and the PRC JV Partner (or its designated subsidiaries) in the PRC.

For details, please refer to the Company's announcements dated 9 August 2021.