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## **Kiu Hung International Holdings Limited**

**僑雄國際控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00381)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014**

The Board (the “**Board**”) of Directors (the “**Directors**”) of Kiu Hung International Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company, its subsidiary companies and an associated company (the “**Group**”) for the year ended 31 December 2014 as follows:

#### **CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2014*

	<i>Note</i>	<b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
<b>Turnover</b>	<b>4</b>	<b>229,022</b>	169,910
Cost of sales		<b>(155,446)</b>	(120,637)
<b>Gross profit</b>		<b>73,576</b>	49,273
Other income	<b>4</b>	<b>1,810</b>	1,916
Selling and distribution costs		<b>(33,060)</b>	(24,672)
Administrative expenses		<b>(81,329)</b>	(53,567)
Provision for impairment of exploration and evaluation assets	<b>10</b>	<b>–</b>	(38,252)
Other losses, net	<b>7</b>	<b>(1,158)</b>	(2,031)
<b>Operating loss</b>		<b>(40,161)</b>	(67,333)
Finance costs	<b>5</b>	<b>(11,022)</b>	(6,338)
		<b>(51,183)</b>	(73,671)
Provision for impairment of investment in an associate	<b>11</b>	<b>(453,886)</b>	–
Share of result of an associate	<b>11</b>	<b>(3,896)</b>	–
<b>Loss before income tax</b>		<b>(508,965)</b>	(73,671)
Income tax credit	<b>6</b>	<b>293</b>	3,921
<b>Loss for the year</b>		<b>(508,672)</b>	(69,750)

	<i>Note</i>	<b>2014</b> <b><i>HK\$'000</i></b>	2013 <i>HK\$'000</i>
<b>(Loss)/profit attributable to:</b>			
— Equity holders of the Company		<b>(509,606)</b>	(71,826)
— Non-controlling interests		<b>934</b>	2,076
		<u><b>(508,672)</b></u>	<u>(69,750)</u>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
<b>Loss per share attributable to the equity holders of the Company</b>			
Basic and diluted loss per share	8	<u><b>(31.58)</b></u>	<u>(6.02)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Loss for the year	(508,672)	(69,750)
Other comprehensive (loss)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties	176	2,609
Deferred income tax arising on revaluation of properties	(259)	411
Items that may be reclassified to profit or loss:		
Exchange difference arising from translation of foreign operations	(537)	5,176
Other comprehensive (loss)/income for the year, net of tax	(620)	8,196
Total comprehensive loss for the year	(509,292)	(61,554)
Total comprehensive (loss)/income attributable to:		
— Equity holders of the Company	(510,226)	(63,630)
— Non-controlling interests	934	2,076
	(509,292)	(61,554)

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2014*

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>66,783</b>	67,283
Prepaid land lease payments		<b>4,526</b>	4,659
Investment properties		<b>10,100</b>	10,100
Exploration and evaluation assets	<i>10</i>	<b>147,805</b>	148,312
Other intangible asset		<b>1,059</b>	1,070
Investment in an associate	<i>11</i>	<b>143,339</b>	–
Deferred income tax assets		<b>377</b>	353
Rental deposits		<b>2,824</b>	–
		<b>376,813</b>	231,777
<b>Current assets</b>			
Inventories		<b>15,640</b>	22,885
Trade and bills receivables	<i>12</i>	<b>33,513</b>	18,510
Prepayments, deposits and other receivables		<b>15,071</b>	8,870
Income tax recoverable		<b>613</b>	332
Bank and cash balances		<b>20,127</b>	18,710
		<b>84,964</b>	69,307
<b>Total assets</b>		<b>461,777</b>	301,084
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>17,119</b>	14,337
Accruals and other payables		<b>37,185</b>	39,344
Income tax payable		<b>393</b>	366
Borrowings		<b>63,846</b>	76,157
		<b>118,543</b>	130,204
<b>Net current liabilities</b>		<b>(33,579)</b>	(60,897)
<b>Total assets less current liabilities</b>		<b>343,234</b>	170,880

	<i>Note</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Non-current liabilities</b>			
Convertible bonds	14	20,207	–
Deferred income tax liabilities		29,836	31,422
		<u>50,043</u>	<u>31,422</u>
<b>Net assets</b>		<u>293,191</u>	<u>139,458</u>
<b>Equity</b>			
Share capital		257,838	119,386
Reserves		26,336	11,989
<b>Equity attributable to equity holders of the Company</b>		<u>284,174</u>	<u>131,375</u>
Non-controlling interests		9,017	8,083
<b>Total equity</b>		<u>293,191</u>	<u>139,458</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus HK\$'000	Contributed surplus HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payment reserve HK\$'000	Property revaluation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2013	119,386	984,947	3,320	303	99,135	7,570	35,982	–	(1,055,638)	195,005	6,007	201,012
<b>Total comprehensive (loss)/ income for the year</b>	–	–	–	–	5,176	–	3,020	–	(71,826)	(63,630)	2,076	(61,554)
<b>Transaction with equity holders</b>												
Release on forfeiture of share options	–	–	–	–	–	(177)	–	–	177	–	–	–
Transfer to reserve	–	–	1,051	–	–	–	–	–	(1,051)	–	–	–
<b>Total transactions with equity holders</b>	–	–	1,051	–	–	(177)	–	–	(874)	–	–	–
At 31 December 2013	119,386	984,947	4,371	303	104,311	7,393	39,002	–	(1,128,338)	131,375	8,083	139,458
At 1 January 2014	119,386	984,947	4,371	303	104,311	7,393	39,002	–	(1,128,338)	131,375	8,083	139,458
<b>Total comprehensive (loss)/ income for the year</b>	–	–	–	–	(537)	–	(83)	–	(509,606)	(510,226)	934	(509,292)
<b>Transaction with equity holders</b>												
Issue of shares upon exercise of share options	365	1,387	–	–	–	(422)	–	–	–	1,330	–	1,330
Issue of shares on placements	27,420	37,058	–	–	–	–	–	–	–	64,478	–	64,478
Issue of convertible bonds	–	–	–	–	–	–	–	329,034	–	329,034	–	329,034
Issue of shares upon conversion of convertible bonds	70,667	255,577	–	–	–	–	–	(256,453)	–	69,791	–	69,791
Issue of Consideration Shares	40,000	144,000	–	–	–	–	–	–	–	184,000	–	184,000
Recognition of share-based payment	–	–	–	–	–	14,392	–	–	–	14,392	–	14,392
Transfer to reserve	–	–	23	–	–	–	–	–	(23)	–	–	–
<b>Total transactions with equity holders</b>	138,452	438,022	23	–	–	13,970	–	72,581	(23)	663,025	–	663,025
At 31 December 2014	257,838	1,422,969	4,394	303	103,774	21,363	38,919	72,581	(1,637,967)	284,174	9,017	293,191

## NOTES:

### 1. GENERAL INFORMATION

On 18 December 2014, the name of the Company has been changed from “Kiu Hung Energy Holdings Limited” to “Kiu Hung International Holdings Limited”.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 20/F., Hong Kong Diamond Exchange Building, 8–10 Duddell Street, Central, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Group is principally engaged in the manufacturing and trading of toys and gifts, the exploration of natural resources, and the investment in the fruit plantation related business.

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

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap 32) for this financial year and the comparative period.

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

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

#### Going Concern

At 31 December 2014, the Group’s current liabilities exceeded its current assets by approximately HK\$33,579,000 and the Group recorded a loss of approximately HK\$508,672,000 and a net operating cash outflow of approximately HK\$50,636,000 during the year ended 31 December 2014. In addition, up to the date of the approval of the consolidated financial statements, the Group has entered into agreements for certain business and asset acquisitions. Pursuant to the terms of these agreements, the Group has committed a minimum HK\$6.5 million to be settled within the next twelve months from 31 December 2014 (note 17). All of these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group’s financial position, the directors of the Company have been implementing various measures as follows:

- (1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings and to extend existing borrowings upon their maturities;
- (2) The Group is in negotiation with its creditors to extend payment due dates; and
- (3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2014. The directors of the Company are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2014. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

The following amendments to standards and interpretations are mandatory for the Group's accounting year beginning on 1 January 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The adoption of these amendments and interpretation to existing standards do not result in any substantial changes to the Group's accounting policy nor any impact on the consolidated financial statements.



- (b) The following amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:

		Effective for accounting year beginning on or after
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions	1 July 2014
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants	1 January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRSs (Amendment)	Annual Improvements 2010-2012 Cycle	1 July 2014
HKFRSs (Amendment)	Annual Improvements 2011-2013 Cycle	1 July 2014
HKFRSs (Amendment)	Annual Improvements 2012-2014 Cycle	1 January 2016

(c) **New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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

	2014 HK\$'000	2013 HK\$'000
Turnover		
Sales of goods	<u>229,022</u>	<u>169,910</u>
Other income		
Moulds income	201	337
Interest income	10	22
Rental income	1,021	989
Others	<u>578</u>	<u>568</u>
	<u>1,810</u>	<u>1,916</u>

## Segment information

The Group has three reportable segments as follows:

Exploration	—	Exploration of natural resources
Toys and gifts items	—	Manufacturing and trading of toys and gifts items
Fruit plantation	—	Investment in fruit plantation related business through an associate of the Group

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 property, plant and equipment, bank and cash balances and prepayments, deposits and other receivables at corporate level. Segment liabilities do not include borrowings, accruals and other payables and convertible bonds at corporate level.

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

	Exploration		Toys and gifts items		Fruit plantation		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 December</b>								
Revenue from external customers	—	—	229,022	169,910	—	—	229,022	169,910
<b>Segment results</b>	<b>(734)</b>	<b>(33,916)</b>	<b>(414)</b>	<b>(16,681)</b>	<b>(460,780)</b>	<b>—</b>	<b>(461,928)</b>	<b>(50,597)</b>
Depreciation and amortisation	(8)	(8)	(5,331)	(8,902)	—	—	(5,339)	(8,910)
Provision for impairment of exploration and evaluation assets	—	(38,252)	—	—	—	—	—	(38,252)
Provision for impairment of investment in an associate	—	—	—	—	(453,886)	—	(453,886)	—
Interest income	9	21	1	1	—	—	10	22
Interest expenses	—	—	(3,526)	(2,781)	—	—	(3,526)	(2,781)
Income tax credit/(expenses)	—	7,977	293	(4,056)	—	—	293	3,921
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 December</b>								
Segment assets	148,555	151,436	156,985	149,411	143,339	—	448,879	300,847
Segment liabilities	(19,665)	(19,818)	(105,064)	(98,304)	—	—	(124,729)	(118,122)
Additions to segment non-current assets	—	—	3,030	2,046	601,121	—	604,151	2,046
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Reconciliation of segment results:</b>		
Total loss of reportable segments	(461,928)	(50,597)
Unallocated amount:		
Corporate finance costs	(7,496)	(3,557)
Other corporate income and expenses	(39,248)	(15,596)
	<u>(508,672)</u>	<u>(69,750)</u>
Loss for the year	<u>(508,672)</u>	<u>(69,750)</u>
<b>Reconciliation of segment assets:</b>		
Total assets of reportable segments	448,879	300,847
Unallocated corporate assets		
Property, plant and equipment	2,005	–
Bank and cash balances	6,492	28
Prepayments, deposits and other receivables	4,401	209
	<u>12,898</u>	<u>237</u>
Total assets	<u>461,777</u>	<u>301,084</u>
<b>Reconciliation of segment liabilities:</b>		
Total liabilities of reportable segments	124,729	118,122
Unallocated corporate liabilities		
Borrowings	6,357	18,300
Accruals and other payables	17,293	25,204
Convertible bonds	20,207	–
	<u>43,857</u>	<u>43,504</u>
Total liabilities	<u>168,586</u>	<u>161,626</u>

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

	<b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
The PRC (including Hong Kong)	<b>287</b>	2,840
North America <sup>1</sup>	<b>211,863</b>	152,885
European Union <sup>2</sup>	<b>10,738</b>	9,232
Others <sup>3</sup>	<b>6,134</b>	4,953
	<b>229,022</b>	<b>169,910</b>

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

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

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

Revenue from two customers each accounted for more than 10% of the Group’s total revenue for the year represented approximately 47% and 13% of the Group’s total revenue for the year ended 31 December 2014, respectively (2013: 35% and 17%).

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

	<b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
Sales of toys and gifts items	<b>229,022</b>	<b>169,910</b>

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

	<b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
The PRC (including Hong Kong)	<b>371,981</b>	229,763
USA	<b>1,631</b>	1,661
	<b>373,612</b>	<b>231,424</b>

**5. FINANCE COSTS**

	<b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
Interest expenses on:		
Bank borrowings and overdrafts wholly repayable within 5 years	<b>2,702</b>	2,622
Other loans	<b>5,842</b>	3,557
Trust receipt loans	<b>567</b>	159
Convertible bonds wholly repayable within 3 years	<b>1,911</b>	–
	<b>11,022</b>	<b>6,338</b>

## 6. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
Provision for the year	382	1,082
(Over)/under-provision of prior years	(103)	49
	<u>279</u>	<u>1,131</u>
Overseas		
Provision for the year	1,226	691
Under-provision of prior years	–	254
	<u>1,226</u>	<u>945</u>
Total current tax	1,505	2,076
Deferred income tax	(1,798)	(5,997)
Income tax credit	<u>(293)</u>	<u>(3,921)</u>

## 7. LOSS FOR THE YEAR

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Amortisation of other intangible asset	11	12
Auditor's remuneration	2,400	2,000
Provision for impairment of trade receivables	87	11
Provision for impairment of other receivables <sup>1</sup>	394	403
(Write back of provision)/provision for inventories obsolescence	(1,625)	393
Cost of inventories sold	113,829	85,051
Depreciation of property, plant and equipment	5,279	8,779
Amortisation of prepaid land lease payments	120	119
Fair value (gain)/loss on investment properties <sup>1</sup>	(32)	36
Write-off and loss on disposals of property, plant and equipment <sup>1</sup>	412	1,485
Minimum lease payments under operating leases		
in respect of leasehold land and buildings	5,991	5,633
Net foreign exchange loss <sup>1</sup>	384	107
Staff costs (excluding directors' remuneration)		
Salaries, bonus and allowance	42,934	34,524
Retirement benefits scheme contributions	1,701	1,703
Share-based payment expenses	12,505	–
	<u>57,140</u>	<u>36,227</u>

<sup>1</sup> Included in other losses, net

## 8. LOSS PER SHARE

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

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Loss attributable to the equity holders of the Company</b>		
Loss for the purpose of calculating basic and diluted loss per share	<u>(509,606)</u>	<u>(71,826)</u>
	<b>2014</b>	<b>2013</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u><b>1,613,523,241</b></u>	<u>1,193,860,934</u>

For the years ended 31 December 2014 and 31 December 2013, the average market price of the Company's ordinary shares was below the exercise price of the outstanding share options. Accordingly, the weighted average number of ordinary shares was not adjusted to compute the diluted loss per share for the effect of the share options.

As the Group has incurred a loss for the year ended 31 December 2014, the conversion of all potential ordinary shares arising from the convertible bonds would have an anti-dilutive effect on the loss per share. Accordingly, the weighted average number of ordinary shares was not adjusted to compute the diluted loss per share for the effect of the convertible bonds.

## 9. FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2014 (2013: Nil) .

## 10. EXPLORATION AND EVALUATION ASSETS

	<b>Group</b> <b>HK\$'000</b>
<b>Cost</b>	
At 1 January 2013	1,372,344
Exchange difference	42,940
	<hr/>
At 31 December 2013	1,415,284
Exchange difference	(4,843)
	<hr/>
At 31 December 2014	1,410,441
	<hr style="border-top: 1px dashed black;"/>
<b>Accumulated impairment loss</b>	
At 1 January 2013	1,191,440
Impairment loss	38,252
Exchange difference	37,280
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At 31 December 2013	1,266,972
Exchange difference	(4,336)
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At 31 December 2014	1,262,636
	<hr style="border-top: 1px dashed black;"/>
<b>Carrying amount</b>	
At 31 December 2014	147,805
	<hr style="border-top: 3px double black;"/>
At 31 December 2013	148,312
	<hr style="border-top: 3px double black;"/>

The exploration and evaluation assets represent exploration rights of Bayanhushuo Coal Field (“**BCF**”) and Guerbanhada Coal Mine (“**GCM**”). At 31 December 2014, the carrying amount is attributable to BCF of approximately HK\$108,441,000 (2013: HK\$108,813,000) and GCM of approximately HK\$39,364,000 (2013: HK\$39,499,000).

The current licence period of the exploration right of BCF and GCM is from 4 July 2014 to 4 July 2016 and from 23 September 2013 to 22 September 2015, respectively.

The carrying values of the exploration and evaluation assets were tested for impairment as at 31 December 2014 using the fair value less costs to sell model. The recoverable amounts of the exploration and evaluation assets were valued by Grant Sherman Appraisal Limited.

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

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

The directors are satisfied with the recoverability of exploration and evaluation assets with carrying value of approximately HK\$147,805,000, in aggregate, as at 31 December 2014 (2013: HK\$148,312,000) by reference to their respective fair values.

## 11. INVESTMENT IN AN ASSOCIATE

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

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

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

	HK\$'000
For the period from the date of acquisition to 31 December 2014	(3,896)
	<hr/> <hr/>

### Acquisition of the Multijoy Group

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

The Multijoy Group is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the “**Forest Land**”). Pursuant to the forestry concession rights certificates, the forestry concession rights are valid for a term from 24 November 2011 to 31 December 2048.

The Multijoy Group appointed an independent third party under a cooperation agreement for a term of five years from 1 April 2013 to 31 March 2018 in relation to the operations of the tangerine plantation business on the Forest Land for a fixed royalty income.

On 17 September 2014, being the date of acquisition, the fair value of the Consideration Shares was approximately HK\$184,000,000 and the fair value of the Convertible Bonds was approximately HK\$417,121,000 (note 14). At the date of acquisition, management assessed the recoverable amount of the investment in the Multijoy Group by using the direct comparison approach, where comparable tangerine plantation businesses with fixed royalty income were identified and analysed. The fair value of the Company's share of the net identifiable assets recognised, which also represents the recoverable amount of the underlying business, was approximately HK\$147,235,000. Therefore, the excess of (i) the fair value of the total consideration of approximately HK\$601,121,000 over (ii) the fair value of the Company's share of net identifiable assets acquired of approximately HK\$147,235,000 was considered to be immediately impaired, and as a result, a provision for impairment of investment in an associate of approximately HK\$453,886,000 was recorded in the consolidated financial statements.

The Multijoy Group is a private group and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associate.



## 12. TRADE AND BILLS RECEIVABLES

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	<b>31,041</b>	18,521
Less: provision for impairment	<b>(98)</b>	(11)
	<hr/>	<hr/>
Trade receivables, net	<b>30,943</b>	18,510
Bills receivables	<b>2,570</b>	–
	<hr/>	<hr/>
	<b>33,513</b>	18,510
	<hr/>	<hr/>

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

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

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 30 days	<b>16,102</b>	11,776
31 days to 90 days	<b>10,424</b>	5,658
91 days to 180 days	<b>4,295</b>	985
181 days to 360 days	<b>122</b>	49
Over 360 days	<b>–</b>	42
	<hr/>	<hr/>
	<b>30,943</b>	18,510
	<hr/>	<hr/>

## 13. TRADE PAYABLES

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

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 30 days	<b>11,015</b>	9,690
31 days to 90 days	<b>3,429</b>	1,596
91 days to 180 days	<b>623</b>	2,109
181 days to 360 days	<b>284</b>	626
Over 360 days	<b>1,768</b>	316
	<hr/>	<hr/>
	<b>17,119</b>	14,337
	<hr/>	<hr/>

## 14. CONVERTIBLE BONDS

On 17 September 2014, the Company issued the 3-year Convertible Bonds as part of the consideration for the acquisition of an associate (note 11). The Convertible Bonds are interest free and convertible into 906,666,666 ordinary shares of the Company at a conversion price of HK\$0.15 per share, at any time up from the date of issue to the maturity on 16 September 2017, subject to certain conversion restrictions.

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

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

The Convertible Bonds recognised in the consolidated statement of financial position:

	<b>Group 2014 HK\$'000</b>
Fair value of the Convertible Bonds issued on 17 September 2014 ( <i>note 11</i> )	<b>417,121</b>
Equity component — Convertible bond equity reserve on initial recognition at 17 September 2014	<b>(329,034)</b>
Liability component on initial recognition at 17 September 2014	<b>88,087</b>
Interest expenses ( <i>note 5</i> )	<b>1,911</b>
Converted into ordinary shares of the Company during the year	<b>(69,791)</b>
Liability component at 31 December 2014	<b>20,207</b>

During the year ended 31 December 2014, the Company issued 706,666,665 ordinary shares of HK\$0.10 each in relation to the conversion of the Convertible Bonds at the conversion price of HK\$0.15 per share.

The fair value of the Convertible Bonds of approximately HK\$417,121,000 at issue date is determined by using the Binomial Option Pricing Model, with the following key assumptions:

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

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

Time to maturity	3 years
Effective interest rate	15%

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

## 15. CONTINGENT LIABILITIES

At 31 December 2014 and 2013, the Group had no contingent liability respectively.

## 16. CAPITAL COMMITMENTS

At 31 December 2014 and 2013, the Group had no capital commitments respectively.

## 17. EVENTS AFTER THE REPORTING PERIOD

### (i) Acquisition of a tourism business

On 3 February 2015, the Company and its wholly owned subsidiary, Kiu Hung Leisure Holidays Company Limited (“**KH Leisure**”) entered into a sales and purchase agreement (the “**Sales and Purchase Agreement**”) with Unicorn Sino Limited (the “**Unicorn Sino**”) and Ms. Wei Xin Jie (魏欣捷), an independent third party and the ultimate sole beneficial owner of Unicorn Sino, regarding KH Leisure’s acquisition of 20% equity interests of Eagle Praise Limited (the “**Target Company**”). The Target Company’s wholly-owned subsidiary will operate the business of designing, developing and selling tourism and travel related products in the PRC (after reorganisation to be carried out by Unicorn Sino and the Target Company).

The total consideration of this acquisition of approximately HK\$125 million will be satisfied by (i) the issue of 150,000,000 new ordinary shares of the Company in two equal tranches of 75,000,000 ordinary shares each; and (ii) a promissory note of HK\$92 million to be issued by the Company.

On 3 March 2015, the first tranche of 75,000,000 ordinary shares of the Company have been issued to Unicorn Sino in accordance with the Sales and Purchase Agreement. The second tranche of the 75,000,000 ordinary shares of Company will be issued as and when the acquisition is completed.

Upon completion, the Company has the sole discretion to settle the promissory note in cash or through issuing a maximum of 418,181,818 ordinary shares of the Company (at HK\$0.22 per share), or a combination of cash and shares. If the Company decides to repay the promissory notes (wholly or partially) by issuing new shares, the Company will seek a specific mandate from the Company’s shareholders (or independent shareholders, if applicable) under Rule 13.36 of the Listing Rules. In the event that the Company fails to obtain the specific mandate from the shareholders in relation to the issuance of the shares, the Company will be required to settle the promissory note in cash.

For details, please refer to the Company’s announcements dated 3 February 2015, 12 February 2015 and 6 March 2015.

**(ii) MOU in relation to an acquisition of wine business in the PRC**

With reference to the memorandum of understanding (the “**MOU**”) dated 16 October 2014 entered into between Kiu Hung Health Food Company Limited (“**KH Health Food**”), a wholly owned subsidiary of the Company, and Rising Fortune Group Limited, an independent third party, regarding an acquisition of certain equity interests of a target company (the “**Possible Acquisition**”), on 13 January 2015, in order to allow additional time for KH Health Food to conduct due diligence review relating to the target company and its subsidiaries (the “**Target Group**”) and for the parties’ further negotiation of the terms of the Possible Acquisition, the parties to the MOU entered into a supplemental letter to the MOU (the “**Supplemental Letter**”) to extend the expiry date of the exclusivity period from 13 January 2015 to 13 April 2015.

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

In addition, the parties to the MOU also agreed in the Supplemental Letter that, in the event the consideration of the Possible Acquisition is agreed to be settled by way of issue of the Company’s shares or any other securities of the Company convertible into the Company’s shares, the original issue price of “80% of the average closing price of the five trading days ending on the date of the MOU” was changed to “HK\$0.2 per share of the Company”, subject to compliance with all relevant laws and regulations.

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

For details, please refer to the Company’s announcements dated 16 October 2014 and 13 January 2015.

**(iii) Acquisition of arts and cultural related assets**

On 27 March 2015, the Company and its wholly owned subsidiary, Sharp Precision Management Limited entered into an assets purchase agreement (the “**Assets Purchase Agreement**”) with Jingdezhen Jing Dong Ceramic Group Co., Ltd, an independent third party, regarding certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a consideration of HK\$38 million, which would be satisfied by the issue of two series of the Company’s promissory notes namely, the Promissory Note A and Promissory Note B, in the aggregate principal amount of HK\$6.5 million and HK\$31.5 million, respectively. The Promissory Note A and the Promissory Note B are interest free and are due by 27 May 2015 and 27 March 2016, respectively. Completion of the Assets Purchase Agreement took place following the execution of the Assets Purchase Agreement on 27 March 2015.

For details, please refer to the Company’s announcement dated 27 March 2015.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL HIGHLIGHTS**

During the financial year ended 31 December 2014 (the “Year”), the Group recorded a turnover of approximately HK\$229.0 million (2013: approximately HK\$169.9 million), representing an increase of approximately 34.8% as compared to the previous year. The Group’s loss attributable to shareholders for the Year was approximately HK\$509.6 million (2013: approximately HK\$71.8 million). Basic loss per share for the Year was approximately 31.58 HK cents (2013: approximately 6.02 HK cents).

The increase in (i) the Group’s loss attributable to shareholders; and (ii) the basic loss per share for the Year, of approximately HK\$437.8 million and approximately 25.56 HK cents, respectively, was mainly attributable to the impact of the provision for impairment of investment in an associate of approximately HK\$453.9 million. Details of such provision for impairment of investment in an associate are set out in the paragraph headed “Fruit plantation” under the section headed “BUSINESS AND OPERATION REVIEW”. Such provision for impairment of investment in an associate had no impact to the cash flows of the Group for the year ended 31 December 2014.

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

### **DIVIDEND**

The Board does not recommend the payment of any dividend for the Year (2013: Nil).

### **BUSINESS AND OPERATIONAL REVIEW**

#### **Segmental Information Analysis**

During the Year, the Group has three reportable segments, namely, “Manufacturing and trading of toys and gifts items”, “Exploration of natural resources”, and “Fruit plantation”.

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

#### *Manufacturing and trading of toys and gifts items*

Turnover from toys and gifts business for the Year was approximately HK\$229.0 million (2013: approximately HK\$169.9 million), representing an increase of approximately 34.8% as compared to the previous year. The increase in turnover from toys and gifts business was mainly due to the increase of sales of toys and gifts products.

The gross profit ratio of the toys and gifts business was approximately 32.1% for the Year (2013: approximately 29.0%).

### *Exploration of natural resources*

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

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

BCF is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting China Ltd. on 31 January 2008, BCF has estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. In order to fulfill the requirement of the PRC government before submitting the master planning of BCF, the Group submitted a resources report of BCF to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) in 2011. Such resources report of BCF was prepared by Inner Mongolia Long Wang Geographic Exploration Co. Ltd. (內蒙古龍旺地質勘探有限責任公司), which indicates that BCF has estimated coal resources of approximately 384.69 million tonnes under the Chinese resources standard promulgated by the Ministry of Land and Resources of the PRC. Save as above, there is no material change in the estimated coal resources of BCF as at the date of this announcement.

GCM is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal. There is no material change in the estimated coal resources of GCM as at the date of this announcement.

The current licence period of the exploration right of BCF and GCM is from 4 July 2014 to 4 July 2016 and from 23 September 2013 to 22 September 2015, respectively.

The mining licence application process of BCF and GCM was much slower than expected. As at the date of this announcement, the Group is still waiting for the approval of the master planning (總體規劃) of both BCF and GCM from the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the National Energy Commission of the PRC (中華人民共和國國家能源局), which is one of the pre-conditions for the application of the mining licence of BCF and GCM.

## *Fruit plantation*

The Group completed the acquisition of 28% equity interest in Multijoy Developments Limited (together with its subsidiaries, the “**Multijoy Group**”), a company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability, at a total consideration of HK\$196 million (the “**Consideration**”) which was satisfied by (i) the issuance of 400,000,000 new ordinary shares of the Company (the “**Consideration Shares**”); and (ii) the issuance of convertible bonds of the Company with face value of HK\$136,000,000 (the “**Convertible Bonds**”) to Delight Grace Limited, a company incorporated in the BVI with limited liability on 17 September 2014 (the “**Acquisition**”).

Upon initial recognition of the Acquisition, which is classified as investment in an associate, on 17 September 2014, the Group had to account for the fair value of the Consideration with reference to the closing market price of HK\$0.46 per share of the Company as at the completion date of the Acquisition rather than the issue price of HK\$0.15 per share of the Consideration Shares and the initial conversion price of HK\$0.15 per conversion share\* in accordance with the relevant accounting standards of Hong Kong Financial Reporting Standards. As such, the fair value of the Consideration with reference to the closing market price of HK\$0.46 per share of the Company was determined to be approximately HK\$601 million, which is in excess of the fair value of the net identifiable assets acquired in respect of the Multijoy Group (after taking into account the relevant deferred tax liabilities of the Multijoy Group) by approximately HK\$453.9 million. Such excess was considered to be immediately impaired. As a result, a provision for impairment of investment in an associate of approximately HK\$453.9 million was recorded in the Company’s consolidated financial statements accordingly. Such provision for impairment had no impact to the cash flows of the Group for the year ended 31 December 2014.

For details of the Acquisition, please refer to the Company’s circular dated 22 August 2014.

\* *The ordinary shares of the Company upon the exercise of the conversion rights attaching to the Convertible Bonds.*

## **GEOGRAPHICAL INFORMATION**

During the Year, North America (includes the USA and Canada) recorded a revenue of approximately HK\$211.9 million for the Year compared to approximately HK\$152.9 million last year and represented approximately 92.5% (2013: approximately 90.0 %) of the Group’s total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) amounted to approximately HK\$10.7 million compared to approximately HK\$9.2 million last year and represented approximately 4.7% (2013: approximately 5.4%) of the Group’s total revenue.

## **SELLING AND DISTRIBUTION COSTS**

The amount of the selling and distribution expenses for the Year was approximately HK\$33.1 million (2013: approximately HK\$24.7 million). The increase was mainly attributable to the increase of sales of toys and gifts products.



## **ADMINISTRATIVE EXPENSES**

Administrative expenses for the Year increased by approximately 51.7% to approximately HK\$81.3 million as compared to approximately HK\$53.6 million in the previous year. The increase in administrative expenses was mainly due to an increase in (i) share-based payments of approximately HK\$14.4 million; (ii) staff costs of approximately HK\$6.1 million; and (iii) legal and professional fees of approximately HK\$4.2 million during the Year.

## **FINANCE COSTS**

Finance costs for the Year increased by approximately 74.6% to approximately HK\$11.0 million as compared to approximately HK\$6.3 million in the previous year. The increase in finance costs was mainly due to the increase in interest expenses on other loans and convertible bonds wholly payable within 3 years of approximately HK\$2.3 million and HK\$1.9 million, respectively.

## **INCOME TAX CREDIT**

The Group recorded an income tax credit of approximately HK\$0.3 million during the Year (2013: approximately HK\$3.9 million). The decrease in income tax credit was mainly due to the decrease in deferred income tax credit of approximately HK\$4.2 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong and in the PRC. The Group had cash and bank balances of approximately HK\$20.1 million at 31 December 2014 (2013: approximately HK\$18.7 million). The Group's cash and bank balances were mostly held in Hong Kong dollars and Renminbi.

At 31 December 2014, the Group's borrowings amounted to approximately HK\$63.8 million (2013: approximately HK\$76.2 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi, of which approximately 40.5% (2013: approximately 77.6%) bore interest at fixed lending rates.

At 31 December 2014, the fair value of the liability component of the Company's Convertible Bonds was approximately HK\$20.2 million. The total outstanding principal amount of the Convertible Bonds as at 31 December 2014 and the date of this announcement were HK\$30 million and HK\$21 million, respectively. The Group had incurred interest expenses for the Convertible Bonds of approximately HK\$1.9 million for the Year.

The gearing ratio of the Group calculated as the Group's borrowings less bank and cash balances over its total equity was approximately 14.9% at 31 December 2014 (2013: approximately 41.2%).

Net current liabilities of the Group at 31 December 2014 was approximately HK\$33.6 million (2013: approximately HK\$60.9 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was approximately 0.72 (2013: approximately 0.53).



As the majority of the Group's transactions and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate fluctuation was relatively insignificant and the Group had not used any financial instruments for hedging during the Year.

At 31 December 2014, certain property, plant and equipment, prepaid land lease payments and investment properties held by the Group with aggregate carrying value of approximately HK\$68.2 million (2013: approximately HK\$71.0 million), were pledged to secure general banking facilities granted to the Group.

The Group had no capital commitments as at 31 December 2014 (2013: Nil).

The Group had no contingent liabilities as at 31 December 2014 (2013: Nil).

## **BUSINESS PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS**

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole. This is evidenced by (a) the acquisition of the fruit plantation related business (completed on 17 September 2014); (b) the acquisition of art and cultural related assets (completed on 27 March 2015); (c) the proposed acquisition of 20% interest in a group of companies which will engage in PRC outbound travelling to Samoa; and (d) the entering into of a memorandum of understanding in relation to the possible acquisition of wine related business in the PRC.

Going forward, the Group will review its current operations from time to time and will continue to explore other investment opportunities in different fields including but not limited to financial services, entertainment business such as investment in music concerts or any other businesses that have earning potentials, in order to expand its existing operations and to diversify its businesses to maximise the interests of the Group and our shareholders as a whole.

## **CAPITAL STRUCTURE**

As at 31 December 2014, the capital structure of the Company is constituted of 2,578,377,599 ordinary shares of HK\$0.1 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the Convertible Bonds and share options to subscribe for the Company's shares.

On 18 March 2014, 28 April 2014 and 22 September 2014, the Company and its placing agents entered into three conditional placing agreements in respect of the placements of 135,000,000, 75,600,000 and 63,600,000 ordinary shares of HK\$0.10 each of the Company to independent investors at the placing price of HK\$0.175, HK\$0.16 and HK\$0.475 per share, respectively. The placements of 135,000,000, 75,600,000 and 63,600,000 ordinary shares of HK\$0.1 each of the Company were completed on 31 March 2014, 9 May 2014 and 3 October 2014, respectively. The amounts of the net proceeds raised from these three placements were approximately HK\$23.1 million, HK\$11.8 million and HK\$29.0 million, respectively. The aggregate net proceeds of HK\$63.9 million have been used for (i) repayment of the Group's borrowings of approximately HK\$14.4 million; and (ii) general working capital of the Group of approximately HK\$49.5 million. For details, please refer to the Company's announcements dated 18 March 2014, 28 April 2014 and 22 September 2014, respectively.

At 31 December 2014, 157,146,120 share options and 200,000,000 conversion shares remained outstanding (2013: 41,796,120 share options; 2013: no conversion shares).

## **EMPLOYMENT, TRAINING AND DEVELOPMENT**

At 31 December 2014, the Group had a total of 564 employees (2013: 499 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **AUDIT OPINION**

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

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

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **Emphasis of matter**

We draw attention to note 2.1 to the consolidated financial statements, which states that the Group incurred a net loss of approximately HK\$508,672,000 and had a net operating cash outflow of approximately HK\$50,636,000 during the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$33,579,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to raise capital from existing and new investors, obtain sufficient new borrowings, extend its existing borrowings upon their maturities, and derive adequate cash flows from its operating activities. These conditions, along with other matters as described in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

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

In the opinion of the Directors, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules during the year ended 31 December 2014.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Specific enquiries have been made by the Company to confirm that all Directors have complied with the Model Code during the year ended 31 December 2014.

## **AUDIT COMMITTEE**

The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control system and provide advice and comments to the Board. The audit committee members have reviewed the Company's consolidated financial statements for the year ended 31 December 2014 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with management and the Company's external auditors.

## **PUBLICATION OF RESULTS**

This announcement of results has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kh381.com](http://www.kh381.com)). The annual report of the Company for the year ended 31 December 2014 containing all the information required by Appendix 16 “Disclosure of Financial Information” to the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

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

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

Hong Kong, 31 March 2015

*As at the date of this announcement, the Board comprises four executive Directors, Mr. Hui Kee Fung, Mr. Yu Won Kong, Dennis, Mr. Cheung Kai Fung and Mr. Long Tien Ian, one non-executive Director, Mr. Lam Kit Sun and three independent non-executive Directors, Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. So Chun Pong, Ricky.*