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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: 381)

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The Board (the “**Board**”) of Directors (the “**Directors**”) of Kiu Hung International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2016 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>	4	235,384	223,313
Cost of sales		<u>(151,478)</u>	<u>(143,645)</u>
<b>Gross profit</b>		83,906	79,668
Other income	5	16,411	7,645
Selling and distribution costs		(34,480)	(36,575)
Administrative expenses		(89,546)	(119,195)
Other gains, net	8	<u>23,152</u>	<u>1,515</u>
<b>Operating loss</b>		(557)	(66,942)
Finance costs	6	<u>(35,875)</u>	<u>(14,683)</u>
		(36,432)	(81,625)
Gain on disposal of subsidiaries	19	18,810	—
Impairment of investment in an associate	12(b)	(117,761)	—
Share of result of associates	12	<u>5,967</u>	<u>(3,769)</u>
<b>Loss before income tax</b>		(129,416)	(85,394)
Income tax expense	7	<u>(1,627)</u>	<u>(1,858)</u>
<b>Loss for the year</b>	8	<u><u>(131,043)</u></u>	<u><u>(87,252)</u></u>

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>(Loss)/profit attributable to:</b>			
— equity holders of the Company		<b>(132,719)</b>	(89,665)
— non-controlling interests		<u><b>1,676</b></u>	<u>2,413</u>
		<u><b>(131,043)</b></u>	<u>(87,252)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share attributable to the owners of the Company</b>			
Basic and diluted loss per share	<i>9</i>	<u><b>(3.04)</b></u>	<u>(2.95)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2016*

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the year</b>	<b>(131,043)</b>	(87,252)
<b>Other comprehensive (loss)/income:</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Surplus on revaluation of properties	<b>3,600</b>	3,047
Deferred income tax expense arising on revaluation of properties	<b>(693)</b>	(562)
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference arising from translation of foreign operations	<b>(11,501)</b>	(12,751)
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries	<b>(2,560)</b>	—
<b>Other comprehensive loss for the year, net of tax</b>	<b>(11,154)</b>	(10,266)
<b>Total comprehensive loss for the year</b>	<b>(142,197)</b>	(97,518)
<b>Total comprehensive (loss)/income attributable to:</b>		
— equity holders of the Company	<b>(143,873)</b>	(99,931)
— non-controlling interests	<b>1,676</b>	2,413
	<b>(142,197)</b>	(97,518)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>53,109</b>	63,991
Prepaid land lease payments		—	4,149
Investment properties		<b>10,954</b>	10,950
Exploration and evaluation assets	<i>11</i>	<b>130,355</b>	139,178
Other intangible asset		<b>1,035</b>	1,047
Investment in associates	<i>12</i>	<b>246,145</b>	257,499
Available-for-sale financial asset	<i>13</i>	<b>93,338</b>	93,338
Deferred income tax assets		<b>188</b>	308
Rental deposits		<b>2,222</b>	2,222
		<b>537,346</b>	572,682
<b>Current assets</b>			
Inventories		<b>75,869</b>	51,487
Trade and bills receivables	<i>14</i>	<b>29,985</b>	42,686
Prepayments, deposits and other receivables	<i>15</i>	<b>122,338</b>	126,785
Income tax recoverable		<b>437</b>	38
Bank and cash balances		<b>37,116</b>	13,755
		<b>265,745</b>	234,751
<b>Total assets</b>		<b>803,091</b>	807,433
<b>Current liabilities</b>			
Trade payables	<i>16</i>	<b>14,021</b>	17,330
Accruals and other payables		<b>66,501</b>	51,899
Income tax payable		<b>240</b>	579
Promissory notes	<i>17</i>	<b>95,252</b>	144,930
Derivative financial liabilities	<i>18</i>	—	9,403
Obligation under finance leases		<b>169</b>	155
Borrowings		<b>34,241</b>	74,062
		<b>210,424</b>	298,358
<b>Net current assets/(liabilities)</b>		<b>55,321</b>	(63,607)
<b>Total assets less current liabilities</b>		<b>592,667</b>	509,075

	<i>Notes</i>	<b>2016</b> <b><i>HK\$'000</i></b>	2015 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Promissory notes	<i>17</i>	<b>71,719</b>	78,270
Deferred income tax liabilities		<b>26,942</b>	29,100
Obligation under finance leases		<b>453</b>	677
		<u><b>99,114</b></u>	<u>108,047</u>
<b>Net assets</b>		<u><b>493,553</b></u>	<u>401,028</u>
<b>Equity</b>			
Share capital	<i>22</i>	<b>609,272</b>	354,391
Reserves		<b>(128,825)</b>	35,207
<b>Equity attributable to owners of the Company</b>		<u><b>480,447</b></u>	<u>389,598</u>
Non-controlling interests		<b>13,106</b>	11,430
<b>Total equity</b>		<u><b>493,553</b></u>	<u>401,028</u>

## NOTES:

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is changed from 20/F., Hong Kong Diamond Exchange Building, 8–10 Duddell Street, Central, Hong Kong to 19th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wan Chai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

### 2. GOING CONCERN BASIS

The Company incurred a loss of approximately HK\$131,043,000 for the year ended 31 December 2016 and net operating cash outflow of approximately HK\$42,466,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Company may be unable 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.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the above measures to be undertaken by the Group. The directors of the Group are of the opinion that, taking into account the above 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 2016. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

#### 4. OPERATING SEGMENT INFORMATION

2016  
*HK\$'000*                      2015  
*HK\$'000*

Revenue			
Sales of goods	<u>235,384</u>	<u>223,313</u>	

#### Segment information

The Group has five reportable segments as follows:

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

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

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

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

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended 31 December</b>												
Revenue from external customers	—	—	235,384	223,313	—	—	—	—	—	—	235,384	223,313
Segment (loss)/profit	(1,251)	(959)	23,899	3,826	14,492	(3,122)	(111,591)	(1,934)	(3)	(335)	(74,454)	(2,524)
Depreciation and amortisation	(2)	(8)	(4,089)	(5,430)	—	—	—	—	—	—	(4,091)	(5,438)
Impairment of investment in an associate	—	—	—	—	—	—	117,761	—	—	—	117,761	—
Interest income	—	—	6	5	—	—	—	—	—	—	6	5
Interest expenses	—	—	(4,579)	(1,465)	—	—	—	—	—	—	(4,579)	(1,465)
Income tax expenses	—	—	(1,627)	(2,165)	—	—	—	—	—	—	(1,627)	(2,165)
<b>At 31 December</b>												
Segment assets	132,919	139,390	160,362	168,630	282,771	233,075	87,914	117,763	35,303	35,303	699,269	694,161
Segment liabilities	(20,730)	(18,723)	(74,763)	(109,935)	—	—	(18,636)	—	—	—	(114,129)	(128,658)
Additions to segment non-current assets	—	—	4,411	2,563	—	—	—	—	—	—	4,411	2,563

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Reconciliation of segment results:</b>		
Total loss of reportable segments	(74,454)	(2,524)
Unallocated income and expenses		
Corporate finance costs	(31,296)	(13,218)
Other corporate income and expenses	(25,293)	(71,510)
	<u>(131,043)</u>	<u>(87,252)</u>
Loss for the year	<u>(131,043)</u>	<u>(87,252)</u>
<b>Reconciliation of segment assets:</b>		
Total assets of reportable segments	699,269	694,161
Unallocated corporate assets		
Property, plant and equipment	903	1,473
Bank and cash balances	620	3,762
Prepayments, deposits and other receivables	102,299	108,037
	<u>103,822</u>	<u>113,272</u>
Total assets	<u>803,091</u>	<u>807,433</u>
<b>Reconciliation of segment liabilities:</b>		
Total liabilities of reportable segments	114,129	128,658
Unallocated corporate liabilities		
Borrowings	10,025	12,726
Accruals and other payables	18,413	32,418
Derivative financial liabilities	—	9,403
Promissory notes	166,971	223,200
	<u>195,409</u>	<u>277,747</u>
Total liabilities	<u>309,538</u>	<u>406,405</u>



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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The PRC (including Hong Kong)	2,263	255
North America <sup>1</sup>	225,185	209,623
European Union <sup>2</sup>	4,878	8,670
Others <sup>3</sup>	3,058	4,765
	<u>235,384</u>	<u>223,313</u>

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

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

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

Revenue from one (2015: two) customers, accounted for more than 10% of the Group’s total revenue for the year, represented approximately 53% of the total Group’s revenue for the year ended 31 December 2016, (2015: 36% and 10% respectively).

The geographical location of customer is based on the location at which the goods delivered.

(d) Analysis of revenue by category:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sales of toys and gifts items	<u>235,384</u>	<u>223,313</u>

5. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Moulds income	92	12
Interest income	6	5
Rental income	615	911
Gain on bargain purchase	—	4,200
Dividend income from associates	14,861	1,500
Others	837	1,017
	<u>16,411</u>	<u>7,645</u>

## 6. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest expenses on:		
Bank borrowings and overdrafts	4,299	1,160
Other loans	9,310	3,670
Trust receipt loans	209	232
Convertible bonds wholly repayable within 3 years	13,205	1,853
Imputed interest on promissory notes	8,852	7,768
	<u>35,875</u>	<u>14,683</u>

## 7. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	643	875
Over-provision of prior years	—	(52)
	<u>643</u>	<u>823</u>
Current tax — Overseas		
Provision for the year	818	922
Total current tax	1,461	1,745
Deferred income tax	166	113
Income tax expense	<u>1,627</u>	<u>1,858</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

## 8. LOSS FOR THE YEAR

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Amortisation of other intangible asset	12	12
Amortisation of prepaid land lease payments	56	118
Auditor's remuneration	1,600	1,500
Cost of inventories sold	112,749	101,182
Depreciation of property, plant and equipment	4,428	5,309
Fair value gain on investment properties*	(600)	(698)
Gain on disposal of subsidiaries	(18,810)	—
Net foreign exchange gain*	(1,183)	(4,311)
Provision for impairment of other receivables	—	2,589
Provision for impairment of trade receivables	—	64
Reversal of impairment of trade receivables	(42)	—
Minimum lease payments under operating leases in respect of leasehold land and buildings	10,994	12,022
Write back of provision for inventories obsolescence	(1,253)	(419)
Write-off and loss on disposals of property, plant and equipment*	516	905
Staff costs (including directors' remuneration)		
Salaries, bonus and allowance	44,745	45,976
Retirement benefits scheme contributions	1,876	1,677
Share-based payment expenses	—	22,948
	<u>46,621</u>	<u>70,601</u>

\* Included in other gains, net

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK\$132,719,000 (2015: HK\$89,665,000) and the weighted average number of ordinary shares of 4,360,280,407 (2015: 3,035,500,397) in issue during the year.

### (b) Diluted loss per share

There was no dilutive potential ordinary shares for the Company's outstanding share options for the years ended 31 December 2016 and 2015. Accordingly, the diluted loss per share is same as basic loss per share for both years.

## 10. FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

## 11. EXPLORATION AND EVALUATION ASSETS

HK\$'000

### Cost

At 1 January 2015	1,410,441
Exchange difference	(82,323)
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At 31 December 2015 and 1 January 2016	1,328,118
Exchange difference	(84,185)
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At 31 December 2016	1,243,933
	<hr/>

### Accumulated impairment loss

At 1 January 2015	1,262,636
Exchange difference	(73,696)
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At 31 December 2015 and 1 January 2016	1,188,940
Exchange difference	(75,362)
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At 31 December 2016	1,113,578
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### Carrying amount

At 31 December 2016	130,355
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At 31 December 2015	139,178
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The exploration and evaluation assets represent exploration rights of Bayanhushuo Coal Field (“BCF”) and Guerbanhada Coal Mine (“GCM”). At 31 December 2016, the carrying amount is attributable to BCF of approximately HK\$95,638,000 (2015: HK\$102,112,000) and GCM of approximately HK\$34,717,000 (2015: HK\$37,066,000).

The current licence period of the exploration right of BCF and GCM is from 4 July 2016 to 4 July 2018 and from 21 August 2015 to 20 August 2017, respectively.

The carrying values of the exploration and evaluation assets were tested for impairment as at 31 December 2016 using the fair value less costs of disposal model. The recoverable amounts of the exploration and evaluation assets were valued by Hong Kong Appraisal Advisory Limited.

## 12. INVESTMENT IN ASSOCIATES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Unlisted investments:		
Share of net assets	224,146	139,737
Goodwill	593,646	571,648
	<u>817,792</u>	<u>711,385</u>
Impairment losses	(571,647)	(453,886)
	<u>246,145</u>	<u>257,499</u>

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

### (a) Multijoy Group

Name	Multijoy Developments Limited The PRC/British Virgin Islands Planation	
Principal place of business/country of incorporation	2016	2015
Principal activities	40%	28%
% of ownership interests	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December:		
Non-current assets	673,687	673,952
Current assets	—	222
Non-current liabilities	(167,443)	(167,443)
Current liabilities	(9,963)	(9,462)
Net assets	<u>496,281</u>	<u>497,269</u>
Group's share of net assets	180,668	139,738
Goodwill	453,886	453,886
	<u>634,554</u>	<u>593,624</u>
Impairment losses	(453,886)	(453,886)
Group's share of carrying amount of interests	<u>180,668</u>	<u>139,738</u>
Year ended 31 December:		
Revenue	34,207	33,897
Loss before tax	(6,893)	(7,203)
Loss after tax	(12,674)	(12,866)
Other comprehensive loss	(1,115)	(502)
Total comprehensive loss	(13,789)	(13,368)
Dividends received from associates	14,861	—

On 27 January 2016, the Group further acquired 12% equity interest in Multijoy at a consideration of HK70,000,000 which is satisfied by issuing 700,000,000 ordinary shares of HK\$0.10 each.

(b) **Eagle Praise Group**

	Eagle Praise Limited	
	The PRC/British Virgin Islands	
	Tourism related business	
	2016	2015
% of ownership interests	20%	20%
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December:		
Non-current assets	—	—
Current assets	703	703
Non-current liabilities	—	—
Current liabilities	(1,773)	(1,439)
Net liabilities	<u>(1,070)</u>	<u>(736)</u>
Goodwill	<u>117,761</u>	117,761
Impairment losses	<u>117,761</u>	117,761
	<u>(117,761)</u>	—
Group's share of carrying amount of interests	<u>—</u>	<u>117,761</u>
Year ended 31 December:		
Revenue	—	—
Loss before tax	(334)	(830)
Loss after tax	(344)	(830)
Other comprehensive income	—	—
Total comprehensive loss	(344)	(830)
Dividends received from associates	—	—

On 23 April 2015, the Group completed the acquisition of 20% equity interest in Eagle Praise Limited (the “**Eagle Praise Group**”), a company incorporated in the BVI with limited liability, at a total consideration satisfied by (i) the issue of 150,000,000 new ordinary shares of the Company in two equal tranches of 75,000,000 ordinary shares each; and (ii) a promissory note of HK\$92,000,000 issued by the Company.

(c) **Fujian Yuguo**

Name	Fujian Yuguo Chaye Limited
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Tea products related
	<b>2016</b>
% of ownership interests	<b>33%</b>
	<b>HK\$'000</b>
At 31 December:	
Non-current assets	<b>15,290</b>
Current assets	<b>68,831</b>
Non-current liabilities	—
Current liabilities	<b>(23,401)</b>
Net assets	<b>60,720</b>
Group's share of net assets	<b>20,038</b>
Goodwill	<b>45,439</b>
Group's share of carrying amount of interests	<b>65,477</b>
Year ended 31 December:	
Revenue	<b>77,410</b>
Profit before tax	<b>21,313</b>
Profit after tax	<b>15,985</b>
Other comprehensive income	—
Total comprehensive income	<b>15,985</b>
Dividends received from associates	—

On 1 January 2016, the Group completed the acquisition of 33% equity interest in Fujian Yuguo Chaye Limited (“**Fujian Yuguo**”), a company incorporated in the PRC with limited liability, at a total consideration of HK\$67,490,280 which is satisfied by (i) promissory notes in the principal amount of HK\$57,264,480 and HK\$10,225,800 respectively.

As at 31 December 2016, the bank and cash balances of the Group's associates in the PRC denominated in Renminbi (“**RMB**”) amounted to approximately HK\$6,683,000 (2015: approximately HK\$63,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

### 13. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Unlisted equity securities, at cost	<u>93,338</u>	<u>93,338</u>

On 5 October 2015, Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the agreement with Green Luxuriant Group Investment Limited, regarding the Company's acquisition of 19% equity interest of USO Management & Holding Co Ltd. ("USO"). USO entered into the tenancy agreement with The Alii and Faipule of the village of Sasina, Savaii ("AFS") pursuant to which AFS granted to USO the legal right to use prime agricultural property with approximately 500 acres located at Sasina, Savaii in Samoa for a term of 90 plus 30 years (120 years in total) at an annual lease payment of US\$120,000 (equivalent to approximately HK\$936,000) for the development of USO's plantation business.

The total consideration of this acquisition of approximately HK\$120,000,000 was satisfied by issuing of the 49,000,000 consideration shares at HK\$0.144 per share and issue of the first promissory notes and the second promissory notes in the total principal amount of HK\$112,944,000. The consideration shares were issued on 20 October 2015.

This acquisition was completed on 7 December 2015. Accordingly, the first promissory notes were issued by the Company to the vendor.

Unlisted equity securities with carrying amount of approximately HK\$93,338,000 was carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

### 14. TRADE AND BILLS RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	27,134	29,504
Less: provision for impairment	<u>(120)</u>	<u>(162)</u>
Trade receivables, net	27,014	29,342
Bills receivables	<u>2,971</u>	<u>13,344</u>
	<u>29,985</u>	<u>42,686</u>

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



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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	15,192	6,757
31 days to 90 days	10,746	11,687
91 days to 180 days	1,058	10,611
181 days to 360 days	—	208
Over 360 days	18	79
	<u>27,014</u>	<u>29,342</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Deposits for sales right of a property development	95,411	101,868
Trade deposits	2,571	8,525
Other receivables	18,732	9,297
Prepayments	5,624	7,095
	<u>122,338</u>	<u>126,785</u>

#### 16. TRADE PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	12,880	13,547
31 days to 90 days	840	1,133
91 days to 180 days	184	640
181 days to 360 days	6	86
Over 360 days	111	1,924
	<u>14,021</u>	<u>17,330</u>

**17. PROMISSORY NOTE**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 January	223,200	—
Issuance of promissory notes	70,981	221,932
Imputed interest	8,852	7,768
Repayment of promissory notes	(23,435)	(6,500)
Off set against convertible bonds	(112,627)	—
	<u>166,971</u>	<u>223,200</u>
At 31 December	<u>166,971</u>	<u>223,200</u>
Analysed as:		
Current liabilities	95,252	144,930
Non-current liabilities	71,719	78,270
	<u>166,971</u>	<u>223,200</u>

**18. DERIVATIVE FINANCIAL LIABILITIES**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other derivative	<u>—</u>	<u>9,403</u>

On 24 November 2015, the Company and Green Luxuriant Group Investment Limited (the “Vendor”) entered into a supplemental agreement and the parties agreed that the second promissory notes in the principal amount of HK\$12,177,000 would be issued to the Vendor within five business days given that a number of undertakings set out in a supplemental agreement were completed within six months after the completion date (or such later date as Trinity Force Investments Limited and the Vendor may agree).

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

## 19. DISPOSAL OF SUBSIDIARIES

On 1 August 2016, the Group disposed its subsidiaries, Jet Profit Enterprises Limited and Fujian Ka Hung Toys Co., Ltd., at a consideration of HK\$5,665,000 to Power Global Holdings Limited which is beneficially owned as to 40% by Mr. KF Hui, 34% by Mr. KY Hui and 26% by Ms. Teresa Hui. Mr. KF Hui is an executive Director and Mr. KY Hui and Ms. Teresa Hui are both former executive Directors. Mr. KF Hui is the brother of Mr. KY Hui and Ms. Teresa Hui.

Net assets at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	13,684
Prepaid land lease payments	4,251
Cash and bank balances	109
Due from fellow subsidiaries	6,619
Accrued liabilities and other payables	(110)
Due to an immediate holding company	(1,074)
Deferred tax liabilities	(1,636)
Borrowings	(32,428)
	<hr/>
Net liabilities disposed of	(10,585)
Release of foreign currency translation reserve	(2,560)
Gain on disposal of subsidiaries	18,810
	<hr/>
Total consideration	5,665
Less:	
Due from fellow subsidiaries	(6,619)
Due to an immediate holding company	1,074
	<hr/>
Total consideration — satisfied by cash	<u>120</u>
Net cash inflow arising on disposal:	
Cash consideration received	120
Cash and cash equivalents disposed of	(109)
	<hr/>
	<u>11</u>

## 20. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period (2015: Nil).

## 21. CAPITAL COMMITMENTS

The Group had no significant capital commitments at the end of the reporting period (2015: Nil).

## 22. SHARE CAPITAL

	Number of shares		Amount	
	2016	2015	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each (2015: HK\$0.10 each)				
<b>Authorised:</b>				
At the beginning of the year	<b>30,000,000,000</b>	4,000,000,000	<b>3,000,000</b>	400,000
Increase in authorised share capital	—	26,000,000,000	—	2,600,000
At the end of the year	<b><u>30,000,000,000</u></b>	<b><u>30,000,000,000</u></b>	<b><u>3,000,000</u></b>	<b><u>3,000,000</u></b>
<b>Issued and fully paid:</b>				
At beginning of year	<b>3,543,907,176</b>	2,578,377,599	<b>354,391</b>	257,838
Issue of shares				
— on placement	<b>840,000,000</b>	67,200,000	<b>84,000</b>	6,720
— upon conversion of convertible bonds	<b>989,902,800</b>	699,329,577	<b>98,990</b>	69,933
— upon acquisitions	<b>700,000,000</b>	199,000,000	<b>70,000</b>	19,900
— settlement of remuneration	<b>18,906,000</b>	—	<b>1,891</b>	—
At end of year	<b><u>6,092,715,976</u></b>	<b><u>3,543,907,176</u></b>	<b><u>609,272</u></b>	<b><u>354,391</u></b>

## 23. RELATED PARTY TRANSACTIONS

	Note	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Product development, sale and marketing services fee paid to a related company	(a)	<b><u>3,518</u></b>	<b><u>2,655</u></b>

*Note:*

- (a) The sole owner of the related company is also the director and beneficial owner of 49% (2015: 49%) equity interest in the Company's subsidiary paying for the services.

## 24. LITIGATIONS

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

### (a) Wing Siu

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Wing Siu Company Limited (“**Wing Siu**”) as landlord and Super Dragon Management Limited (“**Super Dragon**”), a wholly-owned subsidiary of the Company, as tenant, and the Company as guarantor to Super Dragon, Wing Siu agreed to let Super Dragon the premises located at 19th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong (the “**Wanchai Property**”) for a term of three years from 15 December 2014 to 14 December 2017.

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

As at the date of this announcement, the Company is liaising with Wing Siu and expects to settle the above claim during the second quarter of 2017.

### (b) Ultimate Dream

Pursuant to a tenancy agreement dated 7 November 2014 entered into between Ultimate Dream Enterprises Limited (“**Ultimate Dream**”) as landlord and Super Dragon, as tenant, Ultimate Dream agreed to let Super Dragon the premises located at 20th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong (the “**Central Property**”) for a term of two years from 1 September 2014 to 31 August 2016.

On 5 August 2016, the Company received from Ultimate Dream a writ of summons issued in the District Court of the Hong Kong Special Administrative Region with an indorsement of claim against the Company for the outstanding total amount of rent, management fees and rates of approximately HK\$699,000.

The above claim had been fully settled in October 2016.

### (c) Others

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

The Company, the director of the Company and Mr. Guo entered into a deed of settlement before end of 2016. As at the date of this announcement, the Company is liaising with Mr. Guo and expects to settle the outstanding amount of such borrowing including interests of approximately HK\$11,921,000 in aggregate after completion of the placing of new shares of the Company under specific mandate (as announced by the Company on 28 October 2016), which is subject to obtaining the approval of (i) the Stock Exchange; and (ii) the Company’s shareholders in an extraordinary general meeting to be convened.

## 25. EVENTS AFTER THE REPORTING PERIOD

### (i) Acquisition of additional equity interest of tangerine plantation business

On 28 February 2017, Kiu Hung Properties Company Limited, an indirect wholly owned subsidiary of the Company (“**Kiu Hung Properties**”) and Delight Grace Limited (“**Delight Grace**”) entered into an agreement, pursuant to which Kiu Hung Properties has conditionally agreed to purchase and Delight Grace has conditionally agreed to sell the issued share capital of Multijoy Developments Limited for a consideration of HK\$65,700,000, which will be satisfied by the issue of a promissory note with a principal amount of HK\$65,700,000 by the Company at completion. The sale shares represent 9% of the issued share capital of Multijoy Developments Limited, an associated company of the Group that is held as to 40% by Kiu Hung Properties.

For details, please refer to the Company’s announcement dated 28 February 2017.

### (ii) Possible acquisition of certain equity interest in Shanghai Liming Technology

On 13 March 2017, the Company and Stunning Honour Enterprises Limited (“**Stunning Honour**”) entered into a non-legally binding memorandum of understanding indicating the intention of the Company and Stunning Honour to enter into a formal acquisition agreement in respect of the possible acquisition of certain equity interest in Shanghai Liming Intelligent Technology Limited 上海立名智能科技有限公司 (“**Shanghai Liming Technology**”) Shanghai Liming Technology is principally engaged in hotel intelligent technology, robotic hotel operation and intelligent security and the research and development and operation of building data interactive platform.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

During the financial year ended 31 December 2016 (the “Year”), the Group recorded a turnover of approximately HK\$235.4 million (2015: approximately HK\$223.3 million), representing an increase of approximately 5.4% as compared to the previous year. The Group’s loss attributable to shareholders for the Year was approximately HK\$132.7 million (2015: approximately HK\$89.7 million). Basic loss per share for the Year was approximately 3.04 HK cents (2015: approximately 2.95 HK cents).

The increase in the Group’s loss attributable to shareholders and the basic loss per share for the Year, of approximately HK\$43.0 million and approximately 0.09 HK cents, respectively, was mainly attributable to the impact of the impairment of investment in an associate of approximately HK\$117.8 million that was provided in the Year. Details of such provision for impairment of investment in an associate are set out in note 12(b) to the consolidated financial statements of this announcement.

Excluding the above-mentioned impairment of investment in an associate, the loss for the Year decreased by approximately 84.8% as compared to the previous year.

### DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2015: Nil).

### BUSINESS AND OPERATIONAL REVIEW

#### Segmental Information Analysis

During the Year, the Group has five reportable segments, namely, “Manufacturing and trading of toys and gifts items”, “Exploration of natural resources”, “Fruit plantation”, “Leisure” and “Culture”. The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business has different economic characteristics.

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

Turnover from toys and gifts business for the Year was approximately HK\$235.4 million (2015: approximately HK\$223.3 million), representing an increase of approximately 5.4% as compared to the previous year. The gross profit ratio of the toys and gifts business was approximately 35.6% for the Year which was comparable to the previous year (2015: approximately 35.7%).

#### *Exploration of natural resources*

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

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

In order to fulfill the requirement of the PRC government before submitting the master planning of BCF, the Group submitted a resources report of BCF to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) during 2011. The resources report was prepared by Inner Mongolia Long Wang Geographic Exploration Co. Ltd.\*(內蒙古龍旺地質勘探有限責任公司), which indicates BCF has an estimated coal resources of approximately 384.69 million tonnes under the Chinese resources standard promulgated by the Ministry of Land and Resources of the PRC. BCF is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting (China) Ltd on 31 January 2008, BCF has estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. The current licence period of the exploration right of BCF is from 4 July 2016 to 4 July 2018. The master planning was approved in December 2015.

GCM is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal. The current licence period of the exploration right of GCM is from 21 August 2015 to 20 August 2017.

Pursuant to the relevant requirements of the Government of Inner Mongolia, the Government of Inner Mongolia is promoting the development of converting coal into high value added products. If such objective is not fulfilled in respect of a coal mine, the holder of the exploration right of such coal mine may voluntarily hand over the right to the Government of Inner Mongolia for a compensation of an amount equivalent to two times of the actual expenses incurred by the holder on geological prospecting.

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

### **Fruit plantation**

Multijoy Developments Limited, 28% equity interest of which was acquired by the Group on 17 September 2014, together with its subsidiaries (the “**Multijoy Group**”) is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the “**Forest Land**”). The Multijoy Group has appointed an independent third party under a cooperation agreement for a term of five years from 1 April 2013 to 31 March 2018 in relation to the operations of tangerine plantation business on the Forest Land for a fixed royalty income. The Group subsequently acquired additional 12% equity interest of Multijoy Group and the completion of this further acquisition took place on 27 January 2016.

### **Leisure**

On 4 January 2016, the Group acquired 33% equity interest of tea related business. This acquisition is an attractive opportunity for the Group to enhance the business portfolio in the tea business. Please refer to the announcements of the Company dated 18 December 2015 and 5 January 2016.



Regarding the Group's 20% equity interest in the Eagle Praise Group, which is principally engaged in PRC outbound tourism related business, the business development of the Eagle Praise Group was slower than expected. Based on the information available to the Board, the Eagle Praise Group has not yet arranged any outbound travel tours. As a result, the Board considers that full provision for impairment of investment of approximately HK\$117.8 million was made during the Year.

## **GEOGRAPHICAL INFORMATION**

During the Year, the Group recorded revenues in North America (includes the USA and Canada) of approximately HK\$225.2 million compared to approximately HK\$209.6 million last year and represented approximately 95.7% (2015: approximately 93.9%) of the Group's total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) amounted to approximately HK\$4.9 million for the Year compared to approximately HK\$8.7 million last year and represented approximately 2.1% (2015: approximately 3.9%) of the Group's total revenue.

## **SELLING AND DISTRIBUTION COSTS**

The amount of the selling and distribution costs for the Year was approximately HK\$34.5 million (2015: approximately HK\$36.6 million). The decrease was mainly attributable to the decrease of the staff costs of toys and gifts products segment.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses for the Year decreased by approximately 24.9% to approximately HK\$89.5 million as compared to approximately HK\$119.2 million in the previous year. The decrease in administrative expenses was mainly due to a decrease in share-based payments of approximately HK\$29.1 million during the Year.

## **FINANCE COSTS**

Finance costs for the Year increased by approximately HK\$21.2 million to approximately HK\$35.9 million as compared to approximately HK\$14.7 million in the previous year. The increase in finance costs was mainly due to imputed interest from promissory notes and convertible bonds during the Year.

## **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\$37.1 million at 31 December 2016 (2015: approximately HK\$13.8 million). The Group's cash and bank balances were mostly held in Hong Kong dollars and Renminbi.

At 31 December 2016, the Group's borrowings amounted to approximately HK\$34.2 million (2015: approximately HK\$74.1 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

The gearing ratio of the Group calculated as the Group's borrowings less bank and cash balances over its total equity was approximately -0.58% at 31 December 2016 (2015: approximately 15.0%).

Net current assets of the Group at 31 December 2016 was approximately HK\$55.3 million (2015: net current liabilities of approximately HK\$63.6 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was approximately 1.26 (2015: approximately 0.79).

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 2016, certain property, plant and equipment, prepaid land lease payments and investment properties held by the Group with aggregate carrying value of approximately HK\$49.2 million (2015: approximately HK\$49.8 million), were pledged to secure general banking facilities granted to the Group.

The Group had no significant capital commitments as at 31 December 2016 (2015: Nil).

The Group had no significant contingent liabilities as at 31 December 2016 (2015: 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.

On 28 February 2017, the Group had conditionally agreed to acquire additional 9% equity interest of the tangerine plantation related business. This acquisition represents an investment opportunity with earning potentials in terms of the fixed revenue to be generated from the plantation business under a cooperation agreement. Please refer to the announcement of the Company dated 28 February 2017.

On 13 March 2017, the Group entered into a non-legally binding memorandum of understanding in respect of a possible acquisition of certain equity interest in a target company, Shanghai Liming Intelligent Technology Limited\* (上海立名智能科技有限公司). The target company is principally engaged in hotel intelligent technology, robotic hotel operation and intelligent security and the research and development and operation of building data interactive platform.

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

## **CAPITAL STRUCTURE**

As at 31 December 2016, the capital structure of the Company was constituted of 6,092,715,976 ordinary shares of HK\$0.10 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the share options to subscribe for the Company's shares.

On 28 October 2016, the Company and its placing agent entered into a conditional placing agreement in respect of the placement of 840,000,000 ordinary shares of HK\$0.10 each of the Company to not less than six places at the placing price of HK\$0.11 per share under general mandate. The placement of 840,000,000 ordinary shares of HK\$0.10 each of the Company was completed on 18 November 2016. The net proceeds (after deducing the placing agent commission and other expenses incurred) was approximately HK\$91.0 million. For details, please refer to the Company's announcements dated 28 October 2016 and 18 November 2016.

As at 31 December 2016, 324,800,000 share options remained outstanding (2015: 380,346,000).

## **EMPLOYMENT, TRAINING AND DEVELOPMENT**

As at 31 December 2016, the Group had a total of 483 employees (2015: 500 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 ZHONGHUI ANDA CPA LIMITED**

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2016. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

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

### **Disclaimer of Opinion**

We were engaged to audit the consolidated financial statements of Kiu Hung International Holdings Limited and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements are properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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

#### ***1. Exploration and evaluation assets***

No sufficient evidence has been provided to satisfy ourselves as to the valuation of exploration and evaluation assets with carrying amounts of approximately HK\$139,178,000 and HK\$130,355,000 in the consolidated statement of financial position as at 31 December 2015 and 31 December 2016 respectively.

## **2. Investment in associates**

### **(a) Multijoy Developments Limited (“Multijoy”)**

Included in the investment in associates was an investment in Multijoy of approximately HK\$139,738,000 and HK\$180,668,000 as at 31 December 2015 and 31 December 2016 respectively. No sufficient evidence has been provided to satisfy ourselves as to the recoverable amount of investment in Multijoy with carrying amount of approximately HK\$139,738,000 and HK\$180,668,000 in the consolidated statement of financial position as at 31 December 2015 and 31 December 2016 respectively.

No sufficient evidence has been provided to satisfy ourselves as to the share of result of Multijoy was properly accounted for in the consolidated statement of profit or loss for the two years ended 31 December 2015 and 31 December 2016.

### **(b) Eagle Praise Limited (“Eagle Praise”)**

Included in the investment in associates was an investment in Eagle Praise of approximately HK\$117,761,000 and HK\$nil as at 31 December 2015 and 31 December 2016 respectively. No sufficient evidence has been provided to satisfy ourselves as to the recoverable amount of investment in Eagle Praise with carrying value of approximately HK\$117,761,000 and HK\$nil in the consolidated statement of financial position as at 31 December 2015 and 31 December 2016 respectively.

The Group recognised an impairment loss of investment in Eagle Praise of approximately HK\$117,761,000 for the year ended 31 December 2016. No sufficient evidence has been provided to satisfy ourselves as to whether the impairment loss of investment in Eagle Praise is properly recorded and should be recorded in the current year or prior year.

### **(c) Fujian Yuguo Chaye Limited (“Fujian Yuguo”)**

Included in the investment in associates was an investment in Fujian Yuguo of approximately HK\$65,477,000 as at 31 December 2016. The Group acquired Fujian Yuguo during the year ended 31 December 2016. No sufficient evidence has been provided to satisfy ourselves as to (1) the fair value of assets and liabilities of Fujian Yuguo as at the date of acquisition; (2) share of result of Fujian Yuguo for the year ended 31 December 2016; and (3) the recoverable amount of investment in Fujian Yuguo as at 31 December 2016.

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

During the year ended 31 December 2015, the Group acquired 19% equity interest of USO Management & Holding Co Ltd. (“USO”). No sufficient evidence has been provided to satisfy ourselves as to the recoverable amount of investment in USO with carrying amount of approximately HK\$93,338,000 as at 31 December 2015 and 31 December 2016.

## **4. Inventories**

No sufficient evidence has been provided to satisfy ourselves as to the net realisable value of ceramic items with carrying amount of approximately HK\$35,303,000 in the consolidated statement of financial position as at 31 December 2015 and 31 December 2016.

In addition, we were initially appointed as auditor of the Group subsequent to the end of the reporting period. As a result, we were unable to attend the physical count of the Group's inventories as at 31 December 2016. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the existence, quantities, conditions and valuation of the inventories of approximately HK\$18,636,000 in the consolidated statement of financial position as at 31 December 2016.

**5. *Prepayment, deposits and other receivables***

Included in the prepayment, deposits and other receivables in the consolidated statement of financial position as at 31 December 2015 and 31 December 2016 are deposits paid of approximately HK\$101,868,000 and HK\$95,411,000 respectively. The Group entered into a property agency agreement with a property developer regarding a property development project in Nanjing, the PRC. The deposits were paid in accordance with the terms of the agreement. The agreement confers to the Group the exclusive right to market the property after the Pre-sale Permits is obtained from the relevant authority. Subsequently, the developer was found to be involved in a number of litigations. Up to the date of this report, the Group is still assessing the progress of property development. In the absence of sufficient appropriate audit evidence to verify the financial ability of the developer, we were unable to ascertain the recoverability of such deposits. There were no alternative audit procedures that we could perform to satisfy ourselves as to carrying amount of the deposits or to determine whether any provision for impairment loss is necessary.

In addition, no sufficient evidence has been provided to satisfy ourselves as to the existence of other prepayment, deposits and other receivables of approximately HK\$4,032,000 and HK\$19,435,000 as at 31 December 2015 and 31 December 2016 respectively.

**6. *Accruals and other payables***

No sufficient evidence has been provided to satisfy ourselves as to the existence of accruals and other payables of approximately HK\$32,629,000 and HK\$40,437,000 as at 31 December 2015 and 31 December 2016 respectively.

**7. *Promissory notes***

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of promissory notes of approximately HK\$223,200,000 and HK\$74,971,000 as at 31 December 2015 and 31 December 2016 respectively.

**8. *Derivative financial liabilities***

No sufficient evidence has been provided to satisfy ourselves as to the fair value of derivative financial liabilities of approximately HK\$9,403,000 and HK\$nil as at 31 December 2015 and 31 December 2016 respectively.

**9. *Borrowings***

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of borrowings of approximately HK\$12,726,000 and HK\$10,025,000 as at 31 December 2015 and 31 December 2016 respectively.



**10. Deferred income tax liabilities**

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of deferred income tax liabilities of approximately HK\$18,516,000 and HK\$17,342,000 as at 31 December 2015 and 31 December 2016 respectively.

**11. Transactions, income and expenses items for the year**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the following transactions of the Group for the year ended 31 December 2016 as follows:

	<i>HK\$'000</i>
Other gains, net	22,426
Administrative expenses	49,136
Finance costs	31,297
Exchange difference arising from translation of foreign operations	11,501

**12. Commitments and contingent liabilities**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosure of commitments and contingent liabilities as at 31 December 2015 and 31 December 2016.

**13. Consolidated statement of changes in equity and consolidated statement of cash flows**

No sufficient evidence has been provided to satisfy ourselves as to whether the consolidated statements of changes in equity and consolidated statements of cash flows are properly prepared for the two years ended 31 December 2015 and 31 December 2016.

**14. Other disclosure in the consolidated financial statements**

No sufficient evidence has been provided to satisfy ourselves as to the accuracy and completeness of the disclosures in relation to the financial risk management, operating segment information, finance costs, income tax expenses, loss for the year, directors' and five highest paid individuals' emoluments, share option scheme, statement of financial position and reserve of the Company, lease commitment, capital commitment, related party transactions, litigations and event after the reporting period.

Any adjustments to the figures as described from point 1 to 14 above might have a significant consequential effect on the consolidated financial performance and consolidated cash flows for the two years ended 31 December 2015 and 31 December 2016 and the consolidated financial positions of the Group as at 31 December 2015 and 2016, and the related disclosures thereof in the consolidated financial statements.

## **15. Material uncertainty relating to the going concern basis**

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$131,043,000 and net operating cash outflow of approximately HK\$42,466,000 for the year ended 31 December 2016. 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. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group described in note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that would result from the failure to implement such measures. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the successful implementation and outcome of the measures, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

## **CHANGE OF AUDITORS**

As set out in the “Basis for Disclaimer of Opinion” section of the auditor's report disclosed under the section headed “EXTRACT OF THE AUDITOR'S REPORT” of this announcement, the Company's auditor do not express an opinion on the Group's consolidated financial statements for the year ended 31 December 2016 and whether the consolidated financial statements are properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

The Company would like to draw the attention of the shareholders of the Company that ZHONGHUI ANDA CPA Limited, the Company's auditor was newly appointed on 17 March 2017 to fill the casual vacancy following the resignation of Cheng & Cheng Limited. For details of the change of auditors, please refer to the Company's circular and announcement dated 2 March 2017 and 17 March 2017, respectively. Due to time constraints and the Company's auditor may not have sufficient time to analyse the audit evidence provided by the Company to the auditor, the Board regrets that the Company's auditor do not express an audit opinion on the Group's consolidated financial statements for the year ended 31 December 2016.

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

Neither the Company nor any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

## **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 2016.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Specific enquiries have been made by the Company to confirm that all Directors have complied with the Model Code during the year ended 31 December 2016.

## 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 2016 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 2016 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 2017

*As at the date of this announcement, the Board comprises seven executive Directors, Mr. Hui Kee Fung, Mr. Yu Won Kong, Dennis, Mr. Zhang Yun, Dr. Lau Siu Wa, Mr. Yip Kong Nam, Mr. Zhang Qijun and Mr. Li Wenjun; one non-executive Director, Mr. Li Zhaosheng; and five independent non-executive Directors, Mr. So Chun Pong, Ricky, Mr. Suen Chun Hung, Benjamin, Mr. Wang Xiao Ning, Mr. Cheung Man Loon, Michael and Mr. Chan Wai Keung.*