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 2018

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 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*4*	**214,605**	219,628
Cost of sales		**(149,334)**	(141,959)
Gross profit		**65,271**	77,669
Other income	*5*	**2,997**	4,927
Selling and distribution costs		**(32,262)**	(37,863)
Administrative expenses		**(133,715)**	(108,585)
Other gains, net		**745**	26,155
Operating loss		**(96,964)**	(37,697)
Finance costs	*6*	**(25,808)**	(18,600)
		(122,772)	(56,297)
Impairment of investment in an associate	*12(c)*	**(16,360)**	(15,000)
Impairment of exploration and evaluation assets	*11*	**(88,758)**	(34,804)
Share of result of associates		**4,754**	5,366
Loss before income tax		**(223,136)**	(100,735)
Income tax credit	*7*	**11,566**	5,641
Loss for the year	*8*	**(211,570)**	(95,094)

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Loss attributable to:			
— equity holders of the Company		**(208,066)**	(91,289)
— non-controlling interests		**(3,504)**	(3,805)
		(211,570)	(95,094)
Loss per share attributable to the equity holders of the Company		***HK cents***	*HK cents*
Basic and diluted loss per share	*9*	**(2.70)**	(1.46)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(211,570)**	(95,094)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties	**3,105**	20,685
Surplus on revaluation of financial assets at fair value through other comprehensive income ("FVTOCI")	**58,818**	–
Deferred income tax expense arising on revaluation of properties	**–**	(3,413)
Items that may be reclassified to profit or loss:		
Exchange difference arising from translation of foreign operations	**(13,538)**	17,558
Share of exchange translation difference of associates	**–**	15,132
Other comprehensive income for the year, net of tax	**48,385**	49,962
Total comprehensive loss the year	**(163,185)**	(45,132)
Total comprehensive loss attributable to:		
— equity holders of the Company	**(159,681)**	(41,327)
— non-controlling interests	**(3,504)**	(3,805)
	(163,185)	(45,132)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**78,660**	82,582
Investment properties		**14,902**	15,500
Exploration and evaluation assets	*11*	**–**	114,671
Other intangible asset		**1,012**	1,024
Investment in associates	*12*	**235,920**	241,198
Available-for-sale financial asset	*13*	**–**	74,182
Financial assets at FVTOCI	*13*	**133,000**	–
Deferred income tax assets		**198**	188
Prepayments, deposits and other receivables	*15*	**2,249**	21,203
		465,941	550,548
Current assets			
Inventories		**70,758**	68,601
Trade and bills receivables	*14*	**43,301**	29,628
Prepayments, deposits and other receivables	*15*	**181,029**	141,773
Income tax recoverable		**–**	1,760
Bank and cash balances		**21,818**	31,581
		316,906	273,343
Assets of a disposal group classified as held for sale	*16*	**20,514**	–
		337,420	273,343
Total assets		**803,361**	823,891
Current liabilities			
Trade payables	*17*	**12,982**	8,340
Accruals and other payables		**172,853**	89,929
Income tax payable		**740**	240
Promissory notes	*18*	**153,607**	137,900
Obligation under finance leases		**324**	311
Borrowings		**95,333**	78,441
		435,839	315,161
Net current liabilities		**(98,419)**	(41,818)
Total assets less current liabilities		**367,522**	508,730

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Deferred income tax liabilities		**14,968**	28,502
Borrowings		**6,545**	–
Obligation under finance leases		**417**	741
		21,930	29,243
Net assets		**345,592**	479,487
Equity			
Share capital	*20*	**811,039**	710,039
Reserves		**(471,244)**	(239,853)
Equity attributable to owners of the Company		**339,795**	470,186
Non-controlling interests		**5,797**	9,301
Total equity		**345,592**	479,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 25/F., Fortis Tower, 77–79 Gloucester Road, Wan Chai, Hong Kong to Room 1403, Capital Center, 151 Gloucester Road, Wanchai, 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. BASIS OF PREPARATION

Going concern basis

The Group incurred a loss of approximately HK$211,570,000 for the year ended 31 December 2018 and as at 31 December 2018 the Group had net current liabilities of approximately HK$98,419,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group 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;

(3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds; and

(4) Green Luxuriant Group Investment Limited, a shareholder of the Company, has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

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 and the financial support from Green Luxuriant Group Investment Limited. 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 2018. 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 ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (the "Group") has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

There is no impact of transition to HKFRS 9 on accumulated losses at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The reclassifications made to balances recognised in the consolidated statement of financial position at the date of initial application (1 January 2018) are summarised as follows:

Consolidation financial position (extract)	**Carrying amount as at 31 December 2017 under HKAS 39**	**Reclassification and remeasurement**	**Carrying amount as at 1 January 2018 under HKFRS 9**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Financial assets at FVTOCI	–	74,182	74,182
Available-for-sale financial assets	74,182	(74,182)	–

The Group's trade and bills receivables, deposits and other receivables and bank balances and cash are reclassified from loans and receivables to financial assets carried at amortised cost under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

Except for disclosed above, the carrying amounts for all financial assets and liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Impairment of financial assets

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade and bills receivables, deposits and other receivables and bank balances and cash).

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on debtors' aging.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary upon the initial adoption of the standard.

c. ***Transition***

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. ***Timing of revenue recognition***

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition over one year in the Group's arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and this change in accounting policy had no material impact on opening balance as at 1 January 2018.

c. Presentation of contract assets and liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The adoption of HKFRS 15 does not have impact on the presentation as the Group does not have any significant contract asset or contract liability in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the applications of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$9,910,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

4. OPERATING 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 and wine products related business through associates or subsidiaries of the Group
Culture	–	Investment in cultural items

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

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

(a) Information about reportable segment revenue, results, assets and liabilities are as follows:

	Exploration		**Toys and gifts items**		**Fruit plantation**		**Leisure**		**Culture**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Year ended 31 December												
Revenue from external customers	**–**	–	**214,605**	219,628	**–**	–	**–**	–	**–**	–	**214,605**	219,628
Segment (loss)/profit	**(80,141)**	(27,612)	**(11,952)**	(3,216)	**4,124**	3,579	**(52,990)**	(27,885)	**–**	–	**(140,959)**	(55,134)
Depreciation and amortisation	**–**	(2)	**(5,418)**	(4,131)	**–**	–	**(1,408)**	(1,122)	**–**	–	**(6,826)**	(5,255)
Impairment of investment in an associate	**–**	–	**–**	–	**–**	–	**(16,360)**	(15,000)	**–**	–	**(16,360)**	(15,000)
Impairment of exploration and evaluation assets	**(88,758)**	(34,804)	**–**	–	**–**	–	**–**	–	**–**	–	**(88,758)**	(34,804)
Provision for impairment of trade receivables	**–**	–	**(3,915)**	(4,490)	**–**	–	**–**	–	**–**	–	**(3,915)**	(4,490)
Provision for impairment of loan and other receivables	**–**	–	**–**	–	**–**	–	**(16,535)**	–	**–**	–	**(16,535)**	–
Interest income	**–**	–	**8**	11	**–**	–	**2,194**	1,339	**–**	–	**2,202**	1,350
Interest expenses	**–**	(130)	**(1,445)**	(1,374)	**–**	–	**(6,504)**	(2,771)	**–**	–	**(7,949)**	(4,275)
Income tax credit/(expenses)	**14,405**	7,812	**(1,782)**	(2,171)	**(1,057)**	–	**–**	–	**–**	–	**11,566**	5,641
At 31 December												
Segment assets	**20,837**	115,101	**164,769**	171,309	**312,968**	269,270	**131,866**	115,413	**35,303**	35,303	**665,743**	706,396
Segment liabilities	**(702)**	(15,225)	**(71,349)**	(69,240)	**(2,063)**	(1,005)	**(72,434)**	(46,534)	**–**	–	**(146,548)**	(132,004)
Additions to segment non-current assets	**–**	–	**2,017**	2,414	**–**	–	**101,000**	30,687	**–**	–	**103,017**	33,101

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2018	2017
	HK$'000	*HK$'000*
Reconciliation of segment loss:		
Total loss of reportable segments	**(140,959)**	(55,134)
Unallocated amount:		
Corporate finance costs	**(17,859)**	(14,325)
Other corporate income and expenses	**(52,752)**	(25,635)
Loss for the year	**(211,570)**	(95,094)

	2018	2017
	HK$'000	*HK$'000*
Reconciliation of segment assets:		
Total assets of reportable segments	**665,743**	706,396
Unallocated corporate assets		
Property, plant and equipment	**–**	1,531
Bank and cash balances	**10,072**	199
Prepayments, deposits and other receivables	**127,546**	115,765
	137,618	117,495
Total assets	**803,361**	823,891

	2018	2017
	HK$'000	*HK$'000*
Reconciliation of segment liabilities:		
Total liabilities of reportable segments:	**146,548**	132,004
Unallocated corporate liabilities		
Borrowings	**31,727**	11,727
Accruals and other payables	**125,887**	62,773
Promissory notes	**153,607**	137,900
	311,221	212,400
Total liabilities	**457,769**	344,404

(c) Geographical information:

	Revenue		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including Hong Kong)	**7,474**	1,296	**327,393**	452,374
North America[1]	**205,043**	215,951	**3,101**	2,601
European Union[2]	**416**	608	**–**	–
Others[3]	**1,672**	1,773	**–**	–
	214,605	219,628	**330,494**	454,975

1 North America includes the United States of America (the "USA") and Canada.
2 European Union includes Spain, Italy, France and the United Kingdom.
3 Others include Middle East, South America and Southeast Asia.

Revenue from two (2017: one) customers, accounted for more than 10% of the Group's total revenue for the year, represented approximately 62% of the total Group's revenue for the year ended 31 December 2018 (2017: 60%), which are shown as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**111,410**	131,262
Customer B	**22,494**	15,333

The geographical location of customer is based on the location at which the goods delivered and information about the non-current assets including property, plant and equipment, investment properties, exploration and evaluation assets, other intangible asset and investment in associates, classified in accordance with geographical location of the assets at the end of the reporting period.

(d) Analysis of revenue by category:

Revenue from contract with customers within the scope of HKFRS 15.

	2018	2017
	HK$'000	*HK$'000*
		Note
Sales of toys and gifts items	**214,605**	219,628
Timing of revenue recognition		
At point in time	**214,605**	219,628

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Moulds income	**43**	22
Bank interest income	**8**	11
Loan interest income	**2,194**	1,339
Rental income	**412**	75
Waiver of other payable	**–**	2,715
Others	**340**	765
	2,997	4,927

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on:		
Bank borrowings and overdrafts	**1,389**	1,270
Other loans	**14,968**	6,398
Trust receipt loans	**19**	59
Finance leases charges	**37**	45
Imputed interest on promissory notes	**–**	6,521
Interest on promissory notes	**9,395**	4,307
	25,808	18,600

7. INCOME TAX CREDIT

	2018	2017
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**(475)**	(315)
Current tax — Overseas		
Provision for the year	**(2,330)**	(981)
Total current tax	**(2,805)**	(1,296)
Deferred income tax credit	**14,371**	6,937
Income tax credit	**11,566**	5,641

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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:

	2018	2017
	HK$'000	*HK$'000*
Amortisation of other intangible asset	**12**	11
Auditor's remuneration	**1,800**	1,800
Cost of inventories sold	**149,334**	141,959
Depreciation of property, plant and equipment	**7,442**	5,785
Fair value gain on investment properties	**–**	(3,823)
Gain on settlement of promissory notes using convertible notes	**–**	(22,306)
Net foreign exchange gain	**(3,935)**	(26)
Provision for impairment of other receivables	**16,535**	–
Provision for impairment of trade receivables	**3,915**	4,490
Reversal of impairment of trade receivables	**–**	(100)
Minimum lease payments under operating leases in respect of leasehold land and buildings	**8,020**	13,115
Provision/(write-back of provision) for inventories obsolescence	**849**	(428)
Loss on written-off of property, plant and equipment	**1,105**	–
Staff costs (including directors' remuneration)		
Salaries, bonus and allowance	**63,928**	62,051
Retirement benefits scheme contributions	**3,797**	1,995
	67,725	64,046

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$208,066,000 (2017: HK$91,289,000) and the weighted average number of ordinary shares of 7,695,313,000 (2017: 6,244,556,000) in issue during the year.

(b) Diluted loss per share

There was no dilutive potential ordinary shares for the Company's outstanding share options and convertible loans for the years ended 31 December 2018 and 2017. Accordingly, the diluted loss per share is same as basic loss per share for both years.

10. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2018 and 2017.

11. EXPLORATION AND EVALUATION ASSETS

	HK$'000
Cost	
At 1 January 2017	1,243,933
Exchange difference	87,205
At 31 December 2017 and 1 January 2018	1,331,138
Exchange difference	(63,886)
Transferred to assets of a disposal group classified as held for sale	(1,267,252)
At 31 December 2018	–
Accumulated impairment loss	
At 1 January 2017	1,103,050
Impairment loss recognised	34,804
Exchange difference	78,613
At 31 December 2017 and 1 January 2018	1,216,467
Impairment loss recognised	88,758
Exchange difference	(58,383)
Transferred to assets of a disposal group classified as held for sale	(1,246,842)
At 31 December 2018	–
Carrying amount	
At 31 December 2018	–
At 31 December 2017	114,671

The exploration and evaluation assets represent exploration rights of Bayanhushuo Coal Field ("BCF") and Guerbanhada Coal Mine ("GCM"). During the year ended 31 December 2018, the management of the Company was being informed that the approval of the master planning of GCM from the National Development and Reform Commission of the PRC and the National Energy Commission of the PRC was very remote. On the consideration of the best interest of shareholders, and based on the valuation performed by the professional valuer on 1 November 2018, the management decided to dispose the Group's 80% equity interest in Inner Mongolia Mingrunfeng Energy Co., Ltd. and Inner Mongolia Run Heng Mining Company Limited (the "Disposal Group"), which held BCF and GCM respectively. On 15 December 2018, the Disposal Group was bid at open market auction. The disposal was completed on 15 January 2019. The sales proceeds of the Disposal Group was RMB15,000,000. In accordance with HKFRS 5 the assets and liabilities of the Disposal Group have been written down to their fair value less cost of disposal and an impairment of approximately HK$88,758,000 was recognised for the year ended 31 December 2018. The assets and liabilities of the Disposed Group are classified as assets of a disposal group classified at held for sale (see note 16).

As at 31 December 2017, the carrying amount attributable to BCF and GCM were tested for impairment using the fair value less costs of disposal model. The recoverable amounts of the exploration and evaluation assets were valued by Roma Appraisals Limited. Based on the valuation report, an impairment of approximately HK$34,804,000 was recognised for the year ended 31 December 2017.

12. INVESTMENT IN ASSOCIATES

	2018	2017
	HK$'000	*HK$'000*
Unlisted investments:		
Share of net assets	**228,689**	224,838
Goodwill	**610,238**	603,007
	838,927	827,845
Impairment losses	**(603,007)**	(586,647)
	235,920	241,198

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 ("Multijoy")
Principal place of business/country of incorporation	The PRC/British Virgin Islands
Principal activities	Plantation

		2018	2017
% of ownership interests		**40%**	40%
	Note	*HK$'000*	*HK$'000*
At 31 December:			
Non-current assets		**556,827**	604,535
Current assets		**38,409**	49,267
Non-current liabilities		**(138,272)**	(150,152)
Current liabilities		**(7,044)**	(15,930)
Net assets		**449,920**	487,720
Group's share of net assets		**179,968**	195,088
Goodwill		**453,886**	453,886
		633,854	648,974
Impairment losses		**(453,886)**	(453,886)
Group's carrying amount of interests		**179,968**	195,088
Year ended 31 December:			
Revenue		**35,503**	34,520
Profit before tax		**15,772**	15,366
Profit after tax		**11,797**	11,493
Other comprehensive (loss)/income		**(23,153)**	32,836
Total comprehensive (loss)/income		**(11,356)**	44,329
Dividends received from associates		**11,040**	10,052

(b) Eagle Praise Group

Name	Eagle Praise Limited
Principal place of business/country of incorporation	The PRC/British Virgin Islands
Principal activities	Tourism related business

	2018	2017
% of ownership interests	**20%**	20%
	HK$'000	*HK$'000*
At 31 December:		
Non-current assets	**–**	–
Current assets	**–**	–
Non-current liabilities	**–**	–
Current liabilities	**–**	–
Net liabilities	**–**	–
Group's share of net assets	**–**	–
Goodwill	**117,761**	117,761
	117,761	117,761
Impairment losses	**(117,761)**	(117,761)
Group's carrying amount of interests	**–**	–
Year ended 31 December:		
Revenue	**–**	–
Loss before tax	**–**	–
Loss after tax	**–**	–
Other comprehensive loss	**–**	–
Total comprehensive loss	**–**	–
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.

It was subsequently revealed that the representations made by the vendor in respect of the business of Eagle Praise Group were false and misleading. As a result, full provision for impairment of investment in Eagle Praise Group of approximately HK$117,761,000 was made during the year ended 31 December 2016.

(c) Fujian Yuguo

Name	Fujian Yuguo Chaye Limited
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Tea products related

	2018	2017
% of ownership interests	**33%**	33%
	HK$'000	*HK$'000*
At 31 December:		
Non-current assets	**66,791**	47,598
Current assets	**26,899**	68,453
Non-current liabilities	**(7,819)**	(16,922)
Current liabilities	**(2,221)**	(8,977)
Net assets	**83,650**	90,152
Group's share of net assets	**27,605**	29,750
Goodwill	**31,360**	31,360
	58,965	61,110
Impairment losses	**(31,360)**	(15,000)
Group's carrying amount of interests	**27,605**	46,110
Year ended 31 December:		
Revenue	**14,693**	51,574
(Loss)/profit before tax	**(1,739)**	2,807
(Loss)/profit after tax	**(1,645)**	2,334
Other comprehensive (loss)/income	**(3,043)**	6,052
Total comprehensive (loss)/income	**(4,688)**	8,386
Dividends received from associates	**599**	2,284

As the recoverable amount of Fujian Yuguo is lower than its carrying amount, an impairment of approximately HK$16,360,000 (2017: HK$15,000,000) was recognised for the year ended 31 December 2018.

(d) Anhui Fu Lao Wine Development Company Limited

Name	Anhui Fu Lao Wine Development Company Limited
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Wine products related

	2018
% of ownership interests	**20%**
	HK$'000
At 31 December:	
Non-current assets	**59,398**
Current assets	**105,846**
Non-current liabilities	**(13,663)**
Current liabilities	**(46,003)**
Net assets	**105,578**
Group's share of net assets	**21,116**
Goodwill	**7,231**
Group's share of carrying amount of interests	**28,347**
Year ended 31 December:	
Revenue	**17,012**
Profit before tax	**3,857**
Profit after tax	**2,893**
Other comprehensive loss	**(7,609)**
Total comprehensive loss	**(4,716)**

On 31 May 2018, the Group completed the acquisition of 20% equity interest in Anhui Fu Lao Wine Development Company Limited ("Anhui Lao Wine"), a company incorporated in the PRC with limited liability, at a total consideration satisfied by the issue of 1,010,000,000 new ordinary shares of the Company at issue price of HK$0.1 each.

The fair values of identifiable assets and liabilities of the associate acquired and of the cost of acquisition have been determined on a provisional basis pending the finalization of their fair value measurements. The provisional fair values of identifiable assets and liabilities of the associate acquired shown above were determined based on carrying amounts of the assets and liabilities in the accounts of the associate, whilst the provisional fair value used for the cost of acquisition was determined based on market price of the quoted shares of the Company issued as consideration for the acquisition, rather than the fair value of the 20% equity interests of the associate acquired on completion day. As a result, the resulting goodwill attributable to the interests in the associate has also been determined on a provisional basis.

In subsequent consolidated financial statements of the Group, upon the finalization of the fair value measurements referred to above during the measurement period, the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect the finalized fair value measurements.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial assets were reclassified to financial assets at FVTOCI (non-recycling) upon the initial application of HKFRS 9 at 1 January 2018, see Note 2 in details.

	2018	2017
	HK$'000	*HK$'000*
Financial assets at FVOCI (non-recycling)	**133,000**	–
Available-for-sale financial assets	**–**	74,182

Available-for-sale financial assets/financial assets at FVTOCI include the following:

	2018	2017
	HK$'000	*HK$'000*
Unlisted equity securities		
USO Management & Holding Co. Ltd.	**133,000**	74,182

The Group designated its investment in unlisted investment as FVTOCI (non-recycling), as the investment is held for strategic purpose. On 23 January 2019, the Group further acquired 28% of shareholding interests in the unlisted equity securities, (see note 23(b)), details of which are disclosed in the Company's announcement on 23 January 2019.

14. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**49,585**	33,982
Less: provision for impairment	**(8,156)**	(4,510)
Trade receivables, net	**41,429**	29,472
Bills receivables	**1,872**	156
	43,301	29,628

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.

Expected credit losses for trade receivables related to credit-impaired accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities. Such credit-impaired receivables are assessed individually for impairment allowance. The Group determine the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**12,367**	18,245
31 days to 90 days	**11,032**	6,296
91 days to 180 days	**12,059**	4,890
181 days to 360 days	**5,902**	24
Over 360 days	**69**	17
	41,429	29,472

As of 31 December 2018, trade receivables of approximately HK$10,397,000 (2017: approximately HK$4,952,000) were past due but not credit-impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**7,200**	4,003
91 days to 180 days	**496**	904
181 days to 360 days	**2,693**	28
Over 360 days	**8**	17
	10,397	4,952

Reconciliation of allowance for trade receivables:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**4,510**	120
Provision for impairment	**3,915**	4,490
Receivable written off uncollectable	**(268)**	–
Reversal of impairment	**–**	(100)
Exchange difference	**(1)**	–
At 31 December	**8,156**	4,510

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Non-current portion			
Prepayment		**2,249**	–
Prepayment for corporation agreement	*(a)*	**–**	11,202
Loan receivable	*(b)*	**–**	9,212
Rental deposits		**–**	789
		2,249	21,203
Current portion			
Deposits for sales right of a property development		**102,100**	102,100
Deposits for the acquisition of partial interest in a company	*(c)*	**10,000**	10,000
Prepayment for corporation agreement	*(a)*	**8,505**	–
Trade deposits		**14,105**	3,674
Deposit and other receivables		**41,281**	22,861
Loan receivable	*(b)*	**11,044**	–
Prepayment		**1,902**	3,138
Amount due from a director	*(d)*	**8,407**	–
		197,344	141,773
Less: Provision for impairment		**(16,315)**	–
		181,029	141,773
		183,278	162,976

Reconciliation of allowance for loan and other receivables:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**–**	–
Provision for impairment	**16,535**	–
Exchange difference	**(220)**	–
At 31 December	**16,315**	–

(a) The amount represents the prepayment for co-operation of production of wine with a company.

(b) The loan receivable is unsecured, interest bearing at 24% per annum and repayable on 31 March 2019.

(c) During the year ended 31 December 2017, the Group issued a promissory note of HK$10,000,000 as a refundable deposits or part of the consideration upon completion for acquisition of 100% equity interest in Silver Metro Holdings Limited. The deposit was refunded due to the termination of the acquisition during the year ended 31 December 2018.

During the year ended 31 December 2018, the Group issued a promissory note of HK$10,000,000 as a refundable deposits or part of the consideration upon completion for further acquisition of 28% equity interest in USO Management and Holdings Limited (see note 23(b)). The deposits will be refundable upon the completion or termination of the acquisition.

(d) Amount due from a director

	2018	2017	Maximum outstanding balance during the year
	HK$'000	*HK$'000*	*HK$'000*
Zhang Yun	**8,407**	–	8,407

The amount is unsecured, interest-free and repayable on demand.

16. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As disclosed in note 11, the Disposal Group was disposed to an independent third party on 15 January 2019. The Disposal Group is included in the Group's Exploration segment for segment reporting purposes (see note 4). The following major classes of assets and liabilities relating to the Disposal Group have been classified as held for sale in the consolidated statement of financial position.

	HK$'000
Property, plant and equipment	104
Exploration and evaluation assets	20,410
	20,514

In accordance with HKFRS 5, the assets and liabilities of the Disposal Group have been written down to their fair value less costs to sell of HK$20,514,000, which was determined based on the disposal price for the 80% equity interest to be sold by the Group. This is a non-recurring fair value measurement.

17. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**11,405**	7,376
31 days to 90 days	**1,311**	444
91 days to 180 days	**165**	302
181 days to 360 days	**–**	115
Over 360 days	**101**	103
	12,982	8,340

18. PROMISSORY NOTES

	Total
	HK$'000
At 1 January 2017	192,214
Issuance of promissory notes	33,500
Imputed interest	6,521
Repayment of promissory notes	(2,500)
Off set against convertible bonds	(91,835)
At 31 December 2017 and 1 January 2018	**137,900**
Issuance of promissory notes	**44,677**
Repayment of promissory notes	**(18,970)**
Cancellation of promissory note returned	**(10,000)**
At 31 December 2018	**153,607**

	2018	2017
	HK$'000	*HK$'000*
An analysis is shown as follows		
Not yet overdue	**22,398**	26,500
Overdue	**131,209**	111,400
	153,607	137,900

19. CONTINGENT LIABILITIES

As at 31 December 2017 and 31 December 2018, the Group had no material contingent liabilities.

20. SHARE CAPITAL

	Number of shares		**Amount**	
	2018	2017	**2018**	2017
			HK$'000	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At 31 December 2017 and 31 December 2018	**30,000,000,000**	30,000,000,000	**3,000,000**	3,000,000

	Number of shares		**Amount**	
	2018	2017	**2018**	2017
			HK$'000	*HK$'000*
Issued and fully paid:				
At the beginning of the year	**7,100,381,596**	6,092,715,976	**710,039**	609,272
Issue of shares				
— upon conversion of convertible bonds	**–**	1,007,665,620	**–**	100,767
— upon acquisitions of an associate	**1,010,000,000**	–	**101,000**	–
At the end of the year	**8,110,381,596**	7,100,381,596	**811,039**	710,039

21. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2018	2017
	HK$'000	*HK$'000*
Product development, sale and marketing services fee paid to Miracles for Fun USA, Inc. *(note)*	**3,496**	3,708

Note:

The sole owner of Miracles for Fun USA, Inc. is the director and beneficial owner of 49% (2017: 49%) equity interest in the Company's subsidiary, Marketing Resource Group, Inc..

(b) **Outstanding balance with related parties**

(i) *Including in prepayments, deposits and other receivables*

	2018	2017
	HK$'000	*HK$'000*
Amount due from a director, Zhang Yun*	**8,407**	–
Amount due from a subsidiary of an associate, 江西琟欣果業有限公司*	**5,453**	–
Prepayment, deposits and other receivables — Amount due from Mad About Gardening LLC.* *(note)*	**232**	312

* The amounts due are unsecured, interest free and repayable on demand.

Note: The sole owner of Mad About Gardening LLC. is director and beneficial owner of 49% equity interest in the Company's subsidiary, Marketing Resource Group, Inc..

(ii) *Including in accruals and other payables*

	2018	2017
	HK$'000	*HK$'000*
Amount due to a director, Shu Zhong Wan*	**1,468**	–
Amount due to a relative of a director, Li Pak Ha*	**9,126**	–
Amount due to an associate, Fujian Yuguo Chaye Limited*	**42**	–

* The amounts due are unsecured, interest free and repayable on demand.

(iii) *Including in promissory notes*

	2018	2017
	HK$'000	*HK$'000*
Promissory note payable to Shu Zhong Wan, a director of the Company	**2,119**	–

(c) Key management compensation

	2018	2017
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**17,555**	18,175
Retirement benefits scheme contributions	**440**	226
	17,995	18,401

(d) Guarantee provided by related parties

As at 31 December 2018, the Group's borrowings of approximately HK$621,000 (2017: HK$6,214,000) and HK$11,013,000 (2017: HK$22,559,000) were secured by a personal guarantee by the Company's directors and a director or senior management of the Company's indirect non-wholly owned subsidiary, respectively.

22. LITIGATIONS

(a) Wing Siu

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

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

The Company vacated from the Wanchai Property in the third quarter of 2017 and has settled part of the amount claimed above. As at 31 December 2018, the accumulated interest, payment and administrative fees accrued for the postponement of payment is approximately HK$4,843,000, the Company is liaising with Wing Siu and expects to settle the outstanding amounts during 2019.

(b) Others

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

The Company and the director entered into two sets of Settlement Deed with Mr. Guo dated 27 February 2018 respectively. 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 HK$15,692,000 in installments within one year.

23. EVENTS AFTER THE REPORTING PERIOD

(a) Memorandum of Understanding with Rising Fortune Group

On 4 January 2019, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with Rising Fortune Group Limited (the "Vendor") in relation to a mutual intention on a possible acquisition (the "Possible Acquisition") of certain inventories/using rights of production plant and machineries/using rights of wine patents/using rights of wine production licenses in relation to the fermentation and production of Chinese rice wine located at Tieling Industrial Zone, Minhou County, Fujian Province (福建省閩侯縣鐵嶺工業區) (the "Target Assets"), by the Company from the render.

The portion of the Target Assets to be acquired under the Possible Acquisition, the consideration (the "Consideration") for the Possible Acquisition and the payment terms of the Consideration will be subject to further negotiation between the parties to the MOU.

The MOU shall remain in effect from the date of the MOU until the earlier of (i) a term of one hundred and fifty (150) days or such other date as the parties to the MOU may agree in writing; or (ii) the date of written agreement by both parties not to continue with the Possible Acquisition; or (iii) the date where any party violates the provision relating to confidentiality as contained in the MOU.

Details of the Possible Acquisition are set out in the Company's announcement dated 4 January 2019.

(b) Acquisition of 28% equity interest in USO Management & Holding Co Ltd (the "Target Company")

On 23 January 2019, the Company announced that Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company (the "Purchaser") has completed the acquisition of 28% equity interest in the Target Company. As at 31 December 2018, the Purchaser held 19% equity interest in the Target Company, which would be reclassified as investment in associates upon completion of the acquisition.

On the same day, (i) 1,700,000,000 new shares were allotted and issued at the issue price of HK$0.1 each by the Company to the vendor; and (ii) promissory note in the principal amount of HK$30,000,000 was issued by the Company to the vendor to satisfy the purchase consideration. The First Promissory Note in the principal amount of HK$10,000,000 was fully returned to the Purchaser for cancellation.

For details, please refer to the Company's announcements dated 19 June 2018, 10 July 2018, 15 August 2018, 28 September 2018, 15 October 2018, 15 November 2018, 15 December 2018, 18 December 2018 and 23 January 2019 and the circular of the Company dated 31 December 2018.

As at 31 December 2018, there were certain condition precedent in the acquisition agreement for the acquisition of the 28% equity interest which was still unfulfilled.

(c) Memorandum of Understanding with Julian International Group Co., Ltd.

On 19 March 2019, the Company announced that it had entered into a non-legally binding memorandum of understanding with Julian International Group Co., Ltd., a company incorporated in British Virgin Islands (the "Vendor") in relation to a mutual intention on a possible acquisition (the "Possible Acquisition") of certain equity interests of 裕興國際企業有限公司 (the "Target Company"), by the Company (or its wholly owned subsidiary) from the Vendor. The Target Company is a company incorporated in Hong Kong with limited liability. As advised by the Vendor, the Target Company is undergoing assets restructuring with 金馬控股集團有限公司. The Target Company shall upon completion of the assets restructuring, have the right to operate the forest pulp integration project (林漿一體化項目) (the "Forest Pulp Integration Project"), including approximately 2.93 million hectares of forest in Russia and the operation right of an environmentally-friendly pulp project in Guangxi.

The consideration for the certain equity interests of the Target Company is estimated to be HK$800,000,000, and shall be determined after arm's length negotiation between the parties to the MOU and set out in the formal agreement. The Consideration shall be settled by way of allotment and issue of consideration shares by the Company, and will be subject to further negotiation between the parties upon completion of the due diligence review to be performed by the Company.

For details, please refer to the Company's announcement dated 18 March 2019.

(d) Placing of convertible bonds under general mandate (the "Placing")

On 20 March 2019, Shun Loong Securities Company Limited (the "Placing Agent") and the Company entered into the placing agreement, pursuant to which the Placing Agent has conditionally agreed to procure, on a best efforts basis, placees to subscribe in one or more tranches for the convertible bonds in an aggregate principal amount of up to HK$500,000,000 at the conversion price of HK$1 (subject to adjustments).

Assuming the convertible bonds are fully placed, upon full conversion of the convertible bonds at the conversion price HK$1 without adjustment, a maximum of 500,000,000 conversion shares will be issued. Assuming the convertible bonds are fully placed by the Placing Agent and based on the estimated expenses of the Placing, the gross and net proceeds from the Placing are estimated to be HK$500,000,000 and approximately HK$484,700,000 respectively, and assuming the conversion rights attaching to the convertible bonds are fully exercised, the net price is approximately HK$0.9694 per conversion share.

For details, please refer to the Company's announcement dated 20 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018 (the "**Year**"), the Group recorded turnover of approximately HK$214.6 million (2017: HK$219.6 million), representing a decrease of approximately 2.3% as compared with last year. The Group's loss attributable to equity holders of the Company for the Year was approximately HK$208.1 million (2017: HK$91.3 million), representing a decrease of approximately HK$116.8 million comparing to last year. The decrease in loss attributable to equity holders of the Company for the Year was mainly attributable to (i) the decrease in the provision for impairment of investment in associates of the Group, amounting to approximately HK$16.4 million; and (ii) the provision of impairment of exploration and evaluation assets of approximately HK$88.8 million during the Year. Basic loss per share for the Year was 2.70 HK cents (2017: 1.46 HK cents). The Board has resolved not to pay any final dividend for the Year (2017: 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$214.6 million (2017: HK$219.6 million), representing a decrease of approximately 2.3% comparing to last year. The decrease in turnover was mainly attributable to the decrease in revenue generated from the North America and European Union regions, which recorded a decrease of approximately 5.1% and 31.6% respectively. The gross profit margin was decrease, which was 30.4% (2017: 35.4%) during the Year, showing the loss of a major customer and the intense market competition while the Group has been keeping its high quality standard in the production and sales of toys and gifts items during the past years. The segment recorded a loss of approximately HK$12.0 million during the Year (2017: segment loss of HK$3.2 million). The segment loss was mainly due to the provision for impairment of trade receivables arising from one customer, amounting to approximately HK$3.9 million during the Year, whereas, the high segment profit in last year was mainly due to a gain from disposal of certain subsidiaries of the segment.

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:

During the year, the Management was being informed that the approval of the master planning of GCM from the National Development and Reform Commission of the PRC and the National Energy Commission of The PRC was very remote. On the consideration of best interest of shareholders, and based on the valuation performed by the professional valuer on 1 November 2018, the Management decided to dispose the equity interest of two whole owned subsidiaries, the Inner Mongolia Mingrunfeng Energy Co., Limited (PRC) which owed the Exploration Right of Guerbanada Coal Mine and the Inner Mongolia Run Heng Mining Company Limited (PRC) which owed the Exploration Right of Bayanhushuo Coal Field through the open market in PRC. On 15 December 2018, 80% equity interest of the Inner Mongolia Mingrunfeng Energy Co., Limited (PRC) and 80% equity interest of the Inner Mongolia Run Heng Mining Company Limited (PRC) (together referred to as the Disposal Group) was bid in open market auction via the agent "福建省廣業拍賣有限公司". The disposal was completed on 15 January 2019.

As the sales proceed from the assets and liabilities of the Disposal Group was lower than their carrying amount, an impairment of approximately HK$88,758,000 was provided for the year ended 31 December 2018, and the Disposal Group as at 31 December 2018 is classified as assets of a disposal group classified as held for sale (see note 16).

Fruit Plantation

(a) Multijoy Group

Multijoy Developments Limited, 40% equity interest of which was acquired by the Group, together with its subsidiaries (the "**Multijoy Group**") is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the "**Forest Land**"). The Multijoy Group has appointed an independent third party under a cooperation agreement for a term of five years from 1 April 2013 to 31 March 2018, in relation to the operations of tangerine plantation business on the Forest Land for a fixed royalty income. A new cooperation agreement has been signed in early 2018 for another term of three years from 1 April 2018 to 31 March 2021. Multijoy Group's revenue for the Year amounted to approximately HK$35.5 million (2017: HK$34.5 million). The Group has generated a stable dividend income from Multijoy Group annually since the date of its acquisition. Dividend income received by the Group during the Year amounted to approximately HK$11.0 million (2017: HK$10.1 million).

(b) USO Management & Holding Co. Ltd

Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Green Luxuriant Group Investment Limited (the "**Vendor**"), regarding the Group's acquisition of 19% equity interest of USO Management & Holding Co. Ltd. ("**USO**") on 5 October 2015. USO entered into a tenancy agreement with the Alii and Faipule of the Village of Sasina, Savaii ("**AFS**"), owners of a parcel of approximately 500 acres of prime agricultural property located at Sasina, Savaii in Samoa (the "**Leased Properties**") pursuant to which AFS granted to USO the legal right to use its Leased Properties for a term of 90 plus 30 years (120 years in total) at an annual lease payment of US$120,000 (equivalent to approximately HK$936,000) for the development of USO's noni fruit plantation business. And the formal lease agreement with the Ministry of Natural Resources and Environment in Samoa was completed on 19 July 2017.

On 19 June 2018, Trinity Force Investments Limited entered into the sale and purchase agreement with the Vendor in relation to further acquisition of an effective 28% equity interest in Noni-fruit plantation related business in the Independent State of Samoa ("**Samoa**"). This acquisition had not been completed at the end of the year. As at the date of this announcement, the acquisition had been completed and Trinity Force Investments Limited had acquired further 28% equity interest and in total owned 47% equity interest of the target company.

As at 31 December 2018, the carrying value of the investment in USO amounted to approximately HK$133.0 million (2017: HK$74.2 million).

Leisure

(a) Tea related business

Since the Group's acquisition of 33% equity interest in Fujian Yuguo Tea Chaye Limited* (福建鈺國茶業有限公司) ("**Fujian Yuguo**") (a limited company incorporated in Fujian Province, the PRC, engaging mainly in the distribution of tea related products in PRC) in January 2016 , Fujian Yuguo has been generating profits from its operations. Fujian Yuguo's total revenue amounted to approximately HK$14.7 million (2017: HK$51.6 million) during the Year. In the recent years, the competition in tea industries becomes more fierce because the traditional sales model is facing a keen competition from those online business platform. During the Year, Fujian Yuguo began to fine-tune its operation model to meet its customers' needs, including but not limited to provide more attractive terms to its selected customers to increase its competitiveness in the markets. Fujian Yuguo's revenue is expected to increase steadily in the coming years. As the recoverable amount of Fuijan Yuguo is lower than its carrying amount, an impairment of approximately HK$16,360,000 (2017: HK$15,000,000) was recognised for the year ended 31 December 2018.

(b) Wine related business

Wine culture forms an important part and has a long history in the Chinese culture. In view of the increase in the living standard of the Chinese people in the recent years, the Group is optimistic about the future growth in the wine industry and has intention to invest in the wine business, especially for the yellow wine products. Since the end of 2016, the Group has invested in the yellow base wine. In view of the Group's existing insufficient working capital, the Group has adopted a strategy to look for potential cooperators to manufacture and distribute the yellow wine products. On 15 January 2018, the Group entered into a sales and purchase agreement with the vendor of Anhui Fu Lao Wine Development Company Limited* (安徽省福老酒業發展有限公司) ("**Anhui Fu Lao**"), a company established in PRC with limited liability. Pursuant to the sales and purchase agreement, the Group had agreed to acquire and the vendor of Anhui Fu Lao had agreed to sell 20% equity interest of Anhui Fu Lao held by the vendor, at the consideration of approximately RMB84 million (equivalent to approximately HK$101 million), subject to the fulfillment of certain conditions. The consideration will be settled by the Company by way of issuing a total of 1,010,000,000 consideration shares at issue price of HK$0.10 each. On 31 May 2018, the acquisition has been completed (see note 12(d)). For more details of the acquisition, please refer to the Company's announcements dated 15 January 2018, 28 February 2018 and 31 May 2018.

(c) Outbound tourism

Regarding the Group's 20% equity interest in the Eagle Praise Group, which is principally engaged in outbound tourism related business in PRC, the business development of the Eagle Praise Group was slower than expected. Based on the information available to the Board, the Eagle Praise Group has not yet arranged any outbound travel tours in accordance with the business plan as scheduled in the supplemental shareholders' agreement dated 16 December 2015, entered into between the Group and the vendor of the Eagle Praise Group. The Group gave notice to the vendor on 30 December 2016, to rescind the various agreements entered into with the vendor (the "**Rescission of Agreements**") on the ground of fraudulent misrepresentations made by the vendor and its representative. As a result, the Board considered that full provision for impairment in the investment of approximately HK$117.8 million was required to be made during the year ended 31 December 2016. The Group has discussed with and instructed its legal adviser to take further legal action against the vendor of Eagle Praise Group regarding the Rescission of Agreements. The Group will make further announcement(s) to update the development of the Rescission of Agreements as and when appropriate.

Culture

On 27 March 2015, the Group acquired certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a total consideration of HK$38.0 million. These ceramic items had carrying amounts of approximately HK$35.3 million as at 31 December 2018.

Geographical Information

During the Year, the Group recorded revenue in North America (includes the USA and Canada) of approximately HK$205.0 million as compared to approximately HK$216.0 million last year and represented approximately 95.5% (2017: approximately 98.3%) of the Group's total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) amounted to approximately HK$0.4 million for the Year as compared to approximately HK$0.6 million last year and represented approximately 0.2% (2017: approximately 0.3%) of the Group's total revenue of the Year.

Selling and Distribution Costs

The amount of the selling and distribution costs for the Year was approximately HK$32.3 million (2017: approximately HK$37.9 million). The decrease was mainly attributable to the decrease of the staff costs of manufacturing and trading of toys and gifts items segment.

Administrative Expenses

Administrative expenses for the Year increased by approximately 23.1% to approximately HK$133.7 million as compared to approximately HK$108.6 million in the previous year. The increase in administrative expenses was mainly due to increase of provision for impairment of trade and other receivables during the Year.

Finance Costs

Finance costs for the Year increased by approximately HK$7.2 million to approximately HK$25.8 million as compared to approximately HK$18.6 million in the previous year. The increase in finance costs was mainly due to the increase of approximately HK$13.6 million for overdue interest on promissory notes during the Year.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in PRC. As at 31 December 2018, the Group had bank and cash balances of approximately HK$21.8 million (2017: HK$31.6 million). The Group's bank and cash balances were mostly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2018, the Group's borrowings amounted to approximately HK$101.9 million (2017: HK$78.4 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2018, the Group's promissory notes amounted to approximately HK$153.6 million (2017: HK$137.9 million) in aggregate. The Group's promissory notes were denominated in Hong Kong dollars.

The Group monitors its capital using a gearing ratio, which is the Group's net debt (comprising trade payables, accruals and other payables, income tax payable, promissory notes, obligation under finance lease and borrowings less bank and cash balances) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2018 was 126.1% (2017: 59.3%).

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.

As at 31 December 2018, certain property, plant and equipment and investment properties held by the Group with aggregate carrying values of approximately HK$69.8 million (2017: HK$74.5 million), were pledged to secure general banking facilities granted to the Group.

As at 31 December 2018, the Group had no significant capital commitment.

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 2018.

PROSPECTS

The Group has been reviewing its existing operations from time to time 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.

CAPITAL STRUCTURE

As at 31 December 2018, the capital structure of the Company was constituted of 8,110,381,596 ordinary shares of HK$0.10 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the share options to subscribe for the Company's shares.

At 31 December 2018, 69,000,000 share options remained outstanding (2017: 237,800,000). The share option scheme of the Company with a scheme life of ten years approved by the shareholders of the Company on 31 May 2013 will expire on 30 May 2023.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2018, the Group had a total of 390 employees (2017: 443 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 yearly basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

SCOPE OF WORK OF KTC PARTNERS CPA LIMITED

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, KTC Partners CPA Limited ("**KTC**"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2018. The work performed by KTC 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 KTC on the preliminary announcement.

EXTRACT OF THE AUDITOR'S REPORT

Basis for Qualified Opinion

Opening balances and comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditors (the "**Predecessor Auditors**"), who expressed a qualified opinion on those statements on 29 March 2018. The matters that led to the Predecessor Auditors modifying their auditors' opinion include the possible effects of the matters described in paragraphs 1 to 3 below on the consolidated financial performance and cash flows of the Group for the year ended 31 December 2017 and the consolidated financial position of the Group as at 31 December 2017, and the related disclosures thereof in the consolidated financial statements. Since opening balances of these assets as at 1 January 2018 enter into the determination of the financial performance and cash flows of the Group for the current year ended 31 December 2018, we were unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 31 December 2018 reported in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the cash flows for the year ended 31 December 2018 reported in the consolidated statement of cash flows. In addition, as any adjustments that would be required may have consequential significant effects on those assets of the Group as at 31 December 2017 and its results and cash flows for the year ended 31 December 2017 presented as comparative figures in the consolidated financial statements, we were also unable to determine the possible effects of these matters on the comparability of the current year's figures and the comparative figures presented in the consolidated financial statements.

1. *Investment in associates*

   Fujian Yuguo Chaye Limited ("Fujian Yuguo")

   Included in the investment in associates of the Group was an investment in Fujian Yuguo whose carrying amounts as at 31 December 2018 and 2017 were approximately HK$27,605,000 and HK$46,110,000 respectively. The Group recognised share of results from Fujian Yuguo of HK$770,000, share of exchange translation difference of associate of HK$1,997,000 and impairment loss of investment in Fujian Yuguo of HK$15,000,000 in its consolidated financial statements for the year ended 31 December 2017. The Predecessor Auditors were unable to satisfy themselves about (i) the recoverable amount of the investment in Fujian Yuguo; (2) whether impairment loss of HK$15,000,000 was properly recognised for the year ended 31 December 2017; and (3) whether share of results of HK$770,000 and share of exchange translation difference of associate HK$1,997,000 were properly recognised for the year ended 31 December 2017. Any adjustment to the figures mentioned above might have consequential effects on the impairment loss of approximately HK$16,360,000 on investment in Fujian Yuguo for the year ended 31 December 2018. However, we are satisfied that the investment in Fujian Yuguo is fairly stated as at 31 December 2018.

2. *Inventories*

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that 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 2018 and 31 December 2017 was free from material misstatements. There were no satisfactory alternative audit procedures that we could adopt to determine whether any provision for impairment loss should be made in the consolidated financial statements in respect of these ceramic item inventories. Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and cash flows of the Group for the years ended 31 December 2018 and 2017 and the financial position of the Group as at 31 December 2018 and 2017.

3. *Prepayment, deposits and other receivables*

Included in the prepayment, deposits and other receivables in the consolidated statement of financial position as at 31 December 2018 and 31 December 2017 are deposits paid (the "**Deposits Paid**") of approximately HK$102,100,000. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Deposits Paid as at 31 December 2018 and 31 December 2017. There were no satisfactory alternative audit procedures that we could adopt to determine whether any provision for impairment of the Deposits Paid should be made in the consolidated financial statements. Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and cash flows of the Group for the years ended 31 December 2018 and 2017 and the financial position of the Group as at 31 December 2018 and 2017.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK$211,570,000 for the year ended 31 December 2018 and was in net current liability position of approximately HK$98,419,000 as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance. During the Year, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules, except for the deviation from code provisions A.6.7 of the Corporate Governance Code as described below.

Code Provision A.6.7

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Directors, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning, had other important engagements at the same time and did not attend the annual general meeting of the Company held on 20 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

AUDIT COMMITTEE

The audit committee assists the Board in meeting its responsibilities for ensuring effect systems of financial reporting process, risk management, internal control and compliance, and in meeting its external financial reporting objectives. The audit committee of the Company comprises Mr. So Chun Pong, Ricky, Mr. Wang Xiao Ning and Mr. Cheung Man Loon, Michael, all independent non-executive Directors of the Company. The audit committee members have reviewed the final results announcement of the Group for the year ended 31 December 2018.

PUBLICATION OF RESULTS

This announcement of results of the Company has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kh381.com). The annual report of the Company for the year ended 31 December 2018 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, 29 March 2019

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, Mr. Zhang Qijun, Mr. Shu ZhongWen, Mr. Pun Yat Kan and Ms. Cui Yu, and four independent non-executive Directors, Mr. Cheng Ho On, Mr. So Chun Pong, Ricky, Mr. Wang Xiao Ning, and Mr. Cheung Man Loon, Michael.

* *For identification purposes only*