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)

ANNOUNCEMENT OF 2015 INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kiu Hung International Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries and associated companies (the "**Group**") for the six months ended 30 June 2015.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*5*	**99,667**	70,259
Cost of sales		**(64,979)**	(47,030)
Gross profit		**34,688**	23,229
Other income		**825**	711
Selling and distribution costs		**(15,793)**	(13,938)
Administrative expenses		**(42,059)**	(26,408)
Operating loss		**(22,339)**	(16,406)
Finance costs		**(3,854)**	(4,392)
		(26,193)	(20,798)
Share of result of associates		**1,388**	–
Loss before income tax		**(24,805)**	(20,798)
Income tax (expense)/credit	*6*	**(777)**	1,440
Loss for the period	*7*	**(25,582)**	(19,358)

	Notes	Six months ended 30 June **2015** **(Unaudited)** ***HK$'000***	 2014 (Unaudited) *HK$'000*
(Loss)/profit attributable to:			
— equity holders of the Company		**(26,188)**	(20,159)
— non-controlling interests		**606**	801
		(25,582)	(19,358)
		HK cents	*HK cents*
Loss per share attributable to the equity holders of the Company			
— basic and diluted	*9*	**(0.96)**	(1.55)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(25,582)**	(19,358)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties	**1,389**	1,381
Deferred income tax arising on revaluation of properties	**444**	(824)
Items that may be reclassified to profit or loss:		
Exchange difference arising from translation of foreign operations	**40**	(2,345)
Total comprehensive loss for the period	**(23,709)**	(21,146)
Total comprehensive (loss)/income attributable to:		
— equity holders of the Company	**(24,315)**	(21,947)
— non-controlling interests	**606**	801
	(23,709)	(21,146)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2015 (Unaudited) HK$'000	As at 31 December 2014 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	**65,515**	66,783
Prepaid land lease payments		**4,468**	4,526
Investment properties		**10,829**	10,100
Exploration and evaluation assets	11	**147,861**	147,805
Other intangible asset		**1,053**	1,059
Investment in associates		**269,277**	143,339
Deferred income tax assets		**348**	377
Rental deposits		**2,748**	2,824
		502,099	376,813
Current assets			
Inventories		**60,050**	15,640
Trade and bills receivables	12	**34,918**	33,513
Prepayments, deposits and other receivables		**14,197**	15,071
Income tax recoverable		**937**	613
Bank and cash balances		**12,373**	20,127
		122,475	84,964
Total assets		**624,574**	461,777
Current liabilities			
Trade payables	13	**25,420**	17,119
Accruals and other payables		**40,119**	37,185
Income tax payable		**726**	393
Borrowings		**69,642**	63,846
Promissory notes		**123,500**	–
		259,407	118,543
Net current liabilities		**(136,932)**	(33,579)
Total assets less current liabilities		**365,167**	343,234

	Notes	As at 30 June 2015 (Unaudited) *HK$'000*	As at 31 December 2014 (Audited) *HK$'000*
Non-current liabilities			
Convertible bonds		**10,887**	20,207
Deferred income tax liabilities		**29,709**	29,836
		40,596	50,043
Net assets		**324,571**	293,191
Equity			
Share capital	*14*	**289,558**	257,838
Reserves		**25,390**	26,336
Equity attributable to equity holders of the Company		**314,948**	284,174
Non-controlling interests		**9,623**	9,017
Total equity		**324,571**	293,191

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 20/F., Hong Kong Diamond Exchange Building, 8–10 Duddell Street, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

These unaudited condensed consolidated interim financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved by the Board for issue on 31 August 2015.

2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

Going Concern

At 30 June 2015, the Group's current liabilities exceeded its current assets by approximately HK$136,932,000 and the Group recorded a loss of approximately HK$25,582,000 and a net operating cash outflow of approximately HK$13,844,000 during the period ended 30 June 2015. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings and to extend existing borrowings upon their maturities;

2) The Group is in negotiation with its creditors to extend payment due dates; and

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

Taking into account the above-mentioned measures, the opinion of the directors of the Company with respect to sufficiency of the working capital of the Group remains as stated in the 2014 annual report dated 31 March 2015. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

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

3 ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the financial year ended 31 December 2014, except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2015. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group and has no material impact on the Group. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4 ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

5 SEGMENT INFORMATION

The Group has five reportable segments as follows:

Exploration — Exploration of natural resources

Toys and gifts items — Manufacturing and trading of toys and gifts items

Fruit plantation — Investment in fruit plantation related business through an associate of the Group

Leisure — Investment in PRC outbound tourism related business through an associate 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, results, total assets and total liabilities:

	Exploration	Toys and gifts items	Fruit plantation	Leisure	Culture	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2015 (unaudited):						
Revenue from external customers	–	99,667	–	–	–	99,667
Segment (loss)/profit	(334)	(1,925)	2,969	(1,830)	(296)	(1,416)
Six months ended 30 June 2014 (unaudited):						
Revenue from external customers	–	70,259	–	–	–	70,259
Segment loss	(1,534)	(7,373)	–	–	–	(8,907)
Total assets:						
30 June 2015 (unaudited)	148,296	157,885	144,821	124,496	38,000	613,498
31 December 2014 (audited)	148,555	156,985	143,339	–	–	448,879
Total liabilities:						
30 June 2015 (unaudited)	(19,673)	(106,028)	–	–	–	(125,701)
31 December 2014 (audited)	(19,665)	(105,064)	–	–	–	(124,729)

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Reconciliation of segment results:		
Total loss of reportable segments	**(1,416)**	(8,907)
Unallocated amounts:		
Corporate finance costs	**(2,996)**	(2,502)
Other corporate income and expenses	**(21,170)**	(7,949)
Loss for the period	**(25,582)**	(19,358)

	As at 30 June 2015	As at 31 December 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Reconciliation of segment assets:		
Total assets of reportable segments	**613,498**	448,879
Unallocated corporate assets:		
Current assets	**11,076**	12,898
Total assets	**624,574**	461,777

6 INCOME TAX EXPENSE/(CREDIT)

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2014: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
— Hong Kong	**66**	(95)
— The People's Republic of China (the "**PRC**")	**373**	282
Total current tax	**439**	187
Deferred income tax	**338**	(1,627)
Income tax expense/(credit)	**777**	(1,440)

7 LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**4,444**	2,678
Amortisation of prepaid land lease payments	**60**	60
Amortisation of license rights	**6**	6
Staff costs (including directors' emoluments):		
Wages and salaries	**28,418**	21,617
Retirement benefits scheme contributions	**896**	878
Share-based payment expenses	**634**	–
Interest expenses on borrowings wholly repayable within 5 years	**2,656**	4,392

8 DIVIDEND

The Board has revolved not to pay any interim dividend for the period (2014: Nil).

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the period of approximately HK$26,188,000 (2014: HK$20,159,000) and the weighted average of 2,725,847,479 (2014: 1,298,323,934) ordinary shares in issue during the period.

For the six months ended 30 June 2015 and 30 June 2014, the average market price of the Company's ordinary shares was below the exercise price of the outstanding share options. Accordingly, the weighted average number of ordinary share was not adjusted to compute the diluted loss per share for the effect of the share options.

As the Group has incurred a loss for the period ended 30 June 2015, the conversion of all potential ordinary shares arising from the convertible bonds would have an anti-dilutive effect on the loss per share. Accordingly, the weighted average number of ordinary shares was not adjusted to compute the diluted loss per share for the effect of the convertible bonds.

10 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK$3,037,000 (2014: HK$2,409,000).

11 EXPLORATION AND EVALUATION ASSETS

During the reporting period, exchange gain of approximately HK$56,000 has been recognised as a result of the translation of foreign operations in the PRC (2014: exchange loss of HK$2,383,000).

12 TRADE AND BILLS RECEIVABLES

	As at 30 June 2015 (Unaudited) ***HK$'000***	As at 31 December 2014 (Audited) *HK$'000*
Trade receivables	**34,918**	30,943
Bills receivables	**–**	2,570
	34,918	33,513

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

At 30 June 2015 and 31 December 2014, the ageing analysis of trade receivables based on invoice date, net of provision, were as follows:

	As at 30 June 2015 (Unaudited) ***HK$'000***	As at 31 December 2014 (Audited) *HK$'000*
Within 30 days	**25,112**	16,102
31 days to 90 days	**5,104**	10,424
91 days to 180 days	**4,174**	4,295
181 days to 360 days	**468**	122
Over 360 days	**60**	–
	34,918	30,943

13 TRADE PAYABLES

At 30 June 2015 and 31 December 2014, the ageing analysis of trade payables based on invoice date were as follows:

	As at 30 June 2015 (Unaudited) *HK$'000*	As at 31 December 2014 (Audited) *HK$'000*
Within 30 days	**21,075**	11,015
31 days to 90 days	**1,309**	3,429
91 days to 180 days	**978**	623
181 days to 360 days	**189**	284
Over 360 days	**1,869**	1,768
	25,420	17,119

14 SHARE CAPITAL

		Number of shares		Ordinary share capital	
	Notes	**As at 30 June 2015 (Unaudited)**	As at 31 December 2014 (Audited)	**As at 30 June 2015 (Unaudited) *HK$'000***	As at 31 December 2014 (Audited) *HK$'000*
Authorised:					
Ordinary shares of HK$0.10 each		**4,000,000,000**	4,000,000,000	**400,000**	400,000
Issued and fully paid:					
At beginning of period/year		**2,578,377,599**	1,193,860,934	**257,838**	119,386
Issue of shares					
— on placement	*(a)*	**67,200,000**	274,200,000	**6,720**	27,420
— upon exercise of share options		**–**	3,650,000	**–**	365
— upon conversion of convertible bonds	*(b)*	**100,000,000**	706,666,665	**10,000**	70,667
— upon completion of the acquisition	*(c)*	**150,000,000**	400,000,000	**15,000**	40,000
At end of period/year		**2,895,577,599**	2,578,377,599	**289,558**	257,838

Notes:

(a) On 21 April 2015, the Company and its placing agent entered into a conditional placing and subscription agreement in respect of the placement of 67,200,000 ordinary shares of HK$0.10 each of the Company to not less than six placees at the placing price of HK$0.174 per share. The placement and subscription of 67,200,000 ordinary shares of HK$0.10 each of the Company was completed on 4 May 2015. The premium on the issue of these shares amounting to approximately HK$4,668,000 in aggregate (after deducting placing expenses) was credited to the Company's share premium account for the period ended 30 June 2015.

(b) During the period ended 30 June 2015, the Company issued 100,000,000 ordinary shares of HK$0.10 each in relation to the conversion of the convertible bonds at the conversion price of HK$0.15 per share. The relevant portion of convertible bonds equity reserve in relation to the conversion of the convertible bonds during the period ended 30 June 2015 of approximately HK$36,291,000 was transferred to the Company's share capital and share premium account for the period ended 30 June 2015.

(c) On 3 March 2015 and 23 April 2015, pursuant to the acquisition of 20% equity interest in Eagle Praise Limited, the Company issued 75,000,000 ordinary shares of HK$0.10 each to Unicorn Sino Limited with an issue price of HK$0.22 per share, respectively. The premium on the issue of these shares amounting to HK$17,550,000 in aggregate was credited to the Company's share premium account for the period ended 30 June 2015.

(d) All new ordinary shares issued during the reporting period rank pari passu in all respects with the existing shares of the Company.

15 RELATED PARTY TRANSACTIONS

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Product development, sale and marketing services fee paid to a related company	*(a)*	**832**	963

Note:

(a) The sole owner of the related company is also the director and beneficial owner of 49% (2014: 49%) equity interest in the Company's subsidiary paying for the services.

16 CAPITAL COMMITMENTS

The Group did not have any capital commitments at the end of the reporting period (2014: HK$Nil).

17. EVENTS AFTER THE REPORTING PERIOD

(i) Acquisition of a property sale business

On 20 July 2015, the Company entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Mr. Lin Xiong (林雄, the "**Vendor**"), an independent third party and the ultimate sole beneficial owner of the Shun Jun Ventures Limited (the "**Target Company**"), regarding the Company's acquisition of the entire equity interest of the Target Company. The Target Company will be engaged in the property sale business in the PRC.

The total consideration of this acquisition of maximum HK$117,349,155 or minimum HK$112,349,155 (as the case may be) will be satisfied by the issue of the convertible bonds.

In accordance with the Sale and Purchase Agreement, Wise Park Limited ("**Wise Park**"), a wholly-owned subsidiary of the Company, was nominated by the Company to acquire the entire issued share capital of the Target Company. On 7 August 2015, the Company has issued the convertible bonds as consideration in the principal amount of HK$112,349,155 to the Vendor. The conversion price is HK$0.225 per share for the maximum of 499,329,577 ordinary shares of HK$0.10 each of the Company to be issued upon full conversion of the convertible bonds. The acquisition was completed on the same day, and as a result, the Target Company becomes an indirect wholly-owned subsidiary of the Company.

The Company may issue further convertible bonds of the maximum principal amount of HK$5,000,000 at the conversion price of HK$0.225 per share under certain circumstances in accordance with the terms of the Sale and Purchase Agreement and subject to the granting of approval by the Stock Exchange for the listing of, and the permission to deal in, the shares of the Company which the convertible bonds may be converted into.

For details, please refer to the Company's announcements dated 20 July 2015, 30 July 2015 and 7 August 2015.

(ii) Acquisition of a PRC outbound tourism business

Reference is made to the sale and purchase agreement dated 3 February 2015 entered into among the Company, Kiu Hung Leisure Holidays Company Limited ("**KH Leisure**"), a wholly owned subsidiary of the Company, Unicon Sino Limited (the "**Unicorn Sino**") and Ms. Wei Xin Jie (魏欣捷), an independent third party and the ultimate sole beneficial owner of Unicorn Sino, regarding KH Leisure's acquisition of 20% equity interests of Eagle Praise Limited (the "**Acquisition**") and the completion of the Acquisition. A side letter was signed on 4 August 2015 to extend the milestone time limit to 3 December 2015 (or such later date as the parties to the sale and purchase agreement may agree in writing).

For details of the Acquisition, please refer to the Company's announcements dated 3 February 2015, 12 February 2015, 6 March 2015, 1 April 2015, 16 April 2015 and 23 April 2015. For details of the extension of the milestone time limit, please refer to the Company's announcement dated 4 August 2015 and 28 August 2015.

(iii) MOU in relation to an acquisition of wine business in PRC

With reference to the memorandum of understanding (the "**MOU**") dated 16 October 2014 entered into between Kiu Hung Health Food Company Limited ("**KH Health Food**"), a wholly owned subsidiary of the Company, and Rising Fortune Group Limited, an independent third party, regarding an acquisition of certain equity interests of a target company (the "**Possible Acquisition**"), on 15 July 2015 and 14 August 2015, in order to allow additional time for KH Health Food to conduct due diligence review relating to the target company and its subsidiaries (the "**Target Group**") and for the parties' further negotiation of the terms of the Possible Acquisition, the parties to the MOU entered into the fifth and sixth supplemental letter to the MOU respectively to extend the expiry date of the exclusivity period to 15 September 2015.

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

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

For details, please refer to the Company's announcements dated 16 October 2014, 13 January 2015, 12 April 2015, 15 May 2015, 15 June 2015, 15 July 2015 and 14 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 30 June 2015 (the "**Period**"), the Group recorded turnover of approximately HK$99.7 million (2014: HK$70.3 million), representing an increase of approximately 41.8% as compared with the same period last year. The Group's loss attributable to equity holders of the Company for the Period was approximately HK$26.2 million (2014: HK$20.2 million). The increase in loss attributable to equity holders of the Company for the Period was mainly attributable to an increase in staff costs, rental expenses and legal and professional fee of the Group during the Period. Basic loss per share for the Period was 0.96 HK cents (2014: 1.55 HK cents). The Board has resolved not to pay any interim dividend for the Period (2014: Nil).

Business and Operational Review

Segmental Information Analysis

During the Period, the Group has five reportable segments, namely "Manufacturing and trading of toys and gifts items", "Exploration of natural resources", "Fruit plantation", "Leisure" and "Culture".

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

Manufacturing and Trading of Toys and Gifts Items

Turnover from toys and gifts business was approximately HK$99.7 million for the Period (2014: HK$70.3 million). Gross profit ratio for the Period was 34.8% (2014: 33.1%). The increase in gross profit ratio is mainly due to the increase in the selling price of the products and the implementation of the cost control by the Group during the Period. The segment loss of the manufacturing and trading of toys and gifts items was approximately HK$1.9 million (2014: HK$7.4 million). The decrease in segment loss was mainly attributable to an increase in gross profit.

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:

	Inferred Resources *(Million Tonnes)*
Bayanhushuo Coal Field ("**BCF**")	394.05#
Guerbanhada Coal Mine ("**GCM**")	106.00
Total	500.05

\# 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 2014 to 4 July 2016.

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 23 September 2013 to 22 September 2015.

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.

When applying for the renewal of the licence for the exploration right for GCM, the Group gave an undertaking (as required by the local government) on 7 August 2015 that after the renewal of the licence, if the Group elects to voluntarily hand over the exploration right to the Government of Inner Mongolia, it will accept a compensation equivalent to two times of the actual expenses incurred by it on geological prospecting. As of the date of this announcement, the actual expenses incurred were approximately RMB14,510,000.

As the compensation from the Government of Inner Mongolia is not substantially lower than the carrying asset value of GCM as at 30 June 2015 and 31 December 2014, which was approximately HK$39,379,000 and HK$39,364,000, respectively, the Board considers that, even the exploration right is handed over to the Government of Inner Mongolia, there will not be any material adverse impact on the business prospects or financial position of the Group.

For details of the renewal of exploration licence of GCM, please refer to the Company's announcement dated 9 August 2015.

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

Fruit plantation

Multijoy Developments Limited, 28% equity interest of which was acquired by the Company, 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 segment profit of fruit plantation business for the Period is approximately HK$3.0 million (2014: Nil).

Leisure

On 23 April 2015, the Group completed the acquisition of 20% equity interest in Eagle Praise Limited (together with its subsidiary, the "**Eagle Praise Group**") at a total consideration of HK$125 million satisfied by the issuance of 150,000,000 new ordinary shares at an issue price of HK$0.22 per share and the promissory notes in the aggregate principal amount of HK$92,000,000 of the Company to Unicorn Sino Limited ("**Unicorn Sino**"). A side letter was signed on 4 August 2015 in relation to the extension of the milestone time limit to 3 December 2015 (or such later date as the parties to the sale and purchase agreement may agree in writing).

The Eagle Praise Group is principally engaged in the business of designing, developing and selling tourism and travel related products in the PRC.

For details, please refer to the Company's announcements dated 3 February 2015, 12 February 2015, 6 March 2015, 1 April 2015, 16 April 2015, 23 April 2015, 4 August 2015 and 28 August 2015.

Culture

On 27 March 2015, the Group entered into an assets purchase agreement (the "**Assets Purchase Agreement**") with Jingdezhen Jing Dong Ceramic Group Co., Ltd, an independent third party, regarding certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a consideration of HK$38.0 million, which would be satisfied by the issue of two series of the Company's promissory notes namely, the promissory note A and promissory note B, in the aggregate principal amount of HK$6.5 million and HK$31.5 million, respectively. Completion of the Assets Purchase Agreement took place following the execution of the Assets Purchase Agreement on 27 March 2015. The Company has repaid the promissory note A in the principal amount of HK$6.5 million by payment in cash on 12 June 2015. The promissory note B is due by 27 March 2016.

For details, please refer to the Company's announcements dated 27 March 2015 and 12 June 2015.

Selling and Distribution Costs

Selling and distribution costs for the Period increased by approximately 13.7% to approximately HK$15.8 million as compared to approximately HK$13.9 million in the same period last year. The increase was mainly attributable to an increase in the salaries and commissions of sales staff of approximately HK$2.0 million during the Period.

Administrative Expenses

Administrative expenses for the Period increased by approximately 59.5% to approximately HK$42.1 million as compared to approximately HK$26.4 million in the same period last year. The increase was mainly attributable to an increase in staff costs of approximately HK$5.4 million, rental expenses of approximately HK$3.4 million and legal and professional fee of approximately HK$3.7 million during the Period.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in the PRC. As at 30 June 2015, the Group had bank and cash balances of approximately HK$12.4 million (31 December 2014: HK$20.1 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2015, the Group's borrowings amounted to approximately HK$69.6 million (31 December 2014: HK$63.8 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi, of which approximately 79.7% (31 December 2014: 40.5%) bore interest at fixed lending rate.

The gearing ratio of the Group calculated as the Group's borrowings, which included its borrowings and promissory notes but excluded its convertible bonds, less bank and cash balances over its total equity was approximately 55.7% as at 30 June 2015 (31 December 2014: 14.9%).

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. As such, the Group had not used any financial instruments for hedging during the Period.

As at 30 June 2015, certain property, plant and equipment, prepaid land lease payments and investment properties held by the Group with aggregate carrying values of approximately HK$49.4 million (31 December 2014: HK$68.2 million) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2015, the Group did not have any capital commitments (31 December 2014: Nil).

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

Business Prospects and Future Plan

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole. This is evidenced by (a) the acquisition of the fruit plantation related business (completed on 17 September 2014); (b) the acquisition of art and cultural related assets (completed on 27 March 2015); (c) the acquisition of the PRC outbound travelling to Samoa related business (completed on 23 April 2015); (d) the acquisition of the property sale business in the PRC (completed on 7 August 2015); and (e) the entering into of a memorandum of understanding in relation to the possible acquisition of wine related business in the PRC.

On 13 June 2015, the Group, as the main organizer and key investor, has successfully held a concert with the theme "What a Wonderful World" for the Hong Kong famous pop-star singer Mr. Sam Hui. The concert was held in Shenzhen City, Guangdong Province, the PRC with more than 8,000 audience attended. With such experience, the Group has been exploring entertainment related businesses.

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 30 June 2015, the capital structure of the Company was constituted of 2,895,577,599 ordinary shares of HK$0.10 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the convertible bonds and share options to subscribe for the Company's shares.

On 21 April 2015, the Company and its placing agent entered into a conditional placing and subscription agreement in respect of the placement of 67,200,000 ordinary shares of HK$0.10 each of the Company to not less than six placees at the placing price of HK$0.174 per share. The placement and subscription of 67,200,000 ordinary shares of HK$0.10 each of the Company was completed on 4 May 2015. The net proceeds (after deducing the placing agent commission and other expenses incurred) was approximately HK$11.0 million. For details, please refer to the Company's announcement dated 21 April 2015.

At 30 June 2015, 128,546,000 (31 December 2014: 157,146,120) share options and 100,000,000 (31 December 2014: 200,000,000) conversion shares remained outstanding.

Employment, Training and Development

As at 30 June 2015, the Group had a total of 679 employees (31 December 2014: 564 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance. During the Period, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors of the Company, all the directors confirmed that they had compiled with the required standards as set out in the Model Code during the Period.

AUDIT COMMITTEE

The audit committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The audit committee of the Company comprises Mr. Lam Siu Lun, Simon, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning, the independent non-executive directors of the Company. The audit committee has reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Group for the six months ended 30 June 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kh381.com). The 2015 interim report of the Company will be dispatched to the Company's shareholders and published on the same websites 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.

* *For identification purposes only*

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

Hong Kong, 31 August 2015

As at the date of this announcement, the Board comprises five executive Directors, Mr. Hui Kee Fung, Mr. Yu Won Kong, Dennis, Mr. Long Tien Ian, Mr. Mtafi, Rachid Rene and Mr. Yip Kong Nam, one non-executive Director, Mr. Lam Kit Sun and three independent non-executive Directors, Mr. Lam Siu Lun, Simon, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning.