

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2018 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 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	5	72,157	104,045
Cost of sales		(49,210)	(61,476)
Gross profit		22,947	42,569
Other income		932	412
Selling and distribution costs		(13,499)	(18,897)
Administrative expenses		(44,454)	(52,047)
Operating loss		(34,074)	(27,963)
Finance costs		(6,700)	(8,175)
		(40,774)	(36,138)
Share of results of associates		2,767	4,919
Loss before income tax		(38,007)	(31,219)
Income tax expense	6	(477)	(416)
Loss for the period	7	(38,484)	(31,635)

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to:			
— equity holders of the Company		(37,791)	(29,861)
— non-controlling interests		(693)	(1,774)
		<u>(38,484)</u>	<u>(31,635)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per share	9	<u>(0.52)</u>	<u>(0.49)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(38,484)	(31,635)
Other comprehensive income/(loss):		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value changes on equity investment at fair value through other comprehensive income	53,818	—
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference arising from translation of foreign operations	(2,931)	7,843
Share of exchange translation difference of associates	(1,670)	6,939
Other comprehensive income for the period, net of tax	49,217	14,782
Total comprehensive income/(loss) for the period	10,733	(16,853)
Total comprehensive income/(loss) attributable to:		
— equity holders of the Company	11,426	(15,079)
— non-controlling interests	(693)	(1,774)
	10,733	(16,853)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	81,264	82,582
Investment properties		15,394	15,500
Exploration and evaluation assets	11	113,692	114,671
Other intangible asset		1,024	1,024
Investment in associates		343,295	241,198
Equity investment at fair value through other comprehensive income	12	128,000	–
Available-for-sale financial asset		–	74,182
Deferred income tax assets		–	188
Prepayments, deposits and other receivables		20,238	21,203
		<u>702,907</u>	<u>550,548</u>
Current assets			
Inventories		83,411	68,601
Trade and bills receivables	13	30,887	29,628
Prepayments, deposits and other receivables		154,543	141,773
Income tax recoverable		2,585	1,760
Bank and cash balances		7,275	31,581
		<u>278,701</u>	<u>273,343</u>
Total assets		<u>981,608</u>	<u>823,891</u>
Current liabilities			
Trade payables	14	17,864	8,340
Accruals and other payables		108,170	89,929
Income tax payable		427	240
Promissory notes		150,609	137,900
Obligation under finance leases		157	311
Borrowings		65,200	78,441
		<u>342,427</u>	<u>315,161</u>
Net current liabilities		<u>(63,726)</u>	<u>(41,818)</u>
Total assets less current liabilities		<u>639,181</u>	<u>508,730</u>

		As at 30 June 2018 (Unaudited) <i>HK\$'000</i>	As at 31 December 2017 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current liabilities			
Deferred income tax liabilities		28,238	28,502
Obligation under finance leases		741	741
		<u>28,979</u>	<u>29,243</u>
Net assets		<u>610,202</u>	<u>479,487</u>
Equity			
Share capital	15	811,038	710,039
Reserves		(209,444)	(239,853)
Equity attributable to owners of the Company		601,594	470,186
Non-controlling interests		8,608	9,301
Total equity		<u>610,202</u>	<u>479,487</u>

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 25/F., Fortis Tower, 77–79 Gloucester Road, Wan Chai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

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 for issue by the Board on 31 August 2018.

2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 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 2017 (“**2017 Annual Report**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

Going Concern

At 30 June 2018, the Group's current liabilities exceeded its current assets by approximately HK\$63,726,000 and the Group recorded a loss of approximately HK\$38,484,000 for the six months ended 30 June 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

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

Taking into account of the above-mentioned measures, the opinion of the directors of the Company with respect to sufficiency of the working capital of the Group remains as stated in the 2017 Annual Report dated 29 March 2018. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

The Group's ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to the Group's future operating performance, market conditions, the Group's ability to issue new shares to fund current and prospective operating and investing activities and other factors, many of which are beyond the Group's control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet the Group's needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then the Group may not be able to repay the borrowings, particularly the 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 2017 Annual Report, except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning from 1 January 2018 as follows:

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 1 (Amendment)	First Time Adoption of HKFRS 1
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKFRS 40 (Amendment)	Investments in Investment property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The adoption of the new and amended standards did not have significant impact on the condensed consolidated interim financial statements except for HKFRS 9 and HKFRS 15. Please refer to note 2(b) and 2(c) below:

(b) HKFRS 9

The Group has adopted HKFRS 9 since 1 January 2018, which resulted in a change in accounting policies and adjustments to the amounts recognised in the consolidated financial information. In accordance with the transitional provision under HKFRS 9, comparative figures are not required to be restated.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;
- Debt investments at fair value through other comprehensive income;
- Equity investments at fair value through other comprehensive income; and
- Investments at fair value through profit or loss.

Management has assessed the classification and measurement of the financial assets held by the Group at the date of initial application of HKFRS 9 and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value through other comprehensive income. The main effects resulting from this reclassification are as follows:

	Before the adoption of HKFRS 9 HK\$'000	Effect of the adoption of HKFRS 9 HK\$'000	After the adoption of HKFRS 9 HK\$'000
As at 1 January 2018			
Available-for-sale financial asset	74,182	(74,182)	–
As at 30 June 2018			
Equity investment at fair value through other comprehensive income	–	128,000	128,000
Investment revaluation reserve	–	53,818	53,818

Note:

Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

(c) HKFRS 15

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

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 2017.

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 business related to fruit plantation through associates of the Group
Leisure	—	Investment in the PRC outbound tourism and tea products related business
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, assets and liabilities:

	Exploration HK\$'000	Toys and gifts items HK\$'000	Fruit plantation HK\$'000	Leisure HK\$'000	Culture HK\$'000	Total HK\$'000
Six months ended 30 June 2018 (unaudited):						
Revenue from external customers	—	72,157	—	—	—	72,157
Segment (loss)/profit	<u>(187)</u>	<u>(11,552)</u>	<u>2,470</u>	<u>(3,308)</u>	<u>(3)</u>	<u>(12,580)</u>
Six months ended 30 June 2017 (unaudited):						
Revenue from external customers	—	104,045	—	—	—	104,045
Segment(loss)/profit	<u>(688)</u>	<u>5,935</u>	<u>2,017</u>	<u>(8,867)</u>	<u>(355)</u>	<u>(1,958)</u>
Total assets:						
30 June 2018 (unaudited)	<u>114,419</u>	<u>179,570</u>	<u>324,166</u>	<u>110,887</u>	<u>35,303</u>	<u>764,345</u>
31 December 2017 (audited)	<u>115,101</u>	<u>171,309</u>	<u>269,270</u>	<u>115,413</u>	<u>35,303</u>	<u>706,396</u>
Total liabilities:						
30 June 2018 (unaudited)	<u>(15,699)</u>	<u>(68,788)</u>	<u>(1,005)</u>	<u>(49,084)</u>	<u>(3)</u>	<u>(134,579)</u>
31 December 2017 (audited)	<u>(15,225)</u>	<u>(69,240)</u>	<u>(1,005)</u>	<u>(46,534)</u>	<u>—</u>	<u>(132,004)</u>

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reconciliation of segment results:		
Total loss of reportable segments	(12,580)	(1,958)
Unallocated amounts:		
Corporate finance costs	(6,073)	(6,553)
Other corporate income and expenses	(19,831)	(23,124)
	<u>(38,484)</u>	<u>(31,635)</u>
Loss for the period	<u>(38,484)</u>	<u>(31,635)</u>
	As at	As at
	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Reconciliation of segment assets:		
Total assets of reportable segments	764,345	706,396
Unallocated corporate assets	217,263	117,495
	<u>981,608</u>	<u>823,891</u>
Total assets	<u>981,608</u>	<u>823,891</u>

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxations on overseas profits have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Overseas	477	416
Deferred income tax	–	–
Income tax expense	<u>477</u>	<u>416</u>

7 LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,769	2,836
Staff costs (including directors' remuneration):		
Salaries, bonus and allowance	23,338	30,808
Retirement benefits scheme contributions	1,170	621
Legal and professional fees	4,299	4,237
Interest expenses on borrowings wholly repayable within 5 years	6,700	8,175

8 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2017: 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\$37,791,000 (2017: HK\$29,861,000) and the weighted average of 7,273,365,021 (2017: 6,092,715,976) ordinary shares in issue during the period.

For the six months ended 30 June 2018 and 30 June 2017, 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.

10 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK\$800,000 (2017: HK\$10,462,000).

11 EXPLORATION AND EVALUATION ASSETS

During the reporting period, exchange loss of approximately HK\$979,000 has been recognised as a result of the translation of foreign operations in the PRC (2017: exchange gain of HK\$4,318,000).

12 EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group has adopted HKFRS 9 since 1 January 2018, which resulted in a fair value gain of approximately HK\$53,818,000 recognized in the other comprehensive income and available-for-sale financial asset is classified as equity investment at fair value through other comprehensive income of approximately HK\$128,000,000 during the Period ended 30 June 2018 (2017: available-for-sale financial asset of HK\$74,182,000).

13 TRADE AND BILLS RECEIVABLES

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Trade receivables	30,887	29,472
Bills receivables	–	156
	<u>30,887</u>	<u>29,628</u>

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

At 30 June 2018 and 31 December 2017, the aging analysis of trade receivables, based on invoice date, net of allowance, are as follows:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Within 30 days	17,181	18,245
31 days to 90 days	6,012	6,296
91 days to 180 days	7,657	4,890
181 days to 360 days	–	24
Over 360 days	37	17
	<u>30,887</u>	<u>29,472</u>

14 TRADE PAYABLES

At 30 June 2018 and 31 December 2017, the aging analysis of trade payables, based on invoice date, are as follows:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Within 30 days	16,737	7,376
31 days to 90 days	851	444
91 days to 180 days	58	302
181 days to 360 days	3	115
Over 360 days	215	103
	<u>17,864</u>	<u>8,340</u>

15 SHARE CAPITAL

	Number of shares		Ordinary share capital	
	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u>30,000,000,000</u>	<u>30,000,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Issued and fully paid:				
At beginning of period/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 acquisition	<u>1,010,000,000</u>	<u>—</u>	<u>101,000</u>	<u>—</u>
At end of period/year	<u>8,110,381,596</u>	<u>7,100,381,596</u>	<u>811,039</u>	<u>710,039</u>

16 RELATED PARTY TRANSACTIONS

	Note	Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Product development, sales & marketing, and other services fee paid to a related company	(a)	<u>1,780</u>	<u>1,853</u>

Note:

- (a) The sole owner of the related company is also the director and beneficial owner of 49% (2017: 49%) equity interest in the Company's subsidiary paying for the services.

17 CAPITAL COMMITMENTS

The Group had no material capital commitments at the end of the reporting period (2017: HK\$Nil).

18 CONTINGENT LIABILITIES

The Group had no material contingent liability at the end of the reporting period (2017: HK\$Nil).

19 LITIGATIONS

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

(a) Everbright Centre

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Everbright Centre Company Limited (“**Everbright Centre**”) (changed its name from Wing Siu Company Limited to Everbright Centre Company Limited effective from 8 March 2018) 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, Everbright Centre 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 Everbright Centre a writ of summons issued by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) with an indorsement of claim against Super Dragon and the Company jointly for (i) vacant possession of the 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 30 June 2018, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK\$4,743,000. The Company is liaising with Everbright Centre and expects to settle the outstanding amount during the third quarter of 2018.

As at the date of this announcement, the Company is liaising with Everbright Centre to settle the above claim.

(b) Cheng & Cheng

On 13 December 2017, the Company received from Cheng & Cheng Limited (“**Cheng & Cheng**”) a writ of summons with a statement of claim issued by the District Court for the outstanding amount of approximately HK\$411,000.

The Company engaged Cheng & Cheng on 30 December 2015 to carry out audit services for the year ended 31 December 2015.

As at the date of this announcement, the Company has settled most of the outstanding amount and expects to settle the remaining amount of HK\$100,000 during the third quarter of 2018.

(c) Gain Harvest

Pursuant to a tenancy agreement dated 20 October 2017 entered into between Gain Harvest Enterprises Limited (“**Gain Harvest**”) as landlord and Kiu Hung Leasing (HK) Limited (“**Kiu Hung Leasing**”), a wholly-owned subsidiary of the Company, as tenant, Gain Harvest agreed to let Kiu Hung Leasing the premises located at the 25th floor, Fortis Bank Tower, Nos. 77-79 Gloucester Road, Wanchai, Hong Kong (the “**Fortis Property**”) for a term of 3 years from 1 October 2017 to 30 September 2020.

On 30 August 2018, Kiu Hung Leasing and the Company received from Gain Harvest a writ of possession and fieri facias combined issued by the High Court for (i) vacant possession of the Fortis Property; and (ii) the outstanding amount of rent, management fee, rates and other charges of approximately HK\$250,000 calculated up to 31 August 2018.

As at the date of this announcement, the Company has liaised with Gain Harvest and expects to settle the outstanding amount in the early of September 2018. In addition, the Company sought legal advices and has applied to the High Court for relief from forfeiture against Gain Harvest to take possession of the Fortis Property.

(d) Guo Jingsheng

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

A deed of settlement is made between the Company, the director of the Company and Mr. Guo on 19 April 2018. As at the date of this announcement, the Company is liasing with Mr. Guo and expects to settle the outstanding amount of such borrowing including interests ended 30 June 2018 of approximately HK\$14,612,000 by installments within one year.

(e) Mr. Ma

On 21 June 2018, the Company received a winding-up petition (the “**Petition**”) issued by the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) and filed by Mr. Ma. The hearing of the Petition was scheduled on 29 August 2018 and then adjourned to 12 September 2018.

The Company and Mr. Ma had agreed upon a consent summons on 15 August 2018. The Petition filed to the High Court against the Company would be withdrawn upon the approval of the High Court after the hearing on 12 September 2018.

For details, please refer to the Company’s announcements dated 25 June 2018, 27 June 2018, 16 August 2018 and 29 August 2018, respectively.

20 EVENTS AFTER THE REPORTING PERIOD

(a) Memorandum of Understanding with Ms. Zhang Qian

On 23 May 2018, the Company entered into a non-legally binding memorandum of understanding (the “**MOU**”) with 張倩 (transliterated as Ms. Zhang Qian) (the “**Vendor**”) in the relation to the possible acquisition (the “**Possible Acquisition**”) of certain equity interests of 綿陽合力實業有限公司 (transliterated as Mianyang Heli Industrial Co., Ltd.) (the “**Target Company**”) by the Company (or its designated affiliate).

The Target Company is beneficially owned as to 83.3% by the Vendor. The Target Company is a company incorporated in the People’s Republic of China and is principally engaged in, among others, real estate development, elevator installation projects, building waterproofing projects and municipal engineering works.

The Vendor and the Company (the “**Parties**”) entered into a supplemental memorandum of understanding (the “**Supplementary MOU**”) on 30 August 2018. As the Parties require more time to discuss the terms and conditions of the formal agreement (the “**Formal Agreement**”). As at the date of this announcement, the Formal Agreement is still under negotiation.

For details, please refer to the Company’s announcement dated 23 May 2018 and 30 August 2018, respectively.

(b) Acquisition of further 28% equity interest in the Target Company

On 19 June 2018, an indirect wholly-owned subsidiary of the Company, Trinity Force Investments Limited (the “**Purchaser**”), entered into a sale and purchase agreement with Green Luxuriant Group Investment Limited (the “**Vendor**”) and Ms. Lin Meiling (the “**Guarantor**”), pursuant to which, among other things, the Company conditionally agreed to acquire from the Vendor, and the Vendor has conditionally agreed to sell the sale shares (the “**Sale Shares**”), which shall represent 28% of the entire issued capital of the target company (the “**Acquisition**”).

The consideration of the Sale Shares is HK\$200,000,000, which shall be satisfied by allotment and issue of (i) the second promissory note; and (ii) 1,700,000,000 consideration shares by the Company to the Vendor (or its nominee) credited as fully paid, at the issue price on completion.

As at the date of this announcement, the Group holds 19% of shareholding interests in the target company. Upon completion of the Acquisition, the Company will hold a total of 47% of shareholding interests in the target company.

For details, please refer to the Company’s announcements dated 19 June 2018, 10 July 2018 and 15 August 2018, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018 (the “**Period**”), the Group recorded turnover of approximately HK\$72.2 million (2017: HK\$104.0 million), representing a decrease of approximately 30.7% 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\$37.8 million (2017: HK\$29.9 million). The increase in loss attributable to equity holders of the Company for the Period was mainly attributable to (i) a decrease in the share of the results of associates of approximately HK\$2.2 million; and (ii) a drop of sales revenue of approximately HK\$31.9 million. Whereas, such reduction of revenue was offset by (i) a decrease in cost of sales of approximately HK\$12.3 million; and (ii) a decrease of selling and administrative expenses of approximately HK\$13.0 million. Basic loss per share for the Period was 0.52 HK cents (2017: 0.49 HK cents). The Board has resolved not to pay any interim dividend for the Period (2017: Nil).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

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

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

Manufacturing and Trading of Toys and Gifts Items

Turnover from toys and gifts business for the Period was approximately HK\$72.2 million (2017: HK\$104.0 million). Gross profit ratio for the Period was 31.8% (2017: 40.9%). The decrease in gross profit ratio was mainly due to an increase in the material costs during the Period. The segment loss of the manufacturing and trading of toys and gifts items was approximately HK\$11.6 million (2017: segment profit of HK\$5.9 million). The segment loss was mainly due to a major customer filed for bankruptcy after the second quarter of last year and a decrease in sales orders from external customers during the Period.

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 <i>(Million Tonnes)</i>
Bayanhushuo Coal Field (“ BCF ”)	394.05 [#]
Guerbanhada Coal Mine (“ GCM ”)	106.00
Total	<u>500.05</u>

[#] In order to fulfill the requirement of the PRC government before submitting the master planning of BCF, the Group submitted a resources report of BCF to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) during 2011. The resources report was prepared by Inner Mongolia Long Wang Geographic Exploration Co. Ltd.* (內蒙古龍旺地質勘探有限責任公司), which Indicates BCF has an estimated coal resources of approximately 384.69 million tonnes under the Chinese resources standard promulgated by the Ministry of Land and Resources of the PRC.

BCF is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting China Ltd on 31 January 2008, BCF has estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. The current licence period of the exploration right of BCF is from 4 July 2016 to 4 July 2018. The master planning* (總體規劃) of BCF was approved in December 2015. As at the date of this announcement, the Group has applied to extend the licence of the exploration right of BCF.

GCM is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal. The current licence period of the exploration right of GCM is from 21 August 2017 to 20 August 2019.

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

Fruit Plantation

(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 1,700 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 the early of 2018 for another term of three years from 1 April 2018 to 31 March 2021 at an annual royalty income of RMB29,920,000 (equivalent to approximately HK\$36,800,000).

(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, regarding the Group’s acquisition of 19% equity interest of USO Management & Holding Co. Ltd. (“**USO**”) on 5 October 2015. USO entered into the 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.

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. For the six months ended 30 June 2018, Yuguo’s total revenue amounted to approximately HK\$19.3 million (2017: HK\$35.1 million). In the recent years, competition in the tea industry becomes more fierce as the traditional sales model is facing a keen competition from those online business platform. During the Period, Fujian Yuguo has begun to fine-tune its operation model to meet its customers’ needs, including but not limited to provide more attractive terms to its selected customers to increase its competitiveness in the markets. Fujian Yuguo’s revenue is expected to increase steadily in the coming years.

(b) Wine related business

Since the end of 2016, the Group has invested in the yellow base wine. In view of the insufficient working capital recently, the Group has adopted a strategy to look for potential cooperators in producing and distributing the yellow wine products. On 15 January 2018, the Group entered into a sale 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 and is owned as to 80% by the vendor. Pursuant to the sale 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 RMB84 million (equivalent to approximately HK\$101 million). The completion of acquisition took place on 31 May 2018. As such, 1,010,000,000 consideration shares at the price of HK\$0.10 per consideration share (approximately HK\$101 million) have been allotted and issued to the vendor in accordance with the terms and conditions of the sale and purchase agreement. For details, please refer to the Company’s announcements dated 15 January 2018, 28 February 2018, 17 April 2018, 18 May 2018 and 31 May 2018, respectively.

(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 30 June 2018.

Selling and Distribution Costs

The amount of selling and distribution costs for the Period decreased by approximately 28.6% to approximately HK\$13.5 million as compared to approximately HK\$18.9 million in the same period last year. The decrease was mainly attributable to the decrease in sales commissions and staff costs of approximately HK\$5.0 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 2018, the Group had bank and cash balances of approximately HK\$7.3 million (31 December 2017: approximately HK\$31.6 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2018, the Group's borrowings amounted to approximately HK\$65.2 million (31 December 2017: approximately HK\$78.4 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 June 2018, the Group's promissory notes amounted to approximately HK\$150.6 million (31 December 2017: approximately HK\$137.9 million) in aggregate. The Group's promissory notes were denominated in Hong Kong dollars.

The Group monitors capital using a gearing ratio, which is the Group's net debt (comprising trade payables, accruals and other payables, income tax payable, promissory notes, obligation under finance lease and borrowings less bank and cash balances) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 30 June 2018 was 61.6% (31 December 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 Period.

As at 30 June 2018, certain property, plant and equipment and investment properties held by the Group with aggregate carrying values of approximately HK\$74.4 million (31 December 2017: approximately HK\$74.5 million), were pledged to secure general banking facilities granted to the Group.

As at 30 June 2018, the Group had no material capital commitments (31 December 2017: Nil).

As at 30 June 2018, the Group had no material contingent liabilities (31 December 2017: Nil).

BUSINESS PROSPECTS AND FUTURE PLAN FOR MATERIAL INVESTMENTS

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole. This is evidenced by (a) the entering into a memorandum of understanding in relation to the possible acquisition of real estate development business in the PRC; and (b) the entering into a sale and purchase agreement in relation to the further acquisition of plantation business in Samoa.

Going forward, the Group will review its current operations from time to time and will continue to explore other investment opportunities 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 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 30 June 2018, 237,800,000 share options remained outstanding (31 December 2017: 237,800,000). The share option scheme of the Company with a scheme life of ten years and approved by the shareholders of the Company on 31 May 2013, will expire on 30 May 2023.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 June 2018, the Group had a total of 526 employees (31 December 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 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 “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 and Mr. Wang Xiao Ning had other important engagements at the same time and did not attend the annual general meeting of the Company held on 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee assists the Board in meeting its responsibilities for ensuring effect systems of financial reporting process, risk management, internal control and compliance, and in meeting its external financial reporting objectives. The audit committee of the Company comprises Mr. So Chun Pong, Ricky, Mr. Wang Xiao Ning and Mr. Cheung Man Loon, Michael, the independent non-executive Directors of the Company. The audit committee members have reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Group for the six months ended 30 June 2018.

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 of 2018 interim results of the Company has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kh381.com). The 2018 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.

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

Hong Kong, 31 August 2018

As at the date of this announcement, the Board comprises five executive Directors, Mr. Hui Kee Fung, Mr. Yu Won Kong, Dennis, Mr. Zhang Yun, Mr. Zhang Qijun and Ms. Yi Meixuan; and three independent non-executive Directors, Mr. So Chun Pong, Ricky, Mr. Wang Xiao Ning and Mr. Cheung Man Loon, Michael.

* *For identification purposes only*