



僑雄國際控股有限公司
Kiu Hung International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 00381)

Leading the Way Towards
A Bright Future

Interim Report 2022

Contents

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	7
Condensed Consolidated Statement of Profit or Loss	9
Condensed Consolidated Statement of Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Statement of Cash Flows	14
Notes to Condensed Consolidated Interim Financial Statements	15

CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

Mr. Zhang Qijun (*Chairman*)

Mr. Liu Mingqing

Ms. Lai Yee Man

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Wang Xiao Ning

Mr. Cheng Ho On (Resigned on 12 August 2022)

Mr. Kong Chun Wing

Mr. Lai Chi Yin, Samuel (Resigned on 23 June 2022)

Ms. Chen Yuxin

REGISTERED OFFICE

Zuill Corporate Services (Bermuda) Limited

Rose Cottage

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Hamilton HM12

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat E, 20th Floor

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Wan Chai

Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Zuill Corporate Services (Bermuda) Limited

Rose Cottage

18 Parliament Street

Hamilton HM12

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

17/F, Far East Finance Centre

16 Harcourt Road

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AUDITOR

KTC Partners CPA Limited

Room 617, 6/F

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Concordia Plaza

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Kowloon, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of China Tower

1 Garden Road Central

Hong Kong

OCBC Wing Hang Bank Limited

Head office

161 Queen's Road Central Hong Kong

COMPANY'S WEBSITE

www.kh381.com

MANAGEMENT DISCUSSION AND ANALYSIS

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 2022.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2022 (the “**Period**”), the Group recorded turnover of approximately HK\$193.9 million (2021: HK\$86.3 million), representing an increase of approximately 125% 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\$23.5 million (2021: HK\$46.1 million). The decrease in loss attributable to equity holders of the Company for the Period was mainly attributable to an increase of gross profit by approximately HK\$36.6 million arising from the increase of revenue from toy and gift products and Chinese herbs. Basic loss per share for the Period was 10.19 HK cents (2021: 27.6 HK cents). The Board has resolved not to pay any interim dividend for the Period (2021: Nil).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

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

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\$137.1 million (2021: HK\$78.5 million). Gross profit ratio for the Period was 31.3% (2021: 27.8%). The increase in gross profit ratio was mainly due to a decrease in the material costs during the Period. The segment profit of the manufacturing and trading of toys and gifts items was approximately HK\$9.4 million (2021: segment loss of HK\$1.7 million).

Exploration of Natural Resources

The Group owns the minor interest of 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.

The retained equity interest was regarded as financial assets at FVTOCI since the Group has no significant influence to participate in the financial and operating policy decisions of the Investment Group.

In the opinion of the directors of the Company as at 31 December 2021, the Investment Group is still unable to generate cash flows to the Group due to the absence of the mining rights of coal mines concerned. Hence, fair value of approximately HK\$3,435,000 was recognised to fully write down the carry amount of the investment.

MANAGEMENT DISCUSSION AND ANALYSIS

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**").

(b) **USO Management & Holding Co. Ltd**

USO entered into a development cooperation agreement with Plantation Construction & Development Co Ltd. (the "**Development Company**"), pursuant to which USO and the Development Company will jointly develop the leased properties. The management expected that the leased properties will be mainly developed for commercial purposes such as residential properties and hotels, residential villas, high-end hotel and casino, and ancillary public amenities. Under the impact of COVID-19 pandemic, the begin construction date of the luxury hotel and casino, as well as the first 100 residential villas is delayed, and expected to be taken place in January 2023. The management of the Group is assessing the operational and financial impacts of the proposed arrangements to the Group.

Leisure

(a) **Tea related business**

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.

(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.

As stated in the Company's announcement dated 18 March 2020, the acquisition of 20% equity interest in Anhui Fu Lao was completed on 31 May 2018. However, due to the lack of cooperation from the administrator of the deceased vendor of Anhui Fu Lao (the "**Administrator**"), the transfer procedures of 20% equity to the Group remains incomplete. Based on the legal opinion, the directors of the Company believe that the Group could obtain a court order to enforce the transfer of 20% equity from the Administrator to the Group.

(c) **Outbound tourism**

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 and the promissory notes of approximately of HK\$92 million issued to the vendor of the Eagle Praise Group. The Group will make further announcement(s) to update the development of the Rescission of Agreements as and when appropriate.

These will be a contingent gain on the rescission of the promissory note of approximately HK\$92 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Culture

Turnover from culture business for the Period was Nil (2021: Nil).

Chinese herbs

Hubei Jincaotang Pharmaceutical Co., Ltd. (湖北金草堂藥業有限公司), 51% equity interest of which was acquired by the Group, is principally engaged in the business of Chinese herbs and the decoction business in Mainland China. Turnover from the Chinese herbs related business for the Year was approximately HK\$56.9 million (2021: HK\$7.8 million).

Selling and Distribution Costs

The amount of selling and distribution costs for the Period increased by approximately 50% to approximately HK\$17.8 million as compared to approximately HK\$11.9 million in the same period last year. The increase was mainly attributable by the Chinese herbs business.

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 2022, the Group had bank and cash balances of approximately HK\$75.4 million (31 December 2021: approximately HK\$201.1 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2022, the Group's borrowings amounted to approximately HK\$120.5 million (31 December 2021: approximately HK\$118.5 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 June 2022, the Group's promissory notes amounted to approximately HK\$266.4 million (31 December 2021: approximately HK\$250.6 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 2022 was 264.8% (31 December 2021: 180.9%).

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

As at 30 June 2022, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$57.6 million (31 December 2021: approximately HK\$57.6 million), were pledged to secure other loan granted to the Group.

As at 30 June 2022, the Group had no significant capital commitments (31 December 2021: Nil).

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CAPITAL STRUCTURE

During the Period, the Company implemented capital reorganisation, details of which are set out in Note 12(b).

As at 30 June 2022, the capital structure of the Company was constituted of 230,371,931 ordinary shares of HK\$0.01 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the share options and the convertible bonds to subscribe for the Company's shares.

At 30 June 2022, the Group has no share options remained outstanding (31 December 2021: Nil). 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 2022, the Group had a total of 375 employees (31 December 2021: 386 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 AND OTHER INFORMATION

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. Kong Chun Wing 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 2022.

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. Kong Chun Wing and Mr. Wang Xiao Ning, 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 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2022, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company

Names of Directors	Number of shares or underlying shares held	Capacity		Beneficial owner	Approximate percentage of shareholding
		Interest of controlled corporation	Interest of child under 18 or spouse		
Liu Mingqing	5,600,000	–	–	5,600,000	0.486%
Zhang Qijun	33,500	–	–	33,500	0.003%
Cheng Ho On (Resigned on 12 August 2022)	8,500	–	–	8,500	0.001%

Save as disclosed above, as at 30 June 2022, none of the directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' Interests in Shares" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	4	193,988	86,334
Cost of sales		(133,365)	(62,364)
Gross profit		60,623	23,970
Other income		869	1,425
Other gains, net		4,766	2,477
Selling and distribution costs		(17,810)	(11,936)
Administrative expenses		(36,872)	(34,747)
Finance costs		(22,780)	(22,581)
Share of results of associates		(504)	(2,959)
Loss before income tax		(11,708)	(44,351)
Income tax expense	5	(2,275)	(322)
Loss for the period	6	(13,983)	(44,673)
Loss attributable to:			
— equity holders of the Company		(23,468)	(46,112)
— non-controlling interests		9,485	1,439
		(13,983)	(44,673)
		HK cents	(Restated) HK cents
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per share	8	(10.19)	(27.60)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Loss for the period	(13,983)	(44,673)
Other comprehensive loss:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference arising from translation of foreign operations	(14,333)	(8,267)
Other comprehensive loss for the period, net of tax	(14,333)	(8,267)
Total comprehensive loss for the period	(28,316)	(52,940)
Total comprehensive loss attributable to:		
— equity holders of the Company	(40,978)	(54,379)
— non-controlling interests	12,662	1,439
	(28,316)	(52,940)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	89,526	95,322
Right-of-use assets		4,691	5,042
Investment properties		12,100	12,471
Goodwill		54,435	56,902
Other intangible assets		14,060	29,922
Investment in associates		346,108	351,842
Prepayments, deposits and other receivables		–	3,904
Deferred income tax assets		525	635
		521,445	556,040
Current assets			
Inventories		101,858	35,355
Trade and bills receivables	10	73,443	35,228
Prepayments, deposits and other receivables		131,624	128,703
Bank balances and cash		75,442	201,113
		382,367	400,399
Total assets		903,812	956,439
Current liabilities			
Trade payables	11	43,768	17,467
Accruals and other payables		135,344	203,420
Income tax payable		2,979	1,535
Promissory notes		266,434	250,621
Lease liabilities		2,082	2,067
Borrowings		111,732	109,808
Contingent consideration payables		73,733	73,733
Amount due to an associate		9	192
		636,081	658,843
Net current liabilities		(253,174)	(258,444)
Total assets less current liabilities		267,731	297,596

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Non-current liabilities			
Borrowings		8,728	8,680
Convertible bonds		43,988	42,327
Deferred income tax liabilities		17,786	20,714
Lease liabilities		2,401	2,731
Contingent consideration payables		10,950	10,950
		83,853	85,402
Net assets			
		183,878	212,194
Equity			
Share capital	12	2,296	11,478
Reserves		91,853	123,649
		94,149	135,127
Equity attributable to owners of the Company			
Non-controlling interests		89,729	77,067
		183,878	212,194
Total equity		183,878	212,194

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus HK\$'000	Contributed surplus HK\$'000	Foreign currency translation reserve HK\$'000	Equity component of convertible bonds HK\$'000	Property revaluation reserve HK\$'000	Fair value reserve for financial assets at FVTOCI HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021 (Audited)	6,074	1,591,305	2,961	303	52,913	-	65,392	55,383	(1,487,423)	286,908	7,083	293,991
Loss for the period	-	-	-	-	-	-	-	-	(46,112)	(46,112)	1,439	(44,673)
Other comprehensive income for the period	-	-	-	-	(8,267)	-	-	-	-	(8,267)	-	(8,267)
Non-controlling interests arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	39,384	39,384
Issue of shares under share placement	1,500	28,500	-	-	-	-	-	-	-	30,000	-	30,000
Issue of shares for loan capitalisation	3,904	100,343	-	-	-	-	-	-	-	104,247	-	104,247
Issue of convertible bonds	-	-	-	-	-	2,627	-	-	-	2,627	-	2,627
At 30 June 2021 (Unaudited)	11,478	1,720,148	2,961	303	44,646	2,627	65,392	55,383	(1,533,535)	369,403	47,906	417,309
At 1 January 2022 (Audited)	11,478	1,650,259	2,961	303	58,377	-	70,543	55,383	(1,714,177)	135,127	77,067	212,194
Loss for the period	-	-	-	-	-	-	-	-	(23,468)	(23,468)	9,485	(13,983)
Other comprehensive income for the period	-	-	-	-	(17,510)	-	-	-	-	(17,510)	3,177	(14,333)
Capital reorganisation (Note 12)	(9,182)	-	2,591	9,182	-	-	-	-	(2,591)	-	-	-
At 30 June 2022 (Unaudited)	2,296	1,650,259	5,552	9,485	40,867	-	70,543	55,383	(1,740,236)	94,149	89,729	183,878

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash outflow from operating activities	(138,649)	(28,788)
Net cash (outflow)/inflow from investing activities	(11)	25,747
Net cash inflow from financing activities	19,131	34,670
Net (decrease)/increase in cash and cash equivalents	(119,529)	31,629
Cash and cash equivalents at 1 January	201,113	21,645
Effect of foreign exchange rate changes	(6,142)	(58)
Cash and cash equivalents at 30 June	75,442	53,216

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the Companies Act 1981 of the Bermuda. The address of its registered office is Continental Buildings, 25 Church Street, Hamilton HM12, Bermuda. The address of its principal place of business is Flat E, 20/F., Lucky Plaza, 315–321 Lockhart 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, development, processing and trading of Chinese herbs products 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 Hong Kong dollars ("**HK\$**"), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved for issue by the Board on 31 August 2022.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Going Concern

The Group incurred a loss of approximately HK\$13,983,000 for the six months ended 30 June 2022 and as at 30 June 2022, the Group's current liabilities exceeded its current assets by approximately HK\$253,174,000. 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 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;
- (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, and the results of rights issue and the placing on 8 July 2022 as disclosed in Note 18, the opinion of the directors of the Company with respect to sufficiency of the working capital of the Group remains the same as stated in Note 2 to the consolidated financial statements in the annual report for the year ended 31 December 2021 dated 28 April 2022. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

Going Concern *(continued)*

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those set out in the annual report for the year ended 31 December 2021.

The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised standards, interpretations and amendments to standards which are effective for accounting period beginning 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Costs of Fulfilling a Contract
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The adoption of these revised accounting standards does not have material impact on the Group's unaudited condensed consolidated interim financial statements.

3 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 2021.

4 SEGMENT INFORMATION

The Group has six 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, Chinese herbs business, and tea products related business through associates or subsidiaries of the Group
Culture	—	Investment in cultural items
Chinese herbs	—	Trading of Chinese herbs business

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4 SEGMENT INFORMATION *(continued)*

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	Toys and gifts items	Fruit plantation	Leisure	Culture	Chinese herbs	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2022 (unaudited):							
Revenue from external customers	-	137,112	-	-	23	56,853	193,988
Segment profit/(loss)	-	9,421	-	(506)	(503)	10,974	19,386
Six months ended 30 June 2021 (unaudited):							
Revenue from external customers	-	78,504	-	-	-	7,830	86,334
Segment profit/(loss)	-	(1,655)	(2,240)	-	-	2,936	(959)
Total assets:							
30 June 2022 (unaudited)	88	222,506	229,509	215,731	2,669	220,687	891,190
30 June 2021 (unaudited)	1	175,575	441,772	287,989	-	91,989	997,326
Total liabilities:							
30 June 2022 (unaudited)	(121)	(172,021)	(4,135)	(9,800)	(4,000)	(148,791)	(338,868)
30 June 2021 (unaudited)	-	(87,406)	(5,427)	(3,493)	-	(11,613)	(107,939)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4 SEGMENT INFORMATION *(continued)*

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Reconciliation of segment results:		
Total profit/(loss) of reportable segments	19,386	(959)
Unallocated amounts:		
Corporate finance costs	(20,639)	(20,922)
Other corporate income and expenses	(12,730)	(22,792)
Loss for the period	(13,983)	(44,673)
	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Reconciliation of segment assets:		
Total assets of reportable segments	891,190	942,782
Unallocated corporate assets	12,622	13,657
Total assets	903,812	956,439

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current tax:		
Overseas	4,774	322
Deferred income tax	(2,499)	–
Income tax expense	2,275	322

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6 LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Amortisation of intangible assets	15,049	6
Depreciation of property, plant and equipment	3,157	3,954
Depreciation on right-of-use assets	351	854
Staff costs (including directors' remuneration):		
Salaries, bonus and allowance	21,372	23,190
Retirement benefits scheme contributions	1,349	851
Legal and professional fees	5,101	3,275
Interest expenses on borrowings wholly repayable within 5 years	21,119	22,581

7 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2021: Nil).

8 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 period attributable to owners of the Company of HK\$23,468,000 (2021: HK\$46,112,000) and the weighted average number of ordinary shares in issue during the period of 230,371,931 shares (2021: 167,086,358 shares, as adjusted to reflect retrospectively the capital reorganisation completed on 27 June 2022 (Note 12)).

(b) Diluted loss per share

For the six months ended 30 June 2022 and 2021, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and convertible bonds issuable in relation to the contingent consideration payables since their assumed exercise would result in a decrease in loss per share.

9 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK\$11,000 (2021: HK\$22,500,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10 TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade receivables — contract with customers	83,899	38,168
Less: Allowance for credit losses	(10,456)	(11,205)
Trade receivables, net	73,443	26,963
Bills receivables	—	8,265
	73,443	35,228

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 2022 and 31 December 2021, the aging analysis of trade receivables, based on invoice date, net of allowance, are as follows:

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Within 30 days	52,775	17,064
31 days to 90 days	16,385	8,582
91 days to 180 days	3,262	1,142
181 days to 360 days	929	164
Over 360 days	92	11
	73,443	26,963

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11 TRADE PAYABLES

At 30 June 2022 and 31 December 2021, the aging analysis of trade payables, based on invoice date, are as follows:

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Within 30 days	37,099	11,720
31 days to 90 days	4,885	2,160
91 days to 180 days	1,015	1,657
181 days to 360 days	112	803
Over 360 days	657	1,127
	43,768	17,467

12 SHARE CAPITAL

	Number of shares		Ordinary share capital	
	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	198,605,703,709	198,605,703,709	1,986,056	1,986,056
Issued and fully paid:				
At beginning of period/year	1,151,859,658	611,419,079	11,518	6,114
Issue of shares				
— capital reorganisation (Note (b))	(921,487,727)	–	(9,214)	–
— debt capitalisation	–	390,440,579	–	3,904
— shares issued in placing arrangement	–	150,000,000	–	1,500
At end of period/year	230,371,931	1,151,859,658	2,304	11,518
Classified as:				
Share capital	229,571,931	1,147,859,658	2,296	11,478
Obligation under share repurchase arrangement (Note (a))	800,000	4,000,000	8	40
	230,371,931	1,151,859,658	2,304	11,518

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12 SHARE CAPITAL *(continued)*

Note:

- (a) On 21 May 2019, the Company issued and allotted 80,000,000 ordinary shares of the Company at HK\$0.10 per share (the “**Shares**”) as settlement sum for HK\$8,000,000 as partial settlement of Mr. Guo’s debt of HK\$17,600,000. As there is a buy-back clause for the Shares by the Company contained in the Settlement Deed, the Shares for HK\$8,000,000 are classified as financial liabilities and presented as obligation under share repurchase arrangement instead of equity under share capital as at 30 June 2022 and 31 December 2021.

On 15 May 2020, the Company received a writ of summons from Mr. Guo demanding an order that the Company buy back the shares from Mr. Guo. As at the date of this report, the Company is liaising with Mr. Guo about the buy-back of the shares.

- (b) On 27 June 2022, the Company implemented capital reorganisation (the “**Capital Reorganisation**”), which involved the following:

- (i) every five (5) issued and unissued Existing Shares of par value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.05 each (the “**Share Consolidation**”);
- (ii) following the Share Consolidation, the issued share capital of the Company will be reduced by (a) rounding down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a consolidated share in the issued share capital of the Company; and (b) cancelling the paid-up share capital to the extent of HK\$0.04 on each issued consolidated share such that the par value of each issued Consolidated Share will be reduced from HK\$0.05 to HK\$0.01 (the “**Capital Reduction**”);
- (iii) immediately following the Capital Reduction becoming effective, each of the authorised but unissued consolidated shares of par value of HK\$0.05 each in the authorised share capital of the Company will be subdivided into five (5) authorised but unissued adjusted shares of par value of HK\$0.01 each;
- (iv) the credit transfer whereby the credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act; and
- (v) the amount standing to the credit of the contributed surplus account be applied in full to set off the accumulated losses of the Company or be applied in any other manner as may be permitted under the Bye-Laws and all applicable laws of Bermuda.

Details of the Capital Reorganisation were contained in the Company’s announcement dated 27 June 2022 and the Company’s circular dated 2 June 2022.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13 BUSINESS COMBINATION

As part of the Group's plan to expand its leisure business in the PRC, the Group acquired 51% of the equity interests in Hubei Jincaotang Pharmaceutical Co., Ltd. (湖北金草堂藥業有限公司), which is engaged in the Chinese herbs business and the decoction business in Mainland China, from certain third parties on 27 May 2021 at a total consideration of HK\$170,000,000. The purchase consideration for the acquisition was in the form of convertible bonds.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognised fair value on acquisition date
	HK\$'000
Property, plant and equipment	22,446
Inventories	22,685
Trade receivables	21,111
Cash and cash equivalents	25,747
Trade payables	(5,148)
Accruals and other payables	(6,215)
Borrowings	(250)
Total identifiable net assets	80,376
Goodwill on acquisition	83,476
Non-controlling interest	(39,384)
Considerations transferred:	
— Convertible bonds	131,991
— Contingent consideration receivables	(7,523)
Total fair value of the consideration	124,468
An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:	
Cash consideration paid	—
Cash acquired	25,747
Net cash inflow	25,747

Since the acquisition, the acquired business contributed approximately HK\$7,830,000 to the Group's revenue and approximately HK\$2,936,000 of profit to the consolidated loss for the six months ended 30 June 2021.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14 RELATED PARTY TRANSACTIONS

	Note	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Product development, sales & marketing, and other services fee paid to a related company	(a)	2,589	2,070

Note:

- (a) The sole owner of the related company is also the director and beneficial owner of 49% (2021: 49%) equity interest in the Company's subsidiary paying for the services.

15 CAPITAL COMMITMENTS

The Group had no material capital commitments at the end of the reporting period (2021: HK\$Nil).

16 CONTINGENT LIABILITIES

The Group had no material contingent liability at the end of the reporting period (2021: HK\$Nil).

17 LITIGATIONS

(a) 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 (the "**Settlement Deed**") was made between the Company, the director of the Company and Mr. Guo on 29 April 2019. Pursuant to the Settlement Deed, the Company would issue 80,000,000 ordinary shares of the Company at HK\$0.10 per share (the "**Shares**") for the settlement of HK\$8,000,000 as partial settlement of Mr. Guo's debt of approximately HK\$17,600,000 as at 29 April 2019. The Settlement Deed contains a buy-back clause for the Shares by the Company should the quoted market price of the Company's shares fail to reach at least HK\$0.10 per share within one year from the date of issue of the Shares. The Company issued and allotted the Shares to Mr. Guo on 21 May 2019. On 15 May 2020 and 8 June 2020, the Company received a writ of summons from Mr. Guo demanding an order that the Company buy back the Shares from Mr. Guo.

As at the date of this report, the Company is liaising with Mr. Guo about the buy-back of the Shares and the outstanding amount of borrowings of approximately HK\$9,600,000, which is included in accruals and other payables as at 30 June 2022.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17 LITIGATIONS *(continued)*

(b) Everbright Centre

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Everbright Centre Company Limited ("**Everbright Centre**") (formerly known as Wing Siu Company Limited) 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, for a lease of premises 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 premises; (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 premises in the third quarter of 2017 and has settled part of the amount claimed above. As at 30 June 2022, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK\$2,225,000 which is included in accruals and other payables.

(c) Veda Capital Limited

On 17 July 2020, the Company received a writ of summons from Veda Capital Limited issued by the District Court of the Hong Kong Special Administrative Region for a claim of HK\$803,000 for the provision of consultancy service fee against the Company.

As at the date of this report, the Company is liaising with Veda Capital Limited to settle the above claim which is included in accruals and other payables as at 30 June 2022 and 31 December 2021.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18 EVENTS AFTER THE REPORTING PERIOD

On 22 July 2022, a total of 8 valid acceptances and applications had been received for a total of 15,898,476 Company's new shares proposed to be allotted and issued by the Company offered under the rights issue. Based on the above results of valid acceptances and applications, the total number of unsubscribed rights shares not taken up by qualifying shareholders subject to the compensatory arrangements shall be 675,217,317 new Company's shares under the rights issue (the "**Untaken Shares**"). The Company has made compensatory arrangements by entering into the placing agreement dated 29 July 2022 (the "**Placing Agreement**") with a placing agent (the "**Placing Agent**"), pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, places to subscribe for the Untaken Shares in accordance with the terms of the Placing Agreement. On 8 August 2022, all the 675,217,317 Untaken Shares were successfully placed at the price of HK\$0.205 per share under the placing arrangement.

Based on the results of acceptance of the rights issue and the results of the placing arrangement, 691,115,793 Company's new shares to be allotted.

As all the conditions with respect to the Rights Issue and the Placing as set out in the Company's prospectus dated 8 July 2022 have been fulfilled, the rights issue and the placing arrangement became unconditional at on 9 August 2022. Accordingly, the gross proceeds raised from the rights issue were approximately HK\$141.68 million and the net proceeds (after deducting all relevant expenses) from the rights issue were approximately HK\$139.81 million. The Company intends to apply the entire net proceeds from the rights issue for repayment of the Group's short-term liabilities.

Details of the above right issue and placing arrangement are set out in the Company's announcement dated 29 July 2022 and 15 August 2022, and the Company's prospectus dated 8 July 2022.