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

(incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability)

(Stock Code: 00381)

ANNOUNCEMENT OF 2020 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 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**60,806**	75,137
Cost of sales		**(39,524)**	(47,747)
Gross profit		**21,282**	27,390
Other income		**1,396**	1,333
Selling and distribution costs		**(8,736)**	(11,520)
Administrative expenses		**(27,522)**	(53,995)
Other (losses)/gains, net		**(2,331)**	224
Finance costs		**(15,772)**	(11,920)
Gain on disposal of subsidiaries	*14*	**–**	37,535
Share of results of associates		**(14,722)**	28,534
(Loss)/profit before income tax		**(46,405)**	17,581
Income tax expense	*5*	**(459)**	(333)
(Loss)/profit for the period	*6*	**(46,864)**	17,248

	Notes	Six months ended 30 June **2020** **(Unaudited)** ***HK$'000***	2019 (Unaudited) *HK$'000*
(Loss)/profit attributable to:			
— equity holders of the Company		**(46,549)**	22,374
— non-controlling interests		**(315)**	(5,126)
		(46,864)	17,248
		HK cents	*HK cents*
(Loss)/earnings per share attributable to the equity holders of the Company			
Basic and diluted (loss)/earnings per share	*8*	**(0.46)**	0.23

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(46,864)**	17,248
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss:		
Exchange difference arising from translation of foreign operations	**(11,122)**	13,127
Other comprehensive (loss)/income for the period, net of tax	**(11,122)**	13,127
Total comprehensive (loss)/income for the period	**(57,986)**	30,375
Total comprehensive (loss)/income attributable to:		
— equity holders of the Company	**(57,671)**	35,501
— non-controlling interests	**(315)**	(5,126)
	(57,986)	30,375

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2020 (Unaudited) HK$'000	As at 31 December 2019 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*9*	**59,826**	69,272
Right-of-use assets		**3,917**	4,979
Investment properties		**12,077**	12,170
Other intangible asset		**994**	1,000
Investment in associates		**568,479**	576,060
Financial assets at fair value through other comprehensive income ("**FVTOCI**")	*10*	**3,435**	3,435
Deferred income tax assets		**194**	182
		648,922	667,098
Current assets			
Inventories		**23,664**	24,000
Trade and bills receivables	*11*	**35,784**	37,099
Prepayments, deposits and other receivables		**85,867**	81,157
Bank balances and cash		**14,544**	18,519
		159,859	160,775
Total assets		**808,781**	827,873
Current liabilities			
Trade payables	*12*	**7,295**	7,469
Accruals and other payables		**144,223**	141,785
Income tax payable		**1,087**	961
Promissory notes		**276,676**	270,538
Lease liabilities		**1,533**	1,533
Borrowings		**47,522**	55,503
		478,336	477,789
Net current liabilities		**(318,477)**	(317,014)
Total assets less current liabilities		**330,445**	350,084

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**As at 30 June 2020 (Unaudited)** *HK$'000*	As at 31 December 2019 (Audited) *HK$'000*
Non-current liabilities			
Deferred income tax liabilities		**15,267**	14,920
Obligation under finance leases		**3,457**	3,457
		18,724	18,377
Net assets		**311,721**	331,707
Equity			
Share capital	*13*	**1,019,039**	981,039
Reserves		**(712,412)**	(654,741)
Equity attributable to owners of the Company		**306,627**	326,298
Non-controlling interests		**5,094**	5,409
Total equity		**311,721**	331,707

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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, 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 2020.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 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 2019 ("**2019 Annual Report**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

Going Concern

At 30 June 2020, the Group's current liabilities exceeded its current assets by approximately HK$318,477,000. 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;

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

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

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 2019 Annual Report dated 29 May 2020. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

Going Concern (continued)

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.

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**").

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 2019.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for investment properties, leasehold land and buildings included in property, plant and equipment, financial assets at fair value through profit or loss as well as derivative financial instruments, which have been measured at fair value. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except as described below. The Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards ("**HKFRS**", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

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 2019.

4 SEGMENT INFORMATION

The Group has five reportable segments as follows:

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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business 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 2020 (unaudited):						
Revenue from external customers	–	60,806	–	–	–	60,806
Segment profit/(loss)	11,352	(3,035)	(23,986)	(104)	–	(15,773)
Six months ended 30 June 2019 (unaudited):						
Revenue from external customers	–	75,137	–	–	–	75,137
Segment profit/(loss)	37,535	(12,022)	28,325	(912)	–	52,926
Total assets:						
30 June 2020 (unaudited)	3,356	153,774	440,622	190,615	10,091	798,458
31 December 2019 (audited)	3,436	157,410	451,047	195,111	10,332	817,336
Total liabilities:						
30 June 2020 (unaudited)	–	(42,960)	(2,998)	(1)	–	(45,959)
31 December 2019 (audited)	–	(56,859)	(3,073)	(1)	–	(59,933)

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Reconciliation of segment results:		
Total (loss)/profit of reportable segments	**(15,773)**	52,926
Unallocated amounts:		
Corporate finance costs	**(15,462)**	(11,446)
Other corporate income and expenses	**(15,629)**	(24,232)
(Loss)/profit for the period	**(46,864)**	17,248

	As at	As at
	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Reconciliation of segment assets:		
Total assets of reportable segments	**798,458**	817,336
Unallocated corporate assets	**10,323**	10,537
Total assets	**808,781**	827,873

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Overseas	**459**	333
Deferred income tax	**–**	–
Income tax expense	**459**	333

6 (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**3,982**	1,209
Depreciation on right-of-use assets	**1,025**	2,725
Staff costs (including directors' remuneration):		
Salaries, bonus and allowance	**18,928**	27,165
Retirement benefits scheme contributions	**1,291**	978
Legal and professional fees	**1,993**	6,139
Interest expenses on borrowings wholly repayable within 5 years	**15,772**	11,920

7 DIVIDEND

The Board has revolved not to pay any interim dividend for the period (2019: Nil).

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earning per share is based on the (loss)/profit attributable to the equity holders of the Company for the period of approximately HK$(46,549,000) (2019: (HK$22,374,000)) and the weighted average of 10,123,140,217 (2019: 9,612,039,055) ordinary shares in issue during the period.

For the six months ended 30 June 2020 and 30 June 2019, 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.

9 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK$720,000 (2019: HK$850,000).

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Unlisted investments		
— Equity securities	**3,435**	3,435

At 30 June 2020 and 31 December 2019, the unlisted equity investments represented the Group's remaining 20% equity interest in the Disposal Group. The directors of the Company have elected to designated these investments in equity instruments at FVTOCI as the investments are held for long-term strategic purpose. The Disposal Group is not regarded as associates of the Group because the Group has less than one-fifth of the voting power of the Disposal Group and there is no director of the Disposal Group was appointed by the Group. In the opinion of directors of the Company, the fair value of the equity investments at fair value through other comprehensive income at 31 December 2019 approximated its fair value at initial recognition and no more recent information about the Disposed Group was made available to the Group which indicated otherwise. Please refer to note 28 and note 49(a) of the Group's Annual Report 2019 for more details.

11 TRADE RECEIVABLES

	As at 30 June 2020 (Unaudited) *HK$'000*	As at 31 December 2019 (Audited) *HK$'000*
Trade receivables — contract with customers	**38,466**	40,161
Less: Allowance for credit losses	**(2,682)**	(3,062)
	35,784	37,099

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 2020 and 31 December 2019, the aging analysis of trade receivables, based on invoice date, net of allowance, are as follows:

	As at 30 June 2020 (Unaudited) *HK$'000*	As at 31 December 2019 (Audited) *HK$'000*
Within 30 days	**8,094**	9,253
31 days to 90 days	**23,073**	25,387
91 days to 180 days	**4,617**	2,459
	35,784	37,099

12 TRADE PAYABLES

At 30 June 2020 and 31 December 2019, the aging analysis of trade payables, based on invoice date, are as follows:

	As at 30 June 2020 (Unaudited) *HK$'000*	As at 31 December 2019 (Audited) *HK$'000*
Within 30 days	**5,062**	5,454
31 days to 90 days	**1,047**	1,118
91 days to 180 days	**218**	223
181 days to 360 days	**968**	498
Over 360 days	**–**	176
	7,295	7,469

13 SHARE CAPITAL

	Number of shares		Ordinary share capital	
	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019 (Audited)
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**30,000,000,000**	30,000,000,000	**3,000,000**	3,000,000
Issued and fully paid:				
At beginning of period/year	**9,890,381,596**	8,110,381,596	**989,039**	811,039
Issue of shares				
— upon allotment of share	**300,000,000**	80,000,000	**30,000**	8,000
— upon acquisition of an associate	**–**	1,700,000,000	**–**	170,000
At end of period/year	**10,190,381,596**	9,890,381,596	**1,019,039**	989,039

14 GAIN ON DISPOSAL OF SUBSIDIARIES

Analysis of liabilities over which control was lost:

	HK$'000
Bank and cash balances	5
Prepayments and other receivables	316
Accruals and other payables	(701)
Amounts due to other subsidiaries of the Group	(12,504)
Net liabilities disposed of	(12,884)

Gain on disposal of the Disposal Group:

	HK$'000
Exploration and evaluation assets	20,410
Property, plant and equipment	104
Assets and liabilities of a disposal group classified as held for sale	20,514
Transfer to Financial assets of FVTOCI for 20% residual equity interest	(3,435)
Less: Net liabilities disposed of	(12,884)
Less: Release of foreign currency translation reserve upon disposal of subsidiaries	(24,651)
	(20,456)
Less: Sales proceeds	(17,079)
Gain on disposal of subsidiaries	(37,535)

During the year ended 31 December 2018, the management decided to dispose the Group's 80% equity interest in Inner Mongolia Mingrunfeng Energy Co., Ltd. and Inner Mongolia Run Heng Mining Company Limited (the "**Disposal Group**"). On 15 December 2018, the Disposal Group was bid at open market auction for RMB15,000,000. The disposal was completed on 15 January 2019. The assets and liabilities of the Disposed Group are classified as assets of a disposal group classified at held for sale.

15 RELATED PARTY TRANSACTIONS

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Product development, sales & marketing, and other services fee paid to a related company	*(a)*	**–**	1,618

Note:

(a) The sole owner of the related company is also the director and beneficial owner of 49% (2019: 49%) equity interest in the Company's subsidiary paying for the services.

16 CAPITAL COMMITMENTS

The Group had no material capital commitments at the end of the reporting period (2019: HK$Nil).

17 CONTINGENT LIABILITIES

The Group had no material contingent liability at the end of the reporting period (2019: HK$Nil).

18 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) Chow Lai Wah Livia

Pursuant to a Loan Agreement dated 26 November 2018 entered into between Chow Lai Wah Livia ("**Ms. Chow**") as Lender and the Company as Borrower, Ms. Chow agreed to lend to the Company an amount of HK$20,000,000 for a term until 1 December 2019.

On 12 September 2019 and 10 October 2019, the Company received from Ms. Chow a writ of summons and a statement of claim issued by the High Court, respectively, against the Company as borrower for the outstanding amount of borrowing of HK$20,000,000 and interest rate of 1.25% per month from 27 May 2019 until payment. On 8 December 2019, the Company filed a defence and counterclaim to the High Court.

On 12 May 2020, the Company received a writ of summons from Ms. Chow issued by the High Court demanding an order that on favor of her amended statement of claim with interest and the Company's counterclaim be struck out.

On 10 August 2020, this case was adjourned to 25 January 2021 after the hearing at the High Court.

(b) 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, 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 announcement, 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 2020.

(c) 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 2020, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK$4,752,326 which is included in accruals and other payables.

(d) Cheung Kai Fung

On 17 April 2019, a former employee of the Company commenced proceedings in the Labour Tribunal of Hong Kong against the Company for claiming a total amount of approximately HK$2,354,000 on a number of grounds, including failure to pay salaries and annual leave etc.

Pursuant to the Orders of the Labour Tribunal dated 17 April 2019 and 17 January 2020, the Company was ordered to pay the former employee for all the claims stated above in full.

On 24 August 2020, the Company filed Form 19 to the Labour Tribunal to set aside the judgements with the hearing fixed on 30 November 2020. On 27 August 2020, the Company has settled the undisputed amount of approximately HK$1,200,000 to the former employee. As at the date of this interim results announcement, the remaining balance of approximately HK$2,000,000 to be disputed between the Company and the former employee.

19 EVENTS AFTER THE REPORTING PERIOD

(a) The Possible Acquisition of certain equity interest in China Commerce Fule Construction Company Limited (the "Target Company")

On 29 July 2020, the Group as a buyer entered into the MOU with China Commerce Huaxia Asset Management Company Limited (the "**Vendor**"), according to which, among other things, the Group has intention to acquire from the Vendor, and the Vendor has intention to sell certain equity interests in the Target Company. The principal activities of the Target Company are general construction contracting for housing and building projects, property development and management, project investments and sales of construction materials.

The amount of the equity interest under the Possible Acquisition, the consideration for the Possible Acquisition, and the payment terms of the Consideration will be subject to further negotiation between the parties to the MOU.

For details, please refer to the Company's announcements date 29 July 2020.

(b) Letter of purchase intention in respect to battery system integration products for the high-power energy storage battery project

Subsequent to the reporting period, the Company entered into the Letters of Intent with Fujian New Dragon Horse Automobile Company Limited, Tianjin InnoArt Electronics Company Limited, Henan Solid Lithium Battery Technology Company Limited and GCL Cloud Storage Technology Company Limited.

The Company will appoint Fujian Chenhua Battery Technology Limited to process and customize production equipment, and the Company will be responsible for sales of such production equipment.

For details, please refer to the Company's announcements date 15 July 2020 and 27 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2020 (the "**Period**"), the Group recorded turnover of approximately HK$60.8 million (2019: HK$75.1 million), representing a decrease of approximately 19% as compared with the same period last year. The Group's (loss)/profit attributable to equity holders of the Company for the Period was approximately HK$46.5 million (2019: HK$22.4 million). The increase in (loss)/profit 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$43.3 million; and (ii) a fall of sales revenue of approximately HK$14.3 million. Whereas, such decrease of revenue was offset by (i) a decrease in cost of sales of approximately HK$8.2 million; and (ii) a decrease of selling and administrative expenses of approximately HK$29.3 million. Basic (loss)/earnings per share for the Period was (0.46) HK cents (2019: (0.23) HK cents). The Board has resolved not to pay any interim dividend for the Period (2019: 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

The overall market environment for the manufacturing and trading of toys and gifts items sector during the interim period was poor because of COVID-19 and Sino-U.S. tensions. Sales were poor during the first quarter of the year because of the impact of COVID-19, with factory closed and local governments encouraging people to remain at home. However, since then, as COVID-19 infections have been contained, the government allowed the reopening of factory and provided support for the retail markets, reflecting strong sales in the second quarter of the year.

Turnover from toys and gifts business for the Period was approximately HK$60.8 million (2019: HK$75.1 million). Gross profit ratio for the Period was 35.0% (2019: 36.5%). 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$3.0 million (2019: segment loss of HK$12.0 million).

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:

On 15 December 2018, the disposal of 80% equity interest of the Inner Mongolia Mingrunfeng Energy Co., Limited (PRC) and 80% equity interest of the Inner Mongolia Run Heng Mining Company Limited (PRC) (together referred to as the Disposal Group) was bid in open market auction via the agent "福建省廣業拍賣有限公司" was completed. The sales proceeds of the Disposal Group was RMB15,000,000.

As at 30 June 2020, the carrying value of fair value on financial assets, representing 20% equity interest of the Inner Mongolia Mingrunfeng Energy Co., Limited (PRC) and 20% equity interest of the Inner Mongolia Run Heng Mining Company Limited (PRC), were amounted to approximately HK$3,435,000.

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 approximately HK$35,500,000).

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

On 23 January 2019, Trinity Force Investments Limited had completed all the conditions set out in the sale and purchase agreement with the Vendor in relation to further acquisition of an effective 28% equity interest in Noni-fruit plantation related business in the Independent State of Samoa ("**Samoa**") and in total owned 47% equity interest of USO.

Due to the amortisation of intangible assets, the Group's share of loss amounted to HK$46 million for the year ended 31 December 2019. Please refer to note 21(e) of the Group's Annual Report 2019 for more details.

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.

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

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.

These will be a contingent gain on the rescission of the promissory note of approximately HK$92 million. Please refer to the note 47 of the Group's Annual Report 2019 for more details.

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. During the year ended 31 December 2019, the Group recognized write-down of these ceramic item of approximately HK$25 million. These ceramic items had carrying amounts of approximately HK$10.3 million (net of allowance for written down of approximately HK$25 million)as at 30 June 2020.

Selling and Distribution Costs

The amount of selling and distribution costs for the Period decreased by approximately 24% to approximately HK$8.7 million as compared to approximately HK$11.5 million in the same period last year. The decrease was mainly attributable to the decrease in sales commissions, compensation and advertising and promotion expenses of approximately HK$0.7 million during the Period.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in the PRC. As at 30 June 2020, the Group had bank and cash balances of approximately HK$14.5 million (31 December 2019: approximately HK$18.5 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2020, the Group's borrowings amounted to approximately HK$47.5 million (31 December 2019: approximately HK$55.5 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 June 2020, the Group's promissory notes amounted to approximately HK$276.7 million (31 December 2019: approximately HK$270.5 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 2020 was 159.5% (31 December 2019: 139.5%).

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 2020, certain property, plant and equipment and investment properties held by the Group with aggregate carrying values of approximately HK$71.9 million (31 December 2019: approximately HK$81.4 million), were pledged to secure general banking facilities granted to the Group.

As at 30 June 2020, the Group had no significant capital commitments (31 December 2019: Nil).

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: 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 the entering of (a) on 11 September 2019, the wholly owned subsidiary of the Company, Fujian Green Forest Agricultural Technology Co., Ltd. (the "**Purchaser**"), entered into a non-legally binding memorandum of understanding with Sheen World International Holdings Limited (the "**Vendor**") in relation to a mutual intention on a possible acquisition of the Sale Interests, representing 51% of the entire equity interests in Hubei Jincaotang Pharmaceutical Co., Ltd (the "**Target Company**"); (b) on 10 March 2020, the Company entered into a memorandum of understanding with Beijing Zhongjun Financial Holdings Zhiyuan Technology Development Partnership (Limited Partnership) (the "**Vendor**") in relation to a mutual intention on a possible acquisition of certain equity interests of Shanghai Zhongjun HIT Enterprise Development Co., Ltd. (the "**Target Company**") by the Company (or its wholly owned subsidiary) from the Vendor. However, due to the coronavirus outbreak in China, it is expected that the Company will be unable to complete the due diligence review on the Target Company within the Exclusivity Period and the parties will negotiate on the new terms of cooperation after the pandemic; (c) on 15 July 2020, Fujian Green Forest Agricultural Technology Co., Ltd., a wholly owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with Dr. Wu Congxiao in respect of the establishment of a joint venture in the People's Republic of China ("**PRC**") ("**Joint Venture**") to engage in

5G data energy storage, new energy products (lithium battery) and other related businesses; and (d) on 29 July 2020, the Company and China Commerce Huaxia Asset Management Co., Ltd. (the "**Vendor**") entered into a non-legally binding memorandum of understanding in relation to a mutual intention on a possible acquisition by the Company (or its wholly-owned subsidiary) of some equity interest in China Commerce Fule Construction Co., Ltd. (the "**Target Company**") from the Vendor.

CAPITAL STRUCTURE

As at 30 June 2020, the capital structure of the Company was constituted of 10,190,381,596 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 2020, the Group has no share options remained outstanding (31 December 2019: 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 2020, the Group had a total of 362 employees (31 December 2019: 379 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. 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 2020.

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 compiled with the required standards as set out in the Model Code during the Period.

AUDIT COMMITTEE

The audit committee assists the Board in meeting its responsibilities for ensuring 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, Mr. Wang Xiao Ning and Mr. Chong Ho On, 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 2020.

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 2020 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 2020 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
Zhang Qijun
Chairman

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises three executive Directors, Mr. Chen Jian, Mr. Zhang Qijun and Liu Mingqing and five independent non-executive Directors, Mr. Cheng Ho On, Mr. Kong Chun Wing, Mr. Wang Xiao Ning, Mr. Lai Chi Yin, Samuel and Ms. Chen Yuxin.

* *For identification purposes only*