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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)

(Stock Code: 00381)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	4	**203,351**	199,952
Cost of sales		**(137,571)**	(158,266)
Gross profit		**65,780**	41,686
Other income	6	**5,864**	4,453
Other gains/(losses), net	6	**4,372**	(4,893)
Selling and distribution costs		**(27,306)**	(28,312)
Administrative expenses		**(71,943)**	(89,325)
Finance costs	7	**(55,746)**	(34,923)
Impairment losses under expected credit loss model, net of reversal		**(9,055)**	(2,795)
Impairment of investment in associates		**–**	(40,142)
Gain on extinguishment of financial liabilities by issue of ordinary shares	18	**25,500**	–
Gain on disposal of subsidiaries	24	**–**	27,087
Prepayments, deposits and other receivables written-off		**–**	(106,708)
Share of result of associates		**(6,541)**	(68,315)
Loss before income tax		**(69,075)**	(302,187)
Income tax expense	8	**(1,027)**	(138)
Loss for the year	9	**(70,102)**	(302,325)

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Loss attributable to:			
— equity holders of the Company		**(71,776)**	(301,937)
— non-controlling interests		**1,674**	(388)
		(70,102)	(302,325)
			(Restated)
Loss per share attributable to the equity holders of the Company		***HK cents***	*HK cents*
Basic and diluted loss per share	*11*	**(13.48)**	(62.20)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(70,102)**	(302,325)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties	**1,067**	2,645
Deferred tax effect on revaluation of properties	**(176)**	(432)
Fair value loss of financial assets at fair value through other comprehensive income ("**FVTOCI**")	**(3,435)**	–
Items that may be reclassified to profit or loss:		
Exchange differences reclassified upon disposal of subsidiaries	**–**	(26,802)
Exchange difference arising from translation of foreign operations	**(993)**	(2,458)
Share of exchange translation difference of associates	**11,043**	8,491
Other comprehensive income/(loss) for the year, net of tax	**7,506**	(18,556)
Total comprehensive loss for the year	**(62,596)**	(320,881)
Total comprehensive loss attributable to:		
— equity holders of the Company	**(64,270)**	(320,493)
— non-controlling interests	**1,674**	(388)
	(62,596)	(320,881)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**64,721**	69,272
Right-of-use assets		**4,348**	4,979
Investment properties		**12,243**	12,170
Other intangible asset		**989**	1,000
Investment in associates	*12*	**569,945**	576,060
Financial assets at fair value through other comprehensive income ("**FVTOCI**")	*13*	**–**	3,435
Prepayments, deposits and other receivables	*15*	**3,932**	–
Deferred income tax assets		**180**	182
		656,358	667,098
Current assets			
Inventories		**13,040**	24,000
Trade and bills receivables	*14*	**54,744**	37,099
Prepayments, deposits and other receivables	*15*	**107,102**	81,157
Bank balances and cash		**21,645**	18,519
		196,531	160,775
Total assets		**852,889**	827,873
Current liabilities			
Trade payables	*16*	**11,672**	7,469
Accruals and other payables	*17*	**148,842**	141,785
Income tax payable		**518**	961
Promissory notes	*18*	**256,320**	270,538
Lease liabilities		**1,586**	1,533
Borrowings		**55,732**	55,503
		474,670	477,789
Net current liabilities		**(278,139)**	(317,014)
Total assets less current liabilities		**378,219**	350,084

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Borrowings		**66,028**	–
Deferred income tax liabilities		**15,371**	14,920
Lease liabilities		**2,829**	3,457
		84,228	18,377
Net assets		**293,991**	331,707
Equity			
Share capital	*20*	**6,074**	981,039
Reserves		**280,834**	(654,741)
Equity attributable to owners of the Company		**286,908**	326,298
Non-controlling interests		**7,083**	5,409
Total equity		**293,991**	331,707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company and continued in Bermuda 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, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the manufacturing and trading of toys and gifts items and the investment in various businesses including fruit plantation, leisure and culture.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. The directors of the Company ("**Directors**") consider HK$ is the appropriate presentation currency for the users of the Group's financial statements. The functional currency of the Company's major subsidiaries in the People's Republic of China ("**PRC**") and the United States of America ("**USA**") is Renminbi ("**RMB**") and United States dollars ("**US$**") respectively.

2. BASIS OF PREPARATION

Going concern basis

The Group incurred a loss of approximately HK$70,102,000 for the year ended 31 December 2020 and as at 31 December 2020 the Group had net current liabilities of approximately HK$278,139,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(1) As stated in note 25(a) on 7 January 2021, the Company issued 150,000,000 new ordinary shares of HK$0.01 each at a price of HK$0.2 per share to independent parties for repayment of the Group's outstanding debts. The estimated proceed from the issue of the new shares of the Company is approximately HK$29,500,000;

(2) As stated in note 25(b) pursuant to the conditional subscription agreement and the supplemental subscription agreement with the creditors of the Group on 3 November 2020 and 22 January 2021 respectively, the Company has conditionally agreed to allot and issue to the creditors, and the creditors have conditionally agreed to subscribe for an aggregate of 390,440,578 new ordinary shares of the Company at HK$0.267 per share. The subscription amount payable by the creditors under the subscription agreement shall be satisfied by capitalising the amounts owing by the Company to the creditors in an aggregate amount of approximately HK$104,248,000;

(3) After 31 December 2020, certain promissory note holders and creditors with an aggregate amount of approximately HK$146,797,000 and HK$9,494,000 included in promissory notes and accruals and other payable respectively, as set out in note 18 and note 17, have agreed not to demand for repayment for the amount due before 18 March 2022; and

(4) 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.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the above measures to be undertaken by the Group. The directors of the Group are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2020. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19 Related Rent Concessions.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

3.2 Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

3.3 Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the consolidated financial statements of the Group.

3.4 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the Related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

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

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities as at 31 December 2020.

Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

4. REVENUE

(a) Disaggregation of revenue from contracts with customers

	2020	2019
	HK$'000	*HK$'000*
Sales of toys and gifts items	**192,265**	199,952
Sales of ceramic items	**11,086**	–
	203,351	199,952
By revenue source		
— Manufacturing of goods	**84,414**	94,222
— Trading of goods	**118,937**	105,730
	203,351	199,952
Timing of revenue recognition		
At point in time	**203,351**	199,952

(b) Performance obligations for contracts with customers

Revenue from sales of toys and gifts items is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. Invoices are usually payable within 90 days.

Revenue from sales of ceramic items is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. Invoices are usually payable within 90 days.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for toys and gifts items and ceramic items such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of ceramic items that had an original expected duration of one year or less.

5. OPERATING SEGMENT INFORMATION

The Group has five reportable and operating segments as follows:

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

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

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

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

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Year ended 31 December												
Revenue from external customers	–	–	192,265	199,952	–	–	–	–	11,086	–	203,351	199,952
Segment profit/(loss)	(45)	24,685	(1,243)	(6,700)	(3,156)	(81,762)	702	(145,559)	(7,565)	(24,971)	(11,307)	(234,307)
Depreciation and amortisation	–	–	(8,613)	(8,975)	–	–	–	(1,350)	–	–	(8,613)	(10,325)
Fair value loss of financial assets at fair value through other comprehensive income	(3,435)	–	–	–	–	–	–	–	–	–	(3,435)	–
Impairment of investment in an associate	–	–	–	–	–	(38,642)	–	(1,500)	–	–	–	(40,142)
Provision for impairment of trade receivables	–	–	(788)	(2,795)	–	–	–	–	(8,267)	–	(9,055)	(2,795)
Prepayment, deposit and other receivables written-off	–	–	–	–	–	–	–	(106,708)	–	–	–	(106,708)
Write-down of inventory to its net realisable value	–	–	(2,614)	(1,298)	–	–	–	–	–	(24,971)	(2,614)	(26,269)
Gain on disposal of subsidiaries	–	25,002	–	–	–	–	–	2,085	–	–	–	27,087
Share of result of associates	–	–	–	–	(2,615)	(41,480)	(3,926)	(26,835)	–	–	(6,541)	(68,315)
Interest income	–	–	13	10	–	–	–	–	–	–	13	10
Interest expenses	–	–	(1,484)	(1,465)	–	–	–	(7)	–	–	(1,484)	(1,472)
Income tax credit/(expense)	–	–	35	872	(1,062)	(1,010)	–	–	–	–	(1,027)	(138)
At 31 December												
Segment assets	1	3,436	181,563	157,410	440,515	451,047	223,702	195,111	–	10,332	845,781	817,336
Segment liabilities	–	–	(132,604)	(56,859)	(4,135)	(3,073)	(3,493)	(1)	–	–	(140,232)	(59,933)
Additions to segment non-current assets	–	–	8,887	3,748	–	224,000	–	–	–	–	8,887	227,748
Investment in associates included in segment assets	–	–	–	–	429,897	440,951	140,048	135,109	–	–	569,945	576,060

There were no inter-segment sales during the years.

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

	2020	2019
	HK$'000	*HK$'000*
Reconciliation of segment loss:		
Total loss of reportable segments	**(11,307)**	(234,307)
Unallocated amount:		
Corporate finance costs	**(54,262)**	(33,451)
Other corporate income and expenses	**(4,533)**	(34,567)
Loss for the year	**(70,102)**	(302,325)

	2020 *HK$'000*	2019 *HK$'000*
Reconciliation of segment assets:		
Total assets of reportable segments	**845,781**	817,336
Unallocated corporate assets		
Bank and cash balances	**89**	115
Prepayments, deposits and other receivables	**7,019**	10,422
	7,108	10,537
Total assets	**852,889**	827,873

	2020 *HK$'000*	2019 *HK$'000*
Reconciliation of segment liabilities:		
Total liabilities of reportable segments:	**140,232**	59,933
Unallocated corporate liabilities		
Borrowings	**38,442**	26,802
Accruals and other payables	**123,904**	138,893
Promissory notes	**256,320**	270,538
	418,666	436,233
Total liabilities	**558,898**	496,166

(c) Geographical information:

	Revenue		**Non-current assets**	
	2020 *HK$'000*	2019 *HK$'000*	**2020** *HK$'000*	2019 *HK$'000*
The PRC (including Hong Kong)	**11,596**	2,065	**382,276**	390,766
The USA	**188,260**	193,351	**2,384**	2,791
Canada	**2,210**	2,877	**–**	–
European Union[1]	**–**	416	**–**	–
Samoa	**–**	–	**271,518**	269,924
Others[2]	**1,285**	1,243	**–**	–
	203,351	199,952	**656,178**	663,481

[1] European Union includes Spain, Italy, France and the United Kingdom.

[2] Others include South America and Asia.

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

Revenue from three (2019: two) customers derived in the toys and gifts items segment, accounted for more than 10% of the Group's total revenue for the year, represented approximately 63% of the total Group's revenue for the year ended 31 December 2020 (2019: 65%), which are shown as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**80,833**	107,361
Customer B	**26,458**	22,963
Customer C	**20,447**	–[1]

[1] The corresponding revenue did not contribute 10% or more of the total revenue of the Group in the respective year.

6. OTHER INCOME/OTHER GAINS/(LOSSES), NET

	2020	2019
	HK$'000	*HK$'000*
Other income		
Bank interest income	**13**	10
Other interest income	**–**	1,873
Rental income from investment properties	**111**	169
Government grants *(Note)*	**3,184**	–
Accruals and other payables written off	**1,580**	1,574
Others	**976**	827
	5,864	4,453
Other gains/(losses), net		
Fair value loss on investment properties	**(477)**	(2,562)
Net foreign exchange gain/(loss)	**4,849**	(2,331)
	4,372	(4,893)

Note:

During the current year, the Group recognised government grants of approximately HK$1,529,000 in respect of Covid-19-related subsidies relates to Employment Support Scheme provided by the Hong Kong government.

The remaining grants mainly related to subsidies in respect of operating from governments which are either unconditional grants or grants with conditions having been satisfied.

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest expenses on:		
Bank borrowings and overdrafts	**820**	1,098
Other loans	**22,904**	11,585
Trust receipt loans	**104**	259
Interest on lease liabilities	**256**	304
Promissory notes	**31,662**	21,677
	55,746	34,923

8. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**–**	(115)
Over-provided for prior year	**142**	–
	142	(115)
Current tax — Overseas		
Provision for the year	**(982)**	(458)
Total current tax	**(840)**	(573)
Deferred income tax (expense)/credit	**(187)**	435
Income tax expense	**(1,027)**	(138)

Under the two-tiered profits tax rates regime, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Other subsidiaries of the Company are subject to Hong Kong Profits Tax at the rate of 16.5% for the years ended 31 December 2020 and 2019, respectively.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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.

9. LOSS FOR THE YEAR

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

	2020	2019
	HK$'000	*HK$'000*
Amortisation of other intangible asset	**11**	12
Auditor's remuneration	**2,510**	2,000
Cost of inventories recognised as expense *(note)*	**137,571**	158,266
Depreciation of property, plant and equipment	**6,894**	8,188
Depreciation of right-of-use assets	**1,708**	2,125
Write-off of other receivables	**–**	6,987
Expense relating to short-term lease and other leases with lease terms within 12 months	**3,588**	4,041
Loss on write-off of property, plant and equipment	**16**	443
Legal and professional fees	**6,734**	9,134
Staff costs (including directors' remuneration)		
Salaries, bonus and allowance	**45,250**	39,288
Retirement benefits scheme contributions	**1,654**	2,061
	46,904	41,349

Note: The cost of inventories recognised as an expense in cost of sales included approximately HK$ Nil (2019: HK$24,971,000) and HK$2,614,000 (2019: HK$1,298,000) in respect of write-down of ceramic items and finished goods respectively to net realisable value.

10. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK$71,776,000 (2019: HK$301,937,000) and the weighted average number of ordinary shares in issue during the year of 532,380,000 shares (2019: 485,396,000 shares, as adjusted to reflect retrospectively the capital reorganisation completed on 17 September 2020 (note 20)).

(b) Diluted loss per share

There was no dilutive potential ordinary shares outstanding during the year as the Company did not have potential ordinary shares outstanding during the year ended 31 December 2020 and the Company's outstanding share options for the year ended 31 December 2019 had anti-dilutive effects. Accordingly, the diluted loss per share is same as basic loss per share for both years.

12. INVESTMENT IN ASSOCIATES

	2020	2019
	HK$'000	*HK$'000*
Unlisted investments:		
Share of net assets	**398,119**	403,304
Goodwill	**697,214**	698,144
	1,095,333	1,101,448
Impairment losses	**(525,388)**	(525,388)
	569,945	576,060

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

(a) Multijoy Group

Name	Multijoy Developments Limited ("**Multijoy**")
Principal place of business/country of incorporation	The PRC/British Virgin Islands
Principal activities	Fruit plantation

		2020	2019
% of ownership interests		**40%**	40%
	Note	***HK$'000***	*HK$'000*
At 31 December:			
Non-current assets		**524,348**	528,066
Current assets		**13,670**	37,705
Non-current liabilities		**(7,044)**	(131,160)
Current liabilities		**(135,027)**	(7,044)
Net assets		**395,947**	427,567
Group's share of net assets		**158,379**	171,027
Goodwill		**453,886**	453,886
		612,265	624,913
Impairment losses		**(453,886)**	(453,886)
Carrying amount of Group's interests		**158,379**	171,027
Year ended 31 December:			
Revenue		**33,651**	33,925
(Loss)/profit before tax		**(10,141)**	15,081
(Loss)/profit after tax		**(13,898)**	11,280
Other comprehensive income/(loss)		**8,823**	(8,389)
Total comprehensive (loss)/income		**(5,075)**	2,891
Dividends received from associates		**10,618**	10,098

(b) Fujian Yuguo Chaye Limited

Name	Fujian Yuguo Chaye Limited ("**Fujian Yuguo**")
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Trading of tea products

	2020	2019
% of ownership interests	**33%**	33%
	HK$'000	*HK$'000*
At 31 December:		
Non-current assets	**6,183**	6,355
Current assets	**2,281**	2,152
Current liabilities	**(417)**	(711)
Net assets	**8,047**	7,796
Group's share of net assets	**2,656**	2,572
Goodwill	**31,360**	31,360
	34,016	33,932
Impairment losses	**(32,860)**	(32,860)
Carrying amount of Group's interests	**1,156**	1,072
Year ended 31 December:		
Revenue	**414**	1,338
Loss before tax	**(259)**	(83,177)
Loss after tax	**(259)**	(75,391)
Other comprehensive income/(loss)	**510**	(463)
Total comprehensive income/(loss)	**251**	(75,854)
Dividends received from associate	**–**	–

As the recoverable amount of Fujian Yuguo is lower than its carrying amount, an impairment of approximately HK$Nil (2019: HK$1,500,000) was recognised for the year ended 31 December 2020.

(c) Anhui Fu Lao Wine Development Company Limited

Name	Anhui Fu Lao Wine Development Company Limited ("**Anhui Fu Lao**")
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Trading of wine products

	2020	2019
% of ownership interests	**20%**	20%
	HK$'000	*HK$'000*
At 31 December:		
Non-current assets	**82,273**	84,144
Current assets	**664,163**	641,253
Non-current liabilities	**(14,303)**	(13,410)
Current liabilities	**(37,677)**	(41,799)
Net assets	**694,456**	670,188
Group's share of net assets	**138,892**	134,037
Year ended 31 December:		
Revenue	**17,766**	26,911
Loss before tax	**(18,190)**	(8,201)
Loss after tax	**(19,202)**	(9,776)
Other comprehensive income/(loss)	**43,471**	(12,695)
Total comprehensive income/(loss)	**24,269**	(22,471)
Dividend received from associate	**–**	–

Although the acquisition of 20% equity interest in Anhui Fu Lao was completed on 31 May 2018, 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.

Details of the update of the acquisition of 20% equity interest after completion are set out in the Company's announcement dated 8 July 2020.

Even if the transfer procedures of the 20% equity is still in progress, the directors of the Company consider that the Group has significant influence over Anhui Fu Lao because the Group is able to gain board representation of Anhui Fu Lao and obtain timely financial information from Anhui Fu Lao.

(d) USO Management & Holding Co. Ltd.

Name	USO Management & Holding Co. Ltd. ("**USO**")
Principal place of business/country of incorporation	Samoa/Samoa
Principal activities	Trading of noni fruit

	2020	2019
% of ownership interests	**47%**	47%
	HK$'000	*HK$'000*
At 31 December:		
Non-current assets	**22,294**	77,617
Current assets	**208,490**	140,379
Non-current liabilities	**(8,833)**	(7,954)
Current liabilities	**(13,031)**	(6,493)
Net assets	**208,920**	203,549
Group's share of net assets	**98,192**	95,668
Goodwill	**211,968**	212,898
	310,160	308,566
Impairment losses	**(38,642)**	(38,642)
Carrying amount of Group's interests	**271,518**	269,924
Year ended 31 December:		
Revenue	**106,708**	156,959
Profit/(loss) before tax	**6,264**	(97,855)
Profit/(loss) after tax	**6,264**	(97,855)
Other comprehensive loss	**(892)**	(1,707)
Total comprehensive income/(loss)	**5,372**	(99,562)
Dividend received from associate	**–**	–

In addition to 19% equity interest in USO, which was classified as financial assets at FVTOCI at 31 December 2018, the Group acquired further 28% equity interest in USO on 23 January 2019 at a total consideration satisfied by (i) the issue of 1,700,000,000 new ordinary shares of the Company and (ii) a promissory note in the principal amount of HK$30,000,000 issued by the Company. The cost of acquisition of the further 28% equity interest in USO was determined by reference to the fair value of 28% equity interest of USO on completion day.

Upon completion of 28% equity interest in USO on 23 January 2019, the Group's 19% equity interest of approximately HK$133,000,000 previously held in USO was reclassified to investment in associates in 2019. As at 31 December 2020 and 2019, the Group held a total of 47% equity interest in USO.

The Group has 47% ownership interest and voting rights in USO. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of USO unilaterally, the directors of the Company conclude that the Group only has significant influence over USO and therefore it is classified as an associate of the Group.

As the recoverable amount of USO is lower than its carrying amount, an impairment of approximately HK$Nil (2019: HK$38,642,000) was recognized for the year ended 31 December 2020.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$'000	*HK$'000*
Unlisted investments		
— Equity securities	**–**	3,435

The unlisted equity investments represented the Group's 20% equity interest in a group of private entities established in the PRC (the "**Investment Group**") which owned the exploration rights of coal mines in inner Mongolia, the PRC. 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 Investment Group, is not regarded as associates of the Group because the Group has no right to appoint directors of the Investment Group and the Group cannot exercise significant influence through participation in the directors' meeting of the Investment 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 on 15 January 2019 and no more recent information about the Investment Group was made available to the Group which indicated otherwise.

In the opinion of the directors of the Company as at 31 December 2020, 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$3,435,000 (2019: HK$Nil) was recognised for the year ended 31 December 2020 to fully write-down the carry amount of the investment.

14. TRADE AND BILLS RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables — contract with customers	**61,010**	40,161
Less: Allowance for credit losses	**(12,115)**	(3,062)
Trade receivables, net	**48,895**	37,099
Bills receivables	**5,849**	–
	54,744	37,099

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**9,696**	9,253
31 days to 90 days	**33,585**	25,387
91 days to 180 days	**5,540**	2,459
181 days to 360 days	**26**	–
Over 360 days	**48**	–
	48,895	37,099

As of 31 December 2020, trade receivables of approximately HK$13,822,000 (2019: HK$12,137,000) were past due but not credit-impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables based on invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**13,670**	10,576
91 days to 180 days	**99**	1,561
181 days to 360 days	**53**	–
Over 360 days	**–**	–
	13,822	12,137

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Non-current portion			
Trade deposits		**3,932**	–
Current portion			
Deposits for sales right of a property development	*(a)*	**–**	–
Trade deposits	*(b)*	**77,562**	62,434
Deposit and other receivables		**24,184**	14,519
Prepayment		**1,152**	–
Amount due from a former director	*(c)*	**4,204**	4,204
		107,102	81,157

		HK$'000
(a)	At 1 January 2019	102,100
	Exchange difference	4,608
	Less: Write-off	(106,708)
	At 31 December 2019 and 2020	–

Based on the legal opinion, the directors considered that the deposits for the sales right of a property development of approximately HK$106,708,000 were not recoverable, and hence was written off during the year ended 31 December 2019.

(b) Included in trade deposits at 31 December 2020 and 2019 are amounts of approximately HK$60,000,000 which were paid by issuance of the Company's promissory notes with principal amount of HK$60,000,000 in aggregate during the year ended 31 December 2019 to the suppliers for purchasing wine and juice. Due to the Covid-19 outbreak, the purchase contracts were extended to 2 June 2021.

(c) Amount due from a former director

	2020 **HK$'000**	2019 *HK$'000*	**Maximum outstanding balance during the year** *HK$'000*
Zhang Yun	**4,204**	4,204	4,204

Mr. Zhang Yun retired as director of the Company on 28 June 2019. The amount is secured by a guarantee from a promissory note holder, interest free and will be repayable within one year.

16. TRADE PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**8,707**	5,454
31 days to 90 days	**1,469**	1,118
91 days to 180 days	**694**	223
181 days to 360 days	**138**	498
Over 360 days	**664**	176
	11,672	7,469

17. ACCRUALS AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Other payables	**23,619**	26,128
Bill payables	**–**	1,077
Obligation under share re-purchase arrangement	**8,000**	8,000
Other accruals	**33,487**	29,490
Accrued salaries	**39,182**	35,431
Interest payables	**42,181**	39,817
Receipts in advance	**536**	233
Due to related parties	**1,837**	1,609
	148,842	141,785

18. PROMISSORY NOTES

		Total
	Notes	*HK$'000*
At 1 January 2019		153,607
Issuance of promissory notes	*(a)*	130,993
Repayment of promissory notes		(4,670)
Cancellation of promissory note returned		(10,000)
Imputed Interest		608
At 31 December 2019 and 1 January 2020		270,538
Issuance of promissory notes	*(b)*	98,062
Repayment of promissory notes		(30,050)
Cancellation of promissory notes	*(b)*	(83,672)
Imputed interest		1,442
At 31 December 2020		256,320

	2020	2019
	HK$'000	*HK$'000*
An analysis is shown as follows:		
Not yet overdue	**–**	55,150
Overdue	**256,320**	215,388
	256,320	270,538

	2020	2019
	HK$'000	*HK$'000*
Analysed as:		
Current liabilities	**256,320**	270,538
	256,320	270,538

Notes:

(a) During the year ended 31 December 2019, the Group issued promissory notes of (i) principal amount of HK$60,000,000 in aggregate for trade deposits (see note 15(b)). The promissory notes with aggregate principal amount of HK$20,000,000 are unsecured, interest-free and with maturity due on 3 September 2020. The promissory notes are measured at amortised cost using the effective interest rate method with effective interest rate at 10.33% per annum. The remaining promissory notes with aggregate principal amount of HK$40,000,000 are unsecured, non-interest bearing and has a maturity period of three months after the date of issue. The fair value of the promissory notes approximate their carrying amount; (ii) principal amount of approximately HK$28,744,000 to set off against other payables. The promissory notes are unsecured, interest bearing at 28% per annum and with maturity date of one month to three months from the date of issue, and (iii) principal amount of HK$30,000,000 as partial consideration for the acquisition of 28% equity interest in USO (see note 12(d)). The promissory note is unsecured, interest-free and has a maturity period of one year from the date of issue. The promissory notes are measured at amortised cost using effective interest method with effective interest rate at 10.33% per annum.

(b) During the year ended 31 December 2020, the Group issued promissory notes with aggregate principal amount of approximately HK$98,062,000 to (i) exchange for the promissory notes with aggregate principal amount of approximately HK$53,672,000 and (ii) to set off against other payables and borrowings in aggregate of approximately HK$44,390,000. The promissory notes are unsecured, interest bearing at 28% per annum and with maturity date of one month to six months from the date of issues.

The promissory note with aggregate principal amount of HK$30,000,000 issued for the partial consideration of 28% of equity interest in USO as mentioned above (a)(iii) was settled by issuing 300,000,000 ordinary shares of the Company at issue price of HK$0.1 each. Those shares are the consideration paid and are recognised initially and measured at fair value on the date the financial liability is extinguished. The different between the amount of the issued shares at market price HK$0.015 per share and the outstanding principal and all accrued interest up to the extinguished date of approximately HK$25,500,000 was accounted for as a gain on extinguishment of financial liabilities by issue of ordinary shares.

19. CONTINGENT LIABILITIES

As at 31 December 2020 and 31 December 2019, the Group had no material contingent liabilities.

20. SHARE CAPITAL

	Notes	Number of shares 2020	2019	Amount 2020 HK$'000	2019 HK$'000
Ordinary shares of HK$0.01 each (2019: HK$0.10 each)					
Authorised:					
At 1 January		**30,000,000,000**	30,000,000,000	**3,000,000**	3,000,000
Capital reorganisation	*(c)*	**168,605,703,709**	–	**(1,013,943)**	–
At 31 December		**198,605,703,709**	30,000,000,000	**1,986,057**	3,000,000

	Notes	Number of shares 2020	2019	Amount 2020 HK$'000	2019 HK$'000
Issued and fully paid					
At the beginning of the year		**9,890,381,596**	8,110,381,596	**989,039**	811,039
Issue of shares					
— upon settlment of liabilities	*(a)*	**–**	80,000,000	**–**	8,000
— upon acquisition of an associate	*(b)*	**300,000,000**	1,700,000,000	**30,000**	170,000
— capital reorganisation	*(c)*	**(9,680,862,517)**	–	**(1,013,944)**	–
— shares issued in placing arrangement	*(d)*	**101,900,000**	–	**1,019**	–
At the end of the year		**611,419,079**	9,890,381,596	**6,114**	989,039
Classified as:					
Share capital		**607,419,079**	9,810,381,596	**6,074**	981,039
Obligation under share repurchase arrangement	*(a), (c)*	**4,000,000**	80,000,000	**40**	8,000
		611,419,079	9,890,381,596	**6,114**	989,039

Notes:

(a) As stated in note 22(b), 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 31 December 2019 and 2020 (see note 17).

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.

(b) As stated in note 12(d), during the year ended 31 December 2019, the Company issued 1,700,000,000 ordinary shares of HK$0.10 each for the acquisition of further 28% equity in USO. On 10 February 2020, the Company issued 300,000,000 ordinary shares of HK$0.10 each to the vendor of USO for the settlement of the promissory note in the principal amount of HK$30,000,000 issued as the partial settlement of the acquisition of 28% equity interest in USO.

(c) On 17 September 2020, the Company implemented capital reorganisation (the "**Capital Reorganisation**"), which involved the following:

(i) every twenty issued and unissued existing shares of HK$0.1 each were consolidated into one share of HK$2.0 each (the "**Share Consolidation**");

(ii) following the Share Consolidation, the issued share capital of the Company was reduced through a cancellation of the paid-up capital of the Company to the extent of HK$1.99 on each of the issued shares such that the par value of each issued share was reduced from HK$2.00 to HK$0.01 (the "**Capital Reduction**"); and

(iii) immediately following the Capital Reduction, each of the authorised but unissued shares of HK$2.00 each are sub-divided into 200 new shares of HK$0.01 each. The new shares in issue immediately following the Capital Reorganisation becoming effective will rank pari passu with each other in all respects.

Details of the Capital Reorganisation were contained in the Company's announcement dated 18 March 2020 and the Company's circular dated 17 September 2020.

(d) On 5 October 2020, pursuant to a placing agreement dated 22 September 2020 between the Company and a placing agent, the Company issued an aggregate of 101,900,000 new ordinary shares of HK$0.01 each at a price of HK$0.20 per share to independent parties for repayment of the Group's outstanding promissory notes and for general working capital. Details of the share placement were contained in the Company's announcements dated 22 September 2020 and 5 October 2020.

All these ordinary shares issued by the Company during the years rank pari passu with the existing ordinary shares in all respects.

21. RELATED PARTY TRANSACTIONS

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

	2020	2019
	HK$'000	*HK$'000*
Product development, sale and marketing services fee paid to Miracles for Fun USA, Inc. *(note)*	**3,697**	3,293

Note:

The sole owner of Miracles for Fun USA, Inc. is the director and beneficial owner of 49% (2019: 49%) equity interest in the Company's subsidiary, Better Sourcing Worldwide Limited.

(b) Outstanding balance with related parties

(i) Included in prepayments, deposits and other receivables

	2020	2019
	HK$'000	*HK$'000*
Amount due from a former director Zhang Yun *(Note 1)*	**4,204**	4,204
Prepayment, deposits and other receivables		
— Amount due from Mad About Gardening LLC.* *(Note 2)*	**407**	448
— Amount due from Miracles for Fun USA, lnc.	**183**	–

Notes:

1. The amount is secured by a guarantee from promissory note holder, interest free and will be repayable within one year.

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

(ii) Included in accruals and other payables

	2020	2019
	HK$'000	*HK$'000*
Amounts due to directors *(Note 1)*	**693**	1,066
Amount due to a relative of a director, Li Pik Ha *(Note 1)*	**366**	146
Amounts due to former directors *(Note 1)*	**779**	–
Amount due to Miracles for Fun USA, Inc. *(Note 2)*	**–**	397

Notes:

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

2. The sole owner of Miracles for Fun USA, Inc. is the director and beneficial owner of 49% (2019: 49%) equity interest in the Company's subsidiary, Better Sourcing Worldwide Limited.

(iii) Included in promissory notes

	2020	2019
	HK$'000	*HK$'000*
Promissory note payable to Shu Zhong Wen, a former director of the Company	**949**	949

(c) Key management compensation

	2020	2019
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**12,136**	12,432
Retirement benefits scheme contributions	**821**	508
	12,957	12,940

(d) Guarantee provided by related parties

As at 31 December 2020, the Group's borrowings of approximately HK$8,312,000 (2019: HK$9,874,000) were secured by a personal guarantee by directors or senior management of the Company's subsidiaries.

22. LITIGATIONS

(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.

The Company received the judgement dated 25 January 2021 from the Court. According to the judgement, the Company has to pay a sum of approximately HK$25,255,000 including accrued interest of approximately HK$5,255,000 up to 26 March 2021 to Ms. Chow. The Company made a payment of approximately HK$10,000,000 to Ms. Chow on 26 March 2021 as partial settlement of the judgement debt. The outstanding amount of the judgement debt of approximately of HK$15,255,000 has yet been settled by the Company as at the reporting date.

(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 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 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 31 December 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 31 December 2020, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK$4,465,000 which is included in accruals and other payables.

(d) Eternal Galaxy Group Limited

A winding-up petition (Companies Winding-up No. 266/2020) (the "**Petition**") was presented on 20 August 2020 against the Company by Eternal Galaxy Group Limited (the "**Petitioner**") for the claim of HK$10,000,000 in a debt owed to the Petitioner by way of an assignment of a promissory note with a principal amount of HK$10,000,000 (the "**Promissory Note**"), originally owed to a supplier of the Group (the "**Assignor**").

On 28 August 2020, the Company took out a striking out application (the "**Dismissal Application**") to dismiss the Petition mainly on three grounds:

(1) The service of a statutory demand dated 7 July 2020 and the Petition was improperly carried out;

(2) The Petition is inherently defective and demurrable on the basis that the Promissory Note was never signed by the Assignor; and

(3) The underlying debts alleged by the Petitioner is false, as the petitioner was never a creditor of the Company and was in fact merely abusing the legal process by commencing groundless winding-up proceedings.

The hearing for the Dismissal Application will be held on 9 June 2021.

Based on the merits of the Company's case from the legal opinion, the Company believes that the Petitioners' claim under the said assignment and/or Promissory Note are extremely weak, totally devoid of any reasonable prospect of success and liable to be struck out at the Dismissal Application. In view of the aforesaid, the directors of the Company consider that no provision for this claim is necessary.

(e) 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 announcement, the Company is liaising with Veda Capital Limited to settle the above claim which is included in accruals and other payables as at 31 December 2020 and 2019.

23. CONTINGENT GAIN

The Company had issued promissory note with a principal amount of HK$92,000,000 (the "**Promissory Note**") by the Company on 23 April 2015, as part of the consideration for the acquisition of 20% equity interests of the Eagle Praise Group, a company incorporated in the BVI with limited liability and the investment cost of approximately HK$117,761,000 in this associate was fully impaired and written off in 2016 and 2019 respectively. The promissory note was unsecured, non-interest bearing and had a maturity period of one year after the date of issue. On 16 December 2015, the promissory note was replaced by a new promissory note of the same principal amount with maturity date of 31 December 2016.

On 30 December 2016, the Company engaged its legal advisers to issue a legal letter (the "**Letter**") to Unicorn Sino Limited ("**Unicorn**"), the vendor of the Eagle Praise Group. As set out in the Letter, the Company had relied on the representations of Ms. Wei, the ultimate sole beneficial owner of Unicorn, in particular, the business plan presented by Unicorn to the Company, when the Company and its subsidiaries entered into the sale and purchase agreement (as amended by the supplemental agreement dated 16 December 2015) and the Shareholders' Agreement (as amended by the supplemental agreement dated 16 December 2015) (collectively, the "Agreements") with Unicorn.

It was subsequently discovered that the representations made by Ms. Wei in respect of the business of the Eagle Praise Group were false and misleading. Based on the legal advice from a senior counsel, the Agreements were void or voidable by reason of fraudulent misrepresentation and the Promissory Note can be rescinded, and Unicorn cannot enforce the Promissory Note against the Company. In the opinion of the Directors, the financial effects of the rescission, will be recognised when the Promissory Note is legally extinguished.

24. GAIN ON DISPOSAL OF SUBSIDIARIES

(a) During the year ended 31 December 2018, the management decided to dispose of the 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 net assets of the Disposal Group at the date of completion were as follows:

	HK$'000
Net assets disposed of	
Bank and cash balances	5
Prepayments and other receivables	345
Accruals and other payables	(701)
Assets and liabilities of a disposal group classified as held for sale	20,514
	20,163
Release of foreign currency translation reserve	(24,651)
Transfer to Financial assets of FVTOCI for 20% residual equity interest	(3,435)
Cash consideration received	(17,079)
Gain on disposal of the Disposal Group	(25,002)

(b) On 31 December 2019, the Company disposed of its 100% equity interest in a subsidiary, Kiu Hung Health Food (HK) Limited ("**KH Health Food (HK)**") and its subsidiaries to an independent third party at a consideration of HK$1,000,000. The principal activity of KH Health Food (HK) is manufacturing and trading of wine products. The subsidiary disposed had no significant impact on the turnover and results of the Group. The net assets of KH Health Food (HK) at the date of disposal were as follows:

	HK$'000
Net assets disposed of	
Property, plant and equipment	6,223
Inventories	18,629
Prepayments and other receivables	56,770
Other borrowings	(57,369)
Accruals	(23,187)
	1,066
Release of foreign currency translation reserve	(2,151)
Cash consideration received	(1,000)
Gain on disposal of a subsidiary	(2,085)
Gain on disposal of subsidiaries	(27,087)

25. EVENTS AFTER THE REPORTING PERIOD

(a) Completion of placing of new shares under specific mandate

On 7 January 2021, pursuant to a placing agreement dated 22 October 2020 between the Company and a placing agent, the Company issued an aggregate of 150,000,000 new ordinary shares of HK$0.01 each at a price of HK$0.20 per share to independent parties for repayment of the Group's outstanding debts.

Details of the share placement were contained in the Company's announcements dated 22 October 2020 and 7 January 2021 and the Company's circular dated 2 December 2020.

(b) Proposed issue of new share under specific mandate for debt capitalisation

On 3 November 2020, the Company entered into a conditional subscription agreement with the creditors, pursuant to which the Company has conditionally agreed to allot and issue to the creditors, and the creditors have conditionally agreed to subscribe for an aggregate of 306,659,459 of the Company's new ordinary shares at subscription price of HK$0.267 per share. The subscription amount payable by the creditors under the subscription agreement shall be satisfied by capitalising the amount owing by the Company to the creditors in an aggregate amount of approximately HK$81,878,000 as at the date of the subscription agreement.

On 22 January 2021, the Company entered into the supplemental subscription agreement with each of Mr. Wong Pui Wang Jefferson ("**Mr. Wong**"), being one of the consultants and creditors of the Group, Mr. Chen Blinglin ("**Mr. Chen**"), being one of the lenders and creditors of the Group and Ms. Ou Zhu ("**Ms. Ou**"), being the lenders and creditors of the Group, to increase the size of subscription by each of them.

Pursuant to the supplemental subscription agreement, an aggregate of 83,781,119 additional subscription shares will be allotted and issued by the Company at subscription price of HK$0.267 per share to each of Mr. Wong, Mr. Chen and Ms. Ou by capitalising their amount due from the Company in an aggregate amount of approximately HK$22,370,000.

Details of the debt capitalisation arrangements were contained in the Company's announcements dated 3 November 2020, 20 November 2020, 22 January 2021 and 28 January 2021.

(c) Updates on business development in relation to USO and shareholders memorandum

On 8 March 2021, Trinity Force Investments Limited ("**Party B**"), a subsidiary of the Company, entered into a shareholder's memorandum with Green Luxuriant Group Investment Limited ("**Party A**") and Lanselota Polu ("**Party C**"), both being shareholders of USO.

Pursuant to the shareholders memorandum, Party A and Party C agreed and will exercise all voting rights attached to the remaining shares held by them in line with the instructions given by Party B, except for resolutions of the shareholders of USO (i) which by law or according to the articles of association of USO require only a simple majority of cast votes or a simple majority of the total issued share capital, and (ii) on a capital increase without subscriptions rights for the shareholders, and (iii) which do not comply with, or would result in a violation of, the agreements set forth in the Shareholders Agreement. Unless otherwise agreed by all shareholders in writing, the board of directors shall have no more than five directors and the appointment and removal of all directors will be made by written notice to USO upon request of Party B. The purpose of entering into the proposed arrangements is to give the Group the right to control the operation and business of USO and the right to enjoy the economic benefits of such business.

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 expected begin construction date of the luxury hotel and casino, as well as the first 100 residential villas will be in August 2021. The management of the Group is assessing the operational and financial impacts of the proposed arrangements to the Group.

Details of the updates were contained in the Company's announcements dated 8 March 2021.

(d) The proposed acquisition of 51% equity interest in Hubei Jincaotang Pharmaceutical Co., Limited (the "Target Company")

On 11 September 2019, the Group as a purchaser entered into the Sale and Purchase Agreement with Sheen World International Holdings Limited (the "**Vendor**"), according to which, among other things, the Group has conditionally agreed to acquire from the Vendor, and the Vendor has conditionally agreed to sell 51% of the total equity interests in the Target Company (the "**Sale Interest**"). On 20 July 2020 and 25 March 2021, supplemental agreements to the Sale and Purchase Agreement were signed pursuant to which the parties thereto agreed to amend and supplement certain terms of the Sale and Purchase Agreement.

The principal activities of the Target Company are development of seeding cultivation and plantation technology of Chinese herbs as well as processing and sale of Chinese herbs products. The consideration of the Sale Interests is HK$170 million, which shall be satisfied by the issue of the convertible bonds by the Company to the Vendor (or its nominee) upon completion. As at the reporting date, the proposed acquisition has still not yet completed. For details, please refer to the Company's announcements dated 11 September 2019, 21 October 2019, 23 October 2019, 15 November 2019, 11 February 2020, 30 July 2020, 23 March 2021 and 25 March 2021 and circular dated 30 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group has gone through a challenging year amid the worsening business environment as a result of several adverse factors, including:

(i) The social unrest in Hong Kong since June 2019 has caused considerable reduction of cross-border business activities;

(ii) The global outbreak of Coronavirus and the strict social distancing measures imposed by the government since the first quarter of 2020 has frozen many industries; and

(iii) The prolonged conflict between China and the United States and the continued slowing down of Chinese economic growth have undermined global and Chinese consumers' spending sentiment.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2020 (the "**Year**"), the Group recorded turnover of approximately HK$203 million (2019: HK$200 million), representing an increase of approximately 1.5% as compared with last year.

The Group's loss attributable to equity holders of the Company for the Year was approximately HK$71.8 million (2019: HK$301.9 million), representing a decrease of approximately HK$230.1 million comparing to last year. The decrease in loss attributable to equity holders of the Company for the Year was mainly attributable to (i) the decrease in administrative expenses of the Group, amounting to approximately HK$17.4 million; (ii) no provision for impairment of investment in associates of the Group; (iii) no write off of prepayment, deposit and other receivables; (iv) the gain on extinguishment of financial liabilities by issue of ordinary shares of the Group, amounting to approximately HK$25.5 million; and (v) the decrease in share of result of associates of the Group, amounting to approximately HK$61.8 million, during the Year. Basic loss per share for the Year was 13.48 HK cents (2019: 62.20 HK cents).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

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

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

Manufacturing and Trading of Toys and Gifts Items

Turnover from toys and gifts business for the Year was approximately HK$192 million (2019: HK$200 million), representing a decrease of approximately 4% comparing to last year. The decrease in turnover was mainly attributable to the decrease in revenue generated from the North America. The gross profit margin was increase, which was 32.3% (2019: 20.8%) during the Year, showing the loss of a major customer and the intense market competition while the Group has been keeping its high quality standard in the production and sales of toys and gifts items during the past years.

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 (note 13) 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 2020, 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$3,435,000 (2019: HK$Nil) was recognised for the year ended 31 December 2020 to fully write-down the carry amount of the investment.

Fruit Plantation

(a) Multijoy Group

Multijoy Developments Limited, 40% equity interest of which was acquired by the Group, together with its subsidiaries (the "**Multijoy Group**") is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the "**Forest Land**"). The Multijoy Group has appointed an independent third party under a cooperation agreement for a term of three years from 1 April 2018 to 31 March 2021.

The Group's share of result of loss amounted to approximately HK$5.6 million for the Year (2019: profit of HK$4.5 million). Details of Multijoy Group's financial information are stated in note 12(a).

(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 expected begin construction date of the luxury hotel and casino, as well as the first 100 residential villas will be in August 2021. The management of the Group is assessing the operational and financial impacts of the proposed arrangements to the Group.

The Group's share of result of profits amounted to approximately HK$2.9 million for the Year (2019: loss of HK$46 million). Details of USO's financial information are stated in note 12(d).

Leisure

(a) Tea related business

In the recent years, the competition in tea industries becomes more fierce because the traditional sales model is facing a keen competition from those online business platform. During the Year, Fujian Yuguo began to fine-tune its operation model to meet its customers' needs, including but not limited to provide more attractive terms to its selected customers to increase its competitiveness in the markets.

Due to impairment loss on intangible assets, the Group's share of result of loss amounted to HK$0.1 million (2019: HK$24.9 million) for the year. As the recoverable amount of Fujian Yuguo is lower than its carrying amount, an impairment of approximately HK$Nil million (2019: HK$1.5 million) was recognised for the Year ended 31 December 2020. Details of Fujian Yuguo's financial information are stated in note 12(b).

(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.

The Group's share of result of loss amounted to HK$3.8 million for the Year (2019: HK$1.9 million). Details of Anhui Fu Lao's financial information are stated in note 12 (c).

(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.

As stated in note 23, there will be a contingent gain on the rescission of the promissory note of approximately HK$92 million.

Culture

Turnover from culture business for the Year was approximately HK$11 million (2019: Nil), representing a increase of 100% comparing to last year. The increase in turnover was mainly attributable to the sales of ceramics during the year.

Geographical Information

During the Year, the Group recorded revenue in North America (includes the USA and Canada) of approximately HK$190 million as compared to approximately HK$196 million last year and represented approximately 93.7% (2019: approximately 98.1%) of the Group's total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) amounted to approximately HK$Nil for the Year as compared to approximately HK$0.4 million last year and represented approximately Nil% (2019: approximately 0.2%) of the Group's total revenue of the Year.

Selling and Distribution Costs

The amount of the selling and distribution costs for the Year was approximately HK$27.3 million (2019: approximately HK$28.3 million). The decrease was mainly attributable to the decrease of the staff costs of manufacturing and trading of toys and gifts items segment.

Administrative Expenses

Administrative expenses for the Year decreased by approximately 19.5% to approximately HK$71.9 million as compared to approximately HK$89.3 million in the previous year. The decrease in administrative expenses was mainly due to decrease of legal and professional fees during the Year.

Finance Costs

Finance costs for the Year increased by approximately HK$20.8 million to approximately HK$55.7 million as compared to approximately HK$34.9 million in the previous year. The increase in finance costs was mainly due to the increase of approximately HK$14.3 million for overdue interest on promissory notes and other borrowings during the Year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in PRC. As at 31 December 2020, the Group had bank and cash balances of approximately HK$21.6 million (2019: HK$18.5 million). The Group's bank and cash balances were mostly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2020, the Group's borrowings amounted to approximately HK$121.7 million (2019: HK$55.5 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2020, the Group's promissory notes amounted to approximately HK$256.3 million (2019: HK$270.5 million) in aggregate. The Group's promissory notes were denominated in Hong Kong dollars.

The Group monitors its capital using a gearing ratio, which is the Group's net debt (comprising trade payables, accruals and other payables, promissory notes, lease liabilities and borrowings less bank and cash balances) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2020 was 177.3% (2019: 139.2%).

As the majority of the Group's transactions and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate fluctuation was relatively insignificant, and the Group had not used any financial instruments for hedging during the Year.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 22 September 2020, the Company entered into the placing agreement with the CNI Securities Group Limited, pursuant to which the Company appointed CNI Securities Group Limited as its placing agent to procure not less than six placees who are independent third parties to subscribe for up to 101,900,000 placing shares at the placing price of HK$0.2 per placing share on a best effort basis in accordance with the terms and conditions of the placing agreement. The Company carried out the placing offers since it offered a good opportunity to raise further capital for broaden the shareholders base of the Company thereby increasing the liquidity of the Shares as well as strengthening the financial position of the Group.

The placing was completed on 5 October 2020. An aggregate of 101,900,000 placing shares have been successfully placed to not less than six placees. The net proceeds from the placing were approximately HK$20 million.

Details of the placing have been set out in the announcements of the Company dated 22 September 2020 and 5 October 2020, respectively.

As at 31 December 2020, all the net proceeds raised have been utilised as intended for the year ended 31 December 2020. There was no unutilized proceeds as at 31 December 2020. There is no material change between the intended use of proceeds and the actual use of proceeds.

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 22 October 2020, the Company entered into the placing agreement with the CNI Securities Group Limited, pursuant to which the Company appointed CNI Securities Group Limited as its placing agent to procure not less than six placees who are independent third parties to subscribe for up to 150,000,000 placing shares at the placing price of HK$0.2 per placing share on a best effort basis in accordance with the terms and conditions of the placing agreement. The Company carried out the placing offers since it offered a good opportunity to raise further capital for broaden the shareholders base of the Company thereby increasing the liquidity of the Shares as well as strengthening the financial position of the Group.

The placing was completed on 7 January 2021. An aggregate of 150,000,000 placing shares have been successfully placed to not less than six placees. The net proceeds from the placing were approximately HK$29.5 million.

Details of the placing have been set out in the announcements of the Company dated 22 October 2020 and 7 January 2021, respectively.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

On 8 March 2021, Trinity Force Investments Limited ("**Party B**"), a subsidiary of the Company, entered into a shareholder's memorandum with Green Luxuriant Group Investment Limited ("**Party A**") and Lanselota Polu ("**Party C**"), both being shareholders of USO.

Pursuant to the shareholders memorandum, Party A and Party C agreed and will exercise all voting rights attached to the remaining shares held by them in line with the instructions given by Party B, except for resolutions of the shareholders of USO (i) which by law or according to the articles of association of USO require only a simple majority of cast votes or a simple majority of the total issued share capital, and (ii) on a capital increase without subscriptions rights for the shareholders, and (iii) which do not comply with, or would result in a violation of, the agreements set forth in the Shareholders Agreement. Unless otherwise agreed by all shareholders in writing, the board of directors shall have no more than five directors and the appointment and removal of all directors will be made by written notice to USO upon request of Party B.

As no single shareholder of USO have control over the company, there were restrictions on the implementation of operational decisions. The purpose of entering into the shareholders memorandum is to give the Company the right to control the operation and business of USO and the right to enjoy the economic benefits of such business.

IMPORTANT EVENTS AFTER THE END OF THE YEAR

The proposed acquisition of 51% equity interest in Hubei Jincaotang Pharmaceutical Co., Limited

On 11 September 2019, the Group as a purchaser entered into the Sale and Purchase Agreement with Sheen World International Holdings Limited (the "**Vendor**"), according to which, among other things, the Group has conditionally agreed to acquire from the Vendor, and the Vendor has conditionally agreed to sell the Sale Interests, representing 51% of the total equity interests in Hubei Jincaotang Pharmaceutical Co., Limited (the "**Target Company**"). On 20 July 2020 and 25 March 2021, supplemental agreements to the Sale and Purchase Agreement were signed pursuant to which the parties thereto agreed to amend and supplement certain terms of the Sale and Purchase Agreement.

The principal activities of the Target Company are development of seeding cultivation and plantation technology of Chinese herbs as well as processing and sale of Chinese herbs products. The Consideration of the Sale Interests is HK$170 million, which shall be satisfied by the issue of the Convertible Bonds by the Company to the Vendor (or its nominee) upon completion.

An special general meeting of the Company will be held on 19 April 2021 for the purpose of considering and, if thought fit, passing, with or without modification, the ordinary resolution of the Company.

As at the reporting date, the proposed acquisition has still not yet completed. For details, please refer to the Company's announcements date 11 September 2019, 21 October 2019, 23 October 2019, 15 November 2019, 11 February 2020, 30 July 2020, 23 March 2021, 25 March 2021 and circular dated 30 March 2021.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

CAPITAL COMMITMENT

As at 31 December 2020, the Group had no significant capital commitment.

DIVIDEND

The Directors do not recommend any payment of final dividend for the year ended 31 December 2020 (31 December 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

PROSPECTS

The Group has been reviewing its existing operations from time to time and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole.

CAPITAL STRUCTURE

As at 31 December 2020, the capital structure of the Company was constituted of 611,419,079 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 to subscribe for the Company's shares.

On 19 May 2019, the existing limit on the grant of share options under the share option scheme adopted by the Company on 31 May 2013, was refreshed by the resolution passed at the EGM held at that date, and shall not exceed 10% of the total number of Shares in issue of the Company as at the date of the passing of this resolution.

At 31 December 2020, no share option was remained outstanding (2019: Nil). The share option scheme of the Company with a scheme life of ten years approved by the shareholders of the Company on 19 May 2019 will expire on 18 May 2029.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2020, the Group had a total of 356 employees (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 yearly basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

SCOPE OF WORK OF KTC PARTNERS CPA LIMITED

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, KTC Partners CPA Limited ("**KTC**"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020. The work performed by KTC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by KTC on the preliminary announcement.

EXTRACT OF THE AUDITOR'S REPORT

Basis for qualified opinion

Corresponding figures

We expressed a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2019 on 29 May 2020. The basis for the qualified opinion include the possible effects of the matters described in paragraphs 1 to 2 below on the consolidated financial performance and cash flows of the Group for the year ended 31 December 2019 and the consolidated financial position of the Group as at 31 December 2018, and the related disclosures thereof in the consolidated financial statements. Since the consolidated financial performance and amounts presented in cash flows for the year ended 31 December 2019 presented as comparative figures in the consolidated financial statements, we were unable to determine the possible effects of these matters on the comparability of the current year's figures and the comparative figures presented in the consolidated financial statements.

1. Inventories

Included in the inventories of the Group as at 31 December 2018 were inventories of ceramic items with carrying amounts of approximately HK$35,303,000 in the consolidated statement of financial position. The Group recognised write-down of these ceramic item inventories of approximately HK$24,971,000 for the year ended 31 December 2019.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the net realisable value of the ceramic items with carrying amount of approximately HK$35,303,000 in the consolidated statement of financial position as at 31 December 2018 was free from material misstatements. There were no satisfactory alternative audit procedures that we could adopt to determine whether any write-down should be made in the consolidated financial statements for the year ended 31 December 2018 in respect of these ceramic item inventories.

Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and amounts presented in cash flows of the Group for the years ended 31 December 2019.

2. Prepayment, deposits and other receivables

Included in the prepayment, deposits and other receivables in the consolidated statement of financial position as at 31 December 2018 were deposits paid (the "**Deposits Paid**") of approximately HK$102,100,000. As stated in note 25(a) to the consolidated financial statements, during the year ended 31 December 2019, the Group wrote off the Deposits Paid of approximately HK$106,708,000 and recognised the loss on the write-off of Deposit Paid of approximately HK$106,708,000 in the consolidated statement of profit or loss for the year ended 31 December 2019.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Deposits Paid as at 31 December 2018. There were no satisfactory alternative audit procedures that we could adopt to determine whether any provision for impairment of the Deposits Paid should be made in the consolidated financial statements for the year ended 31 December 2018. Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and amounts presented in cash flows of the Group for the years ended 31 December 2019.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK$70,102,000 for the year ended 31 December 2020 and had net current liabilities of approximately HK$278,139,000 as at 31 December 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

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. Cheng Ho On and Mr. Wang Xiao Ning, all independent non-executive Directors of the Company. The audit committee members have reviewed the final results announcement of the Group for the year ended 31 December 2020.

PUBLICATION OF RESULTS

This announcement of results of the Company has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kh381.com). The annual report of the Company for the year ended 31 December 2020 containing all the information required by Appendix 16 "Disclosure of Financial Information" to the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, business partners, banks, professional parties and employees of the Group for their continuous support.

By order of the Board
Kiu Hung International Holdings Limited
Zhang Qijun
Chairman

Hong Kong, 31 March 2021

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

* *For identification purposes only*