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Kiu Hung International Holdings Limited

僑雄國際控股有限公司

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

(Stock Code: 00381)

CLARIFICATION ANNOUNCEMENT ON FINAL RESULTS ANNOUNCEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020

Reference is made to the final results announcement of Kiu Hung International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2021 for the year ended 31 December 2020 (the “**Results Announcement**”). Unless the context herein otherwise requires, capitalised terms in this announcement shall have the same meanings as defined in the Results Announcement.

The board (the “**Board**”) of the directors (the “**Directors**”) of the Company would like to provide additional information in relation to the Results Announcement as follow:

A. INVENTORIES (CERAMIC ITEMS)

As set out on page 45 under the section headed “Extract of the auditor’s report” in the Results Announcement, it was disclosed that inventories (ceramic items) are one of the items the Company’s auditors have not been able to obtain sufficient audit evidence on and it is one of the basis for Qualified Opinion.

Reasons and details of the repeated Qualified Opinion

Ceramic items held by the Group (the “**Ceramics**”) were classified as inventories as at 31 December 2017 and 31 December 2018. Inventories should be stated at the lower of cost and net realisable value in accordance with Hong Kong Accounting Standard 2 “Inventories”. Since each of the Ceramics is unique, the selling of the Ceramics cannot make reference to recent similar ceramic sold in the market. The Auditor requested subsequent selling price of the Ceramics as evidence on net realisable value. However, the Company failed to solicit and conclude any transactions for disposing of the Ceramics in the public market.

The Qualified Opinion had an impact on the Company’s financial statements as at 31 December 2018 and 31 December 2019, the carrying amount of the Ceramics was approximately HK\$35,303,000 and HK\$10,332,000 respectively. The Qualified Opinion

mean that there was no assurance from the Auditor that the figures under the consolidated financial position and performance of the Company in relation to the net realisable value of the Ceramics would be true and fair.

The Directors' position

The Board understood this situation and concurred with the basis of qualified opinion on each of (a) the net realisable value; and (b) provision for impairment loss.

Audit Committee's view

The Audit Committee confirmed that they understood the basis of the Qualified Opinion. They have also reviewed and agreed with the Board's position as set out above.

The Company's proposed plan to address the Qualified Opinion

This qualified opinion, given by the Auditors, was based on the comparative figures shown on the year 2019, such that 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. As "the impairment of ceramic items had been sufficiently provided in year 2019 and fully provided in year 2020", this qualified opinion would only had impact on the audited consolidated financial statements for the year 2019, the opening figures for the year 2020, but there would be no impact on the audited consolidated financial statements for the year 2021, thus the Board expected that this qualified opinion would be uplifted at the annual results 2021.

B. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLE (THE DEPOSIT PAID)

As set out on pages 45 to 46 under the section headed "Extract of the auditor's report" in the Results Announcement, the Deposits Paid under Prepayment, deposits and other receivables are one of the items the Company's auditors have not been able to obtain sufficient appropriate audit evidence on and it is one of the basis for the Qualified Opinion for the year ended 31 December 2019.

Reasons and details of the Qualified Opinion

In 2015, the Group acquired 100% equity interest of Shun Jun Ventures Limited ("Shun Jun"). Shun Jun entered into the investment sale agreement and the supplemental agreement ("Investment Sale Agreement") with a property developer (the "Developer") on 7 November 2014 and 19 July 2015 respectively, pursuant to which the Developer appoints Shun Jun as the exclusive agent to sell the Properties located at Nanjing. Shun Jun had paid deposit of approximately RMB85,345,000 (the "Deposit") to the Developer in accordance with the terms of the Investment Sale Agreement.

In January 2016, the Directors became aware that, one of the required certificates, Property Developing Quality Certificate* (房地產開發資質證書), had expired while the Developer was applying for the Pre-sale Permits. As such, the Developer was in the

progress of renewing the Property Developing Quality Certificate. Meanwhile, the Developer has obtained the Interim Property Developing Qualification Certificate* (暫定房地產開發資質證書) on 2 August 2016. Subsequently, the Developer was found to be involved in a number of litigations. In the absence of sufficient appropriate audit evidence to verify the financial ability of the Developer, the Auditor was unable to ascertain the recoverability of such Deposit.

The Directors' position

The Board understood this situation and concurred with the basis of qualified opinion on each of (a) the recoverability of the balances; and (b) the provision for impairment loss.

Audit Committee's view

The Audit Committee confirmed that they understood the basis of the Qualified Opinion. They have also reviewed and agreed with the Board's position as set out above.

Results of previous action plan

The Board understand that the Company could not provide the Auditor with sufficient audit evidence in relation to the recoverability of the Deposit such that the Auditor issued a qualified opinion on the Deposit in the Results Announcement 2019.

The Company's proposed plan to address the 2020 Qualified Opinion

As the deposit paid under Prepayment, deposits and other receivables had been fully written off in year 2019, this qualified opinion would only had impact on the audited consolidated financial statements for the year 2019, the opening figures for the year 2020, but there would be no impact on the audited consolidated financial statements for the year 2021, thus the Board expected that this qualified opinion would be uplifted at the annual results 2021.

Save for the above clarification, the content of the Results Announcement remains unchanged.

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

Hong Kong, 29 June 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.