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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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Board**”) of Kiu Hung International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the corresponding period in 2021 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	4	<b>420,904</b>	323,718
Cost of sales		<u>(263,884)</u>	<u>(231,796)</u>
Gross profit		<b>157,020</b>	91,922
Other income	6	<b>1,244</b>	6,304
Other gains/(loss), net	6	<b>4,856</b>	(293)
Selling and distribution costs		<b>(47,081)</b>	(34,365)
Administrative expenses		<b>(78,805)</b>	(78,496)
Finance costs		<b>(46,812)</b>	(44,146)
(Impairment loss)/reversal of impairment loss under expected credit loss model, net		<b>(355)</b>	1,104
Impairment of investment in associates		–	(139,098)
Gain on extinguishment of financial liabilities by issue of ordinary shares		–	69,889
Prepayments, deposits and other receivables written-off		–	(3,726)
Share of results of associates		<u><b>(19,460)</b></u>	<u>(88,558)</u>
Loss before income tax		<b>(29,393)</b>	(219,463)
Income tax expense	7	<u><b>(9,108)</b></u>	<u>(1,033)</u>
<b>Loss for the year</b>	8	<u><b>(38,501)</b></u>	<u>(220,496)</u>
<b>(Loss)/profit attributable to:</b>			
— owners of the Company		<b>(59,521)</b>	(226,754)
— non-controlling interests		<u><b>21,020</b></u>	<u>6,258</u>
		<u><b>(38,501)</b></u>	<u>(220,496)</u>
<b>Loss per share attributable to the owners of the Company</b>		<b>HK cents</b>	<b>HK cents</b>
Basic and diluted loss per share	10	<u><b>(11.74)</b></u>	(Restated) <u>(115.48)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2022*

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(38,501)</u>	<u>(220,496)</u>
<b>Other comprehensive (loss)/income:</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Surplus on revaluation of properties	<b>11,760</b>	6,001
Deferred tax effect on revaluation of properties	<b>(1,940)</b>	(850)
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference arising from translation of foreign operations	<b>(7,662)</b>	(2,909)
Share of exchange translation difference of associates	<b>(22,319)</b>	8,324
Other comprehensive (loss)/income for the year, net of tax	<u><b>(20,161)</b></u>	<u>10,566</u>
Total comprehensive loss for the year	<u><b>(58,662)</b></u>	<u>(209,930)</u>
<b>Total comprehensive (loss)/income attributable to:</b>		
— owners of the Company	<b>(80,869)</b>	(216,139)
— non-controlling interests	<b>22,207</b>	6,209
	<u><b>(58,662)</b></u>	<u>(209,930)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>93,934</b>	95,322
Right-of-use assets		<b>4,100</b>	5,042
Investment properties		<b>13,686</b>	12,471
Goodwill		<b>54,802</b>	56,902
Other intangible assets		<b>8,784</b>	29,922
Investments in associates		<b>310,336</b>	351,842
Prepayments, deposits and other receivables	<i>12</i>	<b>106</b>	3,904
Deferred income tax assets		<b>881</b>	635
		<hr/> <b>486,629</b>	<hr/> 556,040
<b>Current assets</b>			
Inventories		<b>74,256</b>	35,355
Biological assets		<b>5,198</b>	–
Trade and bills receivables	<i>11</i>	<b>57,329</b>	35,228
Prepayments, deposits and other receivables	<i>12</i>	<b>157,469</b>	128,703
Bank balances and cash		<b>99,058</b>	201,113
		<hr/> <b>393,310</b>	<hr/> 400,399
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>15,037</b>	17,467
Accruals and other payables	<i>14</i>	<b>159,764</b>	203,420
Income tax payable		<b>1,548</b>	1,535
Promissory notes	<i>15</i>	<b>164,820</b>	250,621
Lease liabilities		<b>1,338</b>	2,067
Borrowings		<b>101,794</b>	109,808
Contingent consideration payables		<b>29,058</b>	73,733
Amount due to an associate		<b>177</b>	192
		<hr/> <b>473,536</b>	<hr/> 658,843
<b>Net current liabilities</b>		<hr/> <b>(80,226)</b>	<hr/> (258,444)
<b>Total assets less current liabilities</b>		<hr/> <b>406,403</b>	<hr/> 297,596

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>Non-current liabilities</b>			
Lease liabilities		<b>2,602</b>	2,731
Borrowings		<b>7,949</b>	8,680
Deferred income tax liabilities		<b>19,631</b>	20,714
Contingent consideration payables		–	10,950
Convertible bonds		<b>91,213</b>	42,327
		<u><b>121,395</b></u>	<u>85,402</u>
<b>Net assets</b>		<u><b>285,008</b></u>	<u>212,194</u>
<b>Equity</b>			
Share capital	<i>16</i>	<b>9,206</b>	11,478
Reserves		<b>176,528</b>	123,649
		<u><b>185,734</b></u>	<u>135,127</u>
<b>Equity attributable to owners of the Company</b>		<u><b>185,734</b></u>	<u>135,127</u>
Non-controlling interests		<b>99,274</b>	77,067
		<u><b>285,008</b></u>	<u>212,194</u>
<b>Total equity</b>		<u><b>285,008</b></u>	<u>212,194</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

## 1. GENERAL INFORMATION

Kiu Hung International Holdings Limited (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 Sofia House, 3rd Floor, 48 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 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 (i) the manufacturing and trading of toys and gifts items, (ii) development, processing and trading of Chinese herbs products and (iii) the investment in various businesses including fruit plantation, leisure and culture.

## 2. BASIS OF PREPARATION

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 most appropriate presentation currency for the users of the Group’s financial statements as the Company is listed on the Stock Exchange. 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.

### Going concern basis

For the year ended 31 December 2022, the Group incurred a loss of approximately HK\$38,501,000 and as at 31 December 2022, the Group had net current liabilities of approximately HK\$80,226,000. Further, as at 31 December 2022, the Group had outstanding promissory notes which were overdue for repayment, whose aggregate principal amount was approximately HK\$164,820,000 (2021: HK\$250,621,000). 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 are implementing various plans and measures, as follows:

- (1) subsequent to 31 December 2022, certain promissory note holders and creditors with an aggregate amount of approximately HK\$72,900,000 and HK\$6,176,000 included in promissory notes and accruals and other payable respectively, have agreed not to demand for repayment of the amounts due before 19 March 2024; and
- (2) the Group is 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 abovementioned plans and measures to be undertaken by the Group. The directors of the Company are of the opinion that, taking into account the above plans and 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 2022. 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 carrying values 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 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 Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

Except as described below, the application of the amendments to HKFRSs in the current year has 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.

#### ***Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework***

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. 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 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 in the current year has had no impact on the Group's consolidated financial statements.

***Impacts on application of Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use***

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

***Impacts on application of Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract***

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a 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 (e.g. 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 in the current year has had no impact on the Group's financial positions and performance.

***Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020***

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

### *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 in the current year has had no impact on the Group's consolidated financial statements.

### **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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the Directors 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 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 HKRS 16 Lease Liability in a Sale and Leaseback***

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee would not recognise a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

As part of the amendments, Illustrative Example 25 accompanying HKFRS 16 is added to illustrate the application of the requirements in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. 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 (Note)

- 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 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

#### ***Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

#### ***Amendments to HKAS 8 Definition of Accounting Estimates***

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

### ***Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 4 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities (please see Note below), the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$4,076,000 and HK\$2,472,000 respectively.

## **4. REVENUE**

### **(a) Disaggregation of revenue from contracts with customers**

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sales of toys and gifts items	<b>293,042</b>	264,282
Sales of ceramic items	–	31
Sales of Chinese herbs products	<b>127,862</b>	59,405
	<b><u>420,904</u></b>	<u>323,718</u>
<b>By revenue source</b>		
<i>Manufacturing of goods items</i>		
— Toys and gifts items	<b>193</b>	112,064
— Chinese herbs products	<b>127,862</b>	59,405
<i>Trading of goods items</i>		
— Toys and gift items	<b>292,849</b>	152,218
— Ceramic	–	31
	<b><u>420,904</u></b>	<u>323,718</u>
Timing of revenue recognition		
At point in time	<b><u>420,904</u></b>	<u>323,718</u>

**(b) Performance obligations for contracts with customers**

Revenue from (1) sales of toys and gifts items, (2) sales of ceramic items and (3) sales of Chinese herbs products are 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 to sell the goods, bears the risks of obsolescence and loss in relation to the goods. Invoices are usually payable within 90 days, 15 days and 120 days for sales of toys and gifts items, sales of ceramic items and sales of Chinese herbs products respectively.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for toys and gifts items, ceramic items and Chinese herbs products 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 toys and gifts items, ceramic items and Chinese herbs products that had an original expected duration of one year or less.

**5. OPERATING SEGMENT INFORMATION**

For the year ended 31 December 2022 and 2021, the Group has six 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 ceramic items
Chinese Herbs	—	Development, processing and manufacturing of Chinese Herbs

Upon completion of acquisition of Hubei Jincaotang Pharmaceutical Co., Ltd. (“**Hubei Jincaotang**”) on 27 May 2021, Chinese herbs — Trading of Chinese herbs business become the new reportable and operating segment of the Group for the year ended 31 December 2021.

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

Segment results do not include corporate finance costs, other corporate income and expenses and fair value change on contingent consideration payables. Segment assets do not include assets at corporate level. Segment liabilities do not include liabilities at corporate level.

(a) The segment results for the year ended 31 December 2022 and 2021:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Amounts included in the measure of segment profit or loss														
Year ended 31 December														
Revenue from external customers	-	-	293,042	264,282	-	-	-	-	-	31	127,862	59,405	420,904	323,718
Segment (loss)/profit	(50)	(36)	21,165	(8,064)	(16,378)	(217,286)	(18,242)	(4,685)	-	(1,262)	36,833	5,408	23,328	(225,925)
Unallocated amount:														
Corporate finance costs													(5,531)	(40,856)
Gain on extinguishment of financial liabilities by issue of ordinary shares													-	69,889
Other corporate income and expenses													(68,568)	(21,250)
Fair value change on contingent consideration payables													12,270	(2,354)
Loss for the year													(38,501)	(220,496)

*Notes:*

(i) There were no inter-segment sales during the years.

(b) Segment assets:

At 31 December														
Segment assets	13	91	220,795	276,769	200,803	229,092	206,140	226,080	3,522	3,823	233,144	206,927	864,417	942,782
Unallocated corporate assets														
Bank and cash balances													66	2,011
Prepayments, deposits and other receivables													15,456	11,646
Total assets													879,939	956,439

(c) Segment liabilities:

Segment liabilities	<u>(94)</u>	<u>(126)</u>	<u>(165,717)</u>	<u>(237,530)</u>	<u>(4,135)</u>	<u>(4,135)</u>	<u>(15,087)</u>	<u>(9,748)</u>	<u>(4,332)</u>	<u>(4,702)</u>	<u>(9,338)</u>	<u>(52,415)</u>	<u>(198,703)</u>	<u>(308,656)</u>
Unallocated corporate liabilities														
Borrowings													<u>(2,914)</u>	<u>(16,995)</u>
Accruals and other payables													<u>(108,223)</u>	<u>(83,290)</u>
Promissory notes													<u>(164,820)</u>	<u>(250,621)</u>
Contingent consideration payables													<u>(29,058)</u>	<u>(84,683)</u>
Convertible bonds													<u>(91,213)</u>	<u>-</u>
Total liabilities													<u>(594,931)</u>	<u>(744,245)</u>

(d) Other information:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Unallocate		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Depreciation and amortisation	-	-	(9,424)	(8,408)	-	-	-	-	-	-	(25,079)	(20,424)	-	-	(34,503)	(28,832)
Impairment of investment in an associate	-	-	-	-	-	(139,098)	-	-	-	-	-	-	-	-	-	(139,098)
Impairment loss/(reversal of impairment loss) under expected credit loss model, net	-	-	(260)	1,104	-	-	-	-	-	-	(95)	-	-	-	(355)	1,104
Write-down of inventories	-	-	(146)	-	-	-	-	-	-	-	-	-	-	-	(146)	-
Share of results of associates	-	-	-	-	(16,378)	(78,187)	(3,083)	(10,371)	-	-	-	-	-	-	(19,461)	(88,558)
Interest income	-	-	11	2	-	-	-	-	-	-	134	114	-	-	145	116
Interest expenses	-	(2)	(8,108)	(1,362)	-	-	-	-	-	-	(66)	(1,926)	(45,839)	(40,856)	(54,013)	(44,146)
Additions to segment non-current assets (note)	-	-	291	2,950	-	-	-	-	-	-	33,744	-	-	-	34,035	2,950
Investment in associates included in segment assets	-	-	-	-	-	218,474	-	133,368	-	-	-	-	-	-	-	351,842

*Note:*

Non-current assets included property, plant and equipment, right-of-use assets and goodwill.

(e) Geographical information:

	Revenue		Non-current assets	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including Hong Kong)	128,796	60,356	422,782	490,124
The USA	291,620	262,663	1,710	1,926
Canada	33	612	–	–
European Union <sup>1</sup>	236	87	–	–
Samoa	–	–	63,355	63,355
Others <sup>2</sup>	219	–	–	–
	<u>420,904</u>	<u>323,718</u>	<u>487,847</u>	<u>555,405</u>

Note: Non-current assets excluded deferred tax assets.

<sup>1</sup> European Union includes Spain, Italy, France and the United Kingdom.

<sup>2</sup> Others include South America, Asia and Mexico.

The geographical analysis of revenue is based on location of customer which is determined based on the location at which the goods were delivered and information about the geographical analysis of non-current assets, which include goodwill, property, plant and equipment, right-of-use assets, investment properties, other intangible asset, investment in associates and prepayments, deposits and other receivables, is classified in accordance with geographical location of the assets or the associates' country of domicile at the end of the reporting period.

Revenue from customers, of the corresponding years contributing more than 10% of the Group's total revenue for the year, represented approximately 74% of the total Group's revenue for the year ended 31 December 2022 (2021: 68%), which are shown as follows:

	2022	2021
	HK\$'000	HK\$'000
Customer A <sup>1</sup>	119,572	98,992
Customer B <sup>1</sup>	37,267	40,392
Customer C <sup>1</sup>	38,938	41,342
Customer D <sup>1</sup>	N/A <sup>3</sup>	40,438
Customer E <sup>2</sup>	<u>81,498</u>	<u>N/A<sup>3</sup></u>

<sup>1</sup> Revenue from toys and gifts item.

<sup>2</sup> Revenue from Chinese herbs.

<sup>3</sup> The corresponding revenue did not contribute 10% or more of the total revenue of the Group in the respective year.

## 6. OTHER INCOME/OTHER (LOSS)/GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	145	116
Rental income from investment properties	84	87
Government grants ( <i>Note</i> )	804	980
Commission income	–	4,500
Gain on disposal of property, plant and equipment	–	100
Others	211	521
	<u>1,244</u>	<u>6,304</u>
<b>Other gains/(loss), net</b>		
Fair value gain on investment properties	1,915	–
Fair value gain/(loss) on contingent consideration payables	12,475	(2,354)
Fair value gain on convertible bonds	168	121
Net foreign exchange (loss)/gain	(9,702)	1,940
	<u>4,856</u>	<u>(293)</u>

*Note:*

During the current year, the Group recognised government grants of approximately HK\$629,000 (2021: Nil) in respect of COVID-19-related subsidies which were granted to the Group under the Employment Support Scheme provided by the Hong Kong government. The remaining grants mainly related to subsidies in respect of their operations from governments which are either unconditional grants or grants with conditions having been satisfied.

## 7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	<u>451</u>	<u>65</u>
Current tax — Overseas		
Provision for the year	<u>11,814</u>	<u>4,908</u>
Total current tax	12,265	4,973
Deferred income tax credit	<u>(3,157)</u>	<u>(3,940)</u>
Income tax expense	<u>9,108</u>	<u>1,033</u>

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 both years.

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.

## 8. LOSS FOR THE YEAR

Loss for the year has been arrived after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amortisation of other intangible asset	21,839	18,768
Auditor’s remuneration	2,547	3,087
Cost of inventories recognised as expense ( <i>note</i> )	239,947	210,743
Depreciation of property, plant and equipment	10,256	8,750
Depreciation of right-of-use assets	2,131	1,626
Expense relating to short-term lease and other leases with lease terms within 12 months	4,611	3,684
Loss on write-off of property, plant and equipment	–	540
Legal and professional fees	3,806	6,452
Staff costs (including directors’ remuneration)		
— Salaries, bonus and allowance	56,119	52,380
— Retirement benefits scheme contributions	2,512	2,405
	<u>58,631</u>	<u>54,785</u>
Total staff costs	<u>58,631</u>	<u>54,785</u>

*Note:* The cost of inventories recognised as an expense in cost of sales included approximately HK\$146,000 (2021: Nil) in respect of write-down of finished goods to net realisable value.

## 9. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

## 10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<u>(59,521)</u>	<u>(226,754)</u>
	<i>'000</i>	<i>'000</i> (restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	<u>506,818</u>	<u>196,355</u>
<b>Loss per share</b>		
Basic loss per share ( <i>HK cents</i> )	<u>(11.74)</u>	<u>(115.48)</u>

*Note:* The weighted average number of ordinary shares for the years ended 31 December 2022 and 2021 has been adjusted for the five-to-one share consolidation of the Company which became effective on 22 July 2022 and the weighted average number of ordinary shares for the year ended 31 December 2021 has been adjusted and restated for the rights issue completed during the year ended 31 December 2022.

### **Diluted loss per share**

For the years ended 31 December 2022 and 2021, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and convertible bonds issuable in relation to the contingent consideration payables since their assumed exercise would result in a decrease in loss per share.

## 11. TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables — contracts with customers	60,921	38,168
Less: Allowance for credit losses	<u>(10,700)</u>	<u>(11,205)</u>
Trade receivables, net	50,221	26,963
Bills receivables	<u>7,108</u>	<u>8,265</u>
	<u><u>57,329</u></u>	<u><u>35,228</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	31,688	17,064
31 days to 90 days	15,013	8,582
91 days to 180 days	3,158	1,142
181 days to 360 days	362	164
Over 360 days	<u>–</u>	<u>11</u>
	<u><u>50,221</u></u>	<u><u>26,963</u></u>

As of 31 December 2022, trade receivables of approximately HK\$9,653,000 (2021: HK\$9,881,000) were past due and net of allowance. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	6,856	9,591
91 days to 180 days	2,532	193
181 days to 360 days	<u>265</u>	<u>97</u>
	<u><u>9,653</u></u>	<u><u>9,881</u></u>

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Non-current portion:</i>			
Trade deposits		–	3,904
Deposit and other receivables		<u>106</u>	<u>–</u>
		<u>106</u>	<u>3,904</u>
<i>Current portion:</i>			
Trade deposits	(a)	78,358	80,561
Deposit and other receivables		77,607	43,537
Prepayment		<u>1,504</u>	<u>4,605</u>
		<u>157,469</u>	<u>128,703</u>

- (a) Included in trade deposits at 31 December 2022 is 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 2023.

## 13. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	10,753	11,720
31 days to 90 days	2,912	2,160
91 days to 180 days	729	1,657
181 days to 360 days	12	803
Over 360 days	<u>631</u>	<u>1,127</u>
	<u>15,037</u>	<u>17,467</u>

#### 14. ACCRUALS AND OTHER PAYABLES

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other payables	(a)	50,428	122,777
Obligation under share re-purchase arrangement		15,992	8,000
Other accruals		31,906	15,790
Accrued salaries		18,625	16,014
Accrued professional fees		9,014	9,781
VAT payables		2,560	282
Interest payables		29,644	29,427
Receipts in advance		310	255
Due to related parties		1,285	1,094
		<u>159,764</u>	<u>203,420</u>

*Note:*

- (a) As at 31 December 2021, other payables mainly included short term advance from a customer of approximately HK\$77,781,000 (2022: Nil), which is non-interest bearing and repayable on demand. The advance was subsequently fully repaid.

#### 15. PROMISSORY NOTES

	<i>Notes</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2021		256,320
Issuance of promissory notes	(a)	52,336
Repayment of promissory notes		<u>(58,035)</u>
At 31 December 2021 and 1 January 2022		250,621
Repayment of promissory notes		<u>(85,801)</u>
At 31 December 2022		<u><b>164,820</b></u>
		2022 <i>HK\$'000</i>
		2021 <i>HK\$'000</i>
An analysis is shown as follows:		
Not yet due		–
Overdue for repayment		–
		<u>164,820</u>
		<u>250,621</u>
		<u><b>164,820</b></u>
		<u><b>250,621</b></u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Analysed as:		
Current liabilities	<u>164,820</u>	<u>250,621</u>

*Notes:*

- (a) During the year ended 31 December 2021, the Group issued promissory notes with aggregate principal amount of approximately HK\$52,336,000 to set off against other payables in aggregate of approximately HK\$47,336,000 and borrowings in aggregate of approximately HK\$5,000,000. The promissory notes are unsecured, interest bearing at 28% per annum, overdue interest bearing at 30% per annum and with maturity date of one month from the date of issues (2022: Nil).

## 16. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 1 January 2021, 31 December 2021 and 2022	<i>(d)</i>	<u>198,605,703,709</u>	<u>1,986,056</u>
		Number of shares	Amount <i>HK\$'000</i>
	<i>Notes</i>		
<b>Issued and fully paid</b>			
At 1 January 2021		611,419,079	6,114
Issue of shares			
— shares issued in placing arrangement	<i>(b)</i>	150,000,000	1,500
— debt capitalisation	<i>(c)</i>	<u>390,440,579</u>	<u>3,904</u>
At 31 December 2021 and 1 January 2022		1,151,859,658	11,518
Issue of shares			
— capital reorganisation	<i>(d)</i>	(921,487,727)	(9,215)
— shares issued under rights issue	<i>(e)</i>	<u>691,115,793</u>	<u>6,911</u>
At 31 December 2022		<u>921,487,724</u>	<u>9,214</u>

	Notes	Number of shares		Amount	
		2022	2021	2022 HK\$'000	2021 HK\$'000
Classified as:					
Share capital		920,687,724	1,147,859,658	9,206	11,478
Obligation under share repurchase arrangement	(a)	800,000	4,000,000	8	40
		<u>921,487,724</u>	<u>1,151,859,658</u>	<u>9,214</u>	<u>11,518</u>

*Notes:*

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

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

- (b) On 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.
- (c) 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 one of 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.

On 24 May 2021, all of the conditions precedent under the subscription agreement and the supplemental subscription agreement have been fulfilled and the completion of the share subscription has taken place, whereby 390,440,579 subscription shares were allotted and issued to the creditors and lenders at the subscription price of HK\$0.267 per subscription share pursuant to the terms of the subscription agreement and the supplemental subscription agreement. The difference between the fair value of the issued shares based on the market price of HK\$0.088 per share on 24 May 2021 and the amount owing by the Company to the creditors in an aggregate amount of approximately HK\$69,889,000 was accounted for as a gain on extinguishment of financial liabilities by issue of ordinary shares.

Details of the debt capitalisation arrangements were contained in the Company's announcements dated 3 November 2020, 20 November 2020, 22 January 2021, 28 January 2021 and 24 May 2021, and the Company's circular dated 22 April 2021.

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

- (d) On 27 June 2022, the Company implemented capital reorganisation (the “**Capital Reorganisation**”), which involves the following:
- (i) every five issued and unissued existing shares of par value of HK\$0.01 each will be consolidated into one share of par value of HK\$0.05 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\$0.04 on each of the issued shares such that the par value of each issued share was reduced from HK\$0.05 to HK\$0.01 (the “**Capital Reduction**”);
  - (iii) immediately following the Capital Reduction, each of the authorised but unissued shares of HK\$0.05 each are sub-divided into 5 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.

As a result of the Capital Reduction, a credit of approximately HK\$9,215,000 deducted from the share capital arose, of which HK\$1,223,000 was used to set off against the accumulated losses of the Company and the remaining HK\$7,992,000 was used to transfer to the account of Mr. Guo which is presented as obligation under share repurchase arrangement (see (a) above).

Details of the Capital Reorganisation were contained in the Company's announcement dated 23 March 2022 and the Company's circular dated 2 June 2022.

- (e) On 16 August 2022, the Company issued an aggregate of 691,115,793 new ordinary shares of HK\$0.01 each at a price of HK\$0.205 per share to independent parties for repayment of the Group's outstanding debts. Details of the right issue were contained in the Company's announcements dated 15 August 2022 and 27 September 2022 and the Company's circular dated 8 July 2022.

## 17. LITIGATIONS

### (a) Guo Jingsheng

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

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

As at the date of this announcement, the Company is liaising with Mr. Guo about the buy-back of the Shares and the remaining outstanding amount of borrowings of approximately HK\$9,600,000, which is included in accruals and other payables as at 31 December 2022 and 2021.

### (b) Everbright Centre

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Everbright Centre Company Limited ("**Everbright Centre**") (formerly known as Wing Siu Company Limited) as landlord and Super Dragon Management Limited ("**Super Dragon**"), a wholly-owned subsidiary of the Company, as tenant, and the Company as guarantor to Super Dragon, for a lease of premises for a term of three years from 15 December 2014 to 14 December 2017.

On 8 August 2016, Super Dragon and the Company received from Everbright Centre a writ of summons issued by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**High Court**") with an indorsement of claim against Super Dragon and the Company jointly for (i) vacant possession of the premises; (ii) the outstanding total amount of rent, management fees, interests and other charges of approximately HK\$3,886,000 as at 1 August 2016; (iii) rent, management fees and rates to the date of delivery of vacant possession of the Wanchai Property; (iv) damage for breach of the tenancy agreement to be assessed; (v) interest; (vi) costs; and (vii) further or other relief.

The Company vacated from the premises in the third quarter of 2017 and has settled part of the amount claimed above. During the year, the Company settled part of the amount approximately HK\$2,500,000. As at 31 December 2022, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK\$795,000 (2021: HK\$3,295,000) which is included in accruals and other payables.

**(c) Veda Capital Limited**

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

As at 31 December 2022, all accruals and other payables is fully settled.

**18. EVENTS AFTER THE REPORTING PERIOD**

**(i) Proposed share consolidation**

On the 10 March 2023, the directors of the Company resolved to propose a share consolidation on the basis that every five (5) issued and unissued existing Shares of HK\$0.01 each be consolidated into one (1) Consolidated Share of HK\$0.05 each in the view that the Shares had been traded at below HK\$0.10 in the past three months (based on the closing price per Share as quoted on the Stock Exchange). An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares. Details of the proposed share consolidation are set out in the Company's announcement dated 10 March 2023 and 17 March 2023.

**(ii) Acquisition of Jiangxi Jiulai Food Co., Ltd**

On 10 March 2022, the Group entered into a sale and purchase agreement with an independent third party to acquire 49% of the equity interest in Jiangxi Jiulai Food Co., Ltd (the "**Target Company**"), a company incorporated in the PRC with limited liability at a consideration of HK\$45,750,000 to be settled by way of HK\$15,250,000 by way of issue of shares in the Company and HK\$30,500,000 by way of the issue of convertible bonds in the Company. The Target Company is principally engaged in the food and beverage research and development, production, marketing, and sale of food and beverage products. The Target Company also provides soft beverage products processing services for other beverage companies. Details of the proposed acquisition are set out in the Company's announcement dated 10 March 2023 and 21 March 2023. As at the report date, the proposed acquisition is not yet completed.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

While people around the world speculated that the effect of the COVID-19 would gradually fade out in 2022, the Omicron variant of the coronavirus swept through the globe at the start of 2022 and brought massive waves of infections in different countries. Despite the fact that people recognized the endemic nature of the coronavirus and have conformed to “co-living with the virus”, the high death rate of the Omicron variant and the dynamic nature of the variants of the coronavirus have protracted the recovery pace of the global business environment.

### **FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2022 (the “Year”), the Group recorded turnover of approximately HK\$420.9 million (2021: HK\$323.7 million), representing an increase of approximately 23.1% as compared with last year.

The Group’s loss attributable to equity holders of the Company for the Year was approximately HK\$59.5 million (2021: HK\$226.8 million), representing a decrease of approximately HK\$167.3 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 increase in revenue attributable by the Chinese herbs related business, amounting to approximately HK\$127.9 million; and (ii) the decrease in share of loss of associates of the Group, amounting to approximately HK\$19.5 million, during the Year. Basic loss per share for the Year was HK cents 11.74 (2021: HK cents 115.48 (restated)).

### **BUSINESS AND OPERATIONAL REVIEW**

#### **Segmental Information Analysis**

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

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

## **Manufacturing and Trading of Toys and Gifts Items**

Turnover from toys and gifts business for the Year was approximately HK\$293.0 million (2021: HK\$264.3 million), representing an increase of approximately 9.8% comparing to last year. The increase in turnover was mainly attributable to the increase in revenue generated from the North America. The gross profit margin was decreased, which was 35.5% (2021: 29.3%) during the Year, showing the production and logistic cost was increased while the market of North America has recovered since the global outbreak of Coronavirus.

## **Exploration of Natural Resources**

The Group owns the minor interest of exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region (the “**Inner Mongolia**”), the PRC with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code.

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

In the opinion of the directors of the Company as at 31 December 2022, 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. Fair value of approximately HK\$3,435,000 was recognised for the year ended 31 December 2020 to fully write down the carry amount of the investment and no reversal of impairment for the years ended 31 December 2021 and 2022.

## **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 cooperation agreement with an independent third party has expired during the Year. The Multijoy Group is changing the use of land and developing a diversified ecological sightseeing farm business on the Forest Land.

The Group’s share of result of loss amounted to approximately HK\$5.8 million for the Year (2021: loss of HK\$7.5 million).

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

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

Impairment loss of investment in USO amounted to approximately HK\$Nil million for the Year. The Group’s share of result of loss amounted to approximately HK\$10.5 million for the Year (2021: profit of HK\$70.6 million).

**Leisure**

**(a) *Tea related business***

In the recent years, the competition in tea industries becomes more fierce as the traditional sales model is facing a keen competition from those online business platform. During the Year, Fujian Yuguo has continued 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.

The Group’s share of result of loss amounted to HK\$0.1 million (2021: loss of HK\$0.2 million) for the year.

**(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. Details of the updated case, please refer to the Company's announcement dated 14 March 2023.

The Group's share of result of loss amounted to HK\$2.9 million for the Year (2021: loss of HK\$10.2 million).

**(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.

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\$Nil (2021: HK\$31,000), representing a decrease of 100% comparing to last year.

**Chinese Herbs**

Hubei Jincaotang Pharmaceutical Co., Ltd. (湖北金草堂藥業有限公司), 51% equity interest of which was acquired by the Group in 2021, is principally engaged in the business of Chinese herbs and the decoction business in Mainland China. Turnover from the Chinese herbs related business for the Year was approximately HK\$127.9 million (2021: HK\$59.4 million).

**Geographical Information**

During the Year, the Group recorded revenue in North America (includes the USA and Canada) of approximately HK\$292 million as compared to approximately HK\$263 million last year and represented approximately 69.3% (2021: approximately 80.1%) of the Group's total revenue. Revenue in the PRC (including Hong Kong) amounted to approximately HK\$128.8 million for the Year as compared to approximately HK\$60.4 million last year and represented approximately 30.6% (2021: approximately 18.6%) 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\$47.1 million (2021: approximately HK\$34.4 million). The increase was mainly attributable by the Chinese herbs related business during the Year.

## **Administrative Expenses**

Administrative expenses for the Year increased by approximately 0.4% to approximately HK\$78.8 million as compared to approximately HK\$78.5 million in the previous year. The increase in administrative expenses was mainly attributable by Chinese herbs related business during the Year.

## **Finance Costs**

Finance costs for the Year increased by approximately 6.1% to approximately HK\$46.8 million as compared to approximately HK\$44.1 million in the previous year. The increase in finance costs was mainly attributable by the effective interest of convertible bonds 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 2022, the Group had bank and cash balances of approximately HK\$99.1 million (2021: HK\$201.1 million). The Group's bank and cash balances were mostly denominated in Hong Kong dollars, United States Dollars and Renminbi.

As at 31 December 2022, the Group's borrowings amounted to approximately HK\$109.7 million (2021: HK\$118.5 million). The Group's borrowings were mainly denominated in Hong Kong dollars, United States Dollars and Renminbi.

As at 31 December 2022, the Group's promissory notes amounted to approximately HK\$164.8 million (2021: HK\$250.6 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, borrowings, contingent consideration payables, amount due to an associate and convertible bonds less bank balances and cash) 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 2022 was 166.6% (2021: 245.5%).

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

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS**

There was no significant investment, material acquisition and disposal during the year.

## **IMPORTANT EVENTS AFTER THE END OF THE YEAR**

Subsequent to the end of the reporting period, the directors of the Company proposed to implement the Share Consolidation which would involve the following:

- (i) the Share Consolidation whereby every five (5) issued and unissued Existing Shares of par value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.05 each (any fraction in the issued share capital of the Company which may arise from the Share Consolidation will be cancelled);

Subject to the Share Consolidation having become effective, the directors of the Company also proposed to acquire 49% equity interest in target company involving issue of the convertible bonds and consideration shares under specific mandate.

Details of the above proposed Share Consolidation and proposed major transaction acquisition are set out in the Company's announcement dated 10 March 2023.

### **(ii) Acquisition of Jiangxi Jiuai Food Co., Ltd**

On 10 March 2022, the Group entered into a sale and purchase agreement with an independent third party to acquire 49% of the equity interest in Jiangxi Jiuai Food Co., Ltd (the "**Target Company**"), a company incorporated in the PRC with limited liability at a consideration of HK\$45,750,000 to be settled by way of HK\$15,250,000 by way of issue of shares in the Company and HK\$30,500,000 by way of the issue of convertible bonds in the Company. The Target Company is principally engaged in the food and beverage research and development, production, marketing, and sale of food and beverage products. The Target Company also provides soft beverage products processing services for other beverage companies. Details of the proposed acquisition are set out in the Company's announcement dated 10 March 2023 and 21 March 2023. As at reporting date, the proposed acquisition is not yet completed.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 31 December 2022 and 2021.

## **CAPITAL COMMITMENT**

As at 31 December 2022 and 2021, the Group had no significant capital commitment.

## **DIVIDEND**

The Directors do not recommend any payment of final dividend for the years ended 31 December 2022 and 2021.

## **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 years ended 31 December 2022 and 2021.

## **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**

On 27 June 2022, 921,487,727 issued ordinary shares had been cancelled under Share Consolidation and Capital Reduction and Capital Subdivision becoming effective at the same date, based on the result of the special general meeting held on 23 June 2022.

On 16 August 2022, 15,898,476 Right Shares were allotted and issued to the qualifying Shareholders whose acceptance being received by way of the Rights Issue at the Subscription Price of HK\$0.205 per Rights Share, based on the result of the special general meeting held on 23 June 2022.

On 16 August 2022, 675,217,317 Rights Shares were allotted and issued to the Placees at the Subscription Price of HK\$0.205 per Subscription Share pursuant to the terms of the Placing Agreement dated 29 July 2022.

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

As at 31 December 2022, the capital structure of the Company was constituted of 921,487,724 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 2022, no share option was remained outstanding (2021: 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 2022, the Group had a total of 399 employees (2021: 386 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a yearly basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

## **SCOPE OF WORK**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's auditors, KTC Partners CPA Limited, to the amounts as set out in the Group's consolidated financial statements for year ended 31 December 2022. The work performed by KTC Partners CPA Limited 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 Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC Partners CPA Limited on the preliminary announcement.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2022. The report includes paragraphs of an emphasis of matter, without qualification.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **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\$38,501,000 for the year ended 31 December 2022 and was in net current liability position of approximately HK\$80,226,000 as at 31 December 2022. 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.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to ensuring high standards of corporate governance. During the Year, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules, except for the deviation from code provisions A.6.7 of the Corporate Governance Code as described below.

### **Code Provision A.6.7**

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Directors, Mr. Cheng Ho On, Mr. Kong Chun Wing, Mr. Lai Chi Yin Samuel, Ms. Chen Yuxin and Mr. Wang Xiao Ning, had other important engagements at the same time and did not attend the annual general meeting of the Company held on 23 June 2022.

## **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 2022.

## **AUDIT COMMITTEE**

The audit committee assists the Board in meeting its responsibilities for ensuring effect systems of financial reporting process, risk management, internal control and compliance, and in meeting its external financial reporting objectives. The audit committee of the Company comprises Mr. Kong Chun Wing and Mr. Wang Xiao Ning, 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 2022.

## **PUBLICATION OF RESULTS**

This announcement of results of the Company has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kh381.com](http://www.kh381.com)). The annual report of the Company for the year ended 31 December 2022 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 2023

*As at the date of this announcement, the Board comprises three executive Directors, Mr. Zhang Qijun, Mr. Liu Mingqing and Ms. Lai Yee Man and three independent non-executive Directors, Mr. Kong Chun Wing, Mr. Wang Xiao Ning and Ms. Chen Yuxin.*

\* *For identification purposes only*