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## **Kiu Hung International Holdings Limited**

### **僑雄國際控股有限公司**

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

**(Stock Code: 00381)**

## **ANNOUNCEMENT OF 2023 INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Kiu Hung International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries and associated companies (the “**Group**”) for the six months ended 30 June 2023.

### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	4	<b>152,924</b>	193,988
Cost of sales		<b>(81,664)</b>	(133,365)
<b>Gross profit</b>		<b>71,260</b>	60,623
Other income		<b>135</b>	869
Other gains, net		<b>879</b>	4,766
Selling and distribution costs		<b>(16,784)</b>	(17,810)
Administrative expenses		<b>(34,162)</b>	(36,872)
Finance costs		<b>(1,186)</b>	(22,780)
Share of results of associates		<b>5,893</b>	(504)
Gain on extinguishment of financial liabilities by issue of ordinary shares	12	<b>29,728</b>	–
<b>Profit/(loss) before income tax</b>		<b>55,763</b>	(11,708)
Income tax expense	5	<b>(4,503)</b>	(2,275)
<b>Profit/(loss) for the period</b>	6	<b>51,260</b>	(13,983)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Profit/(loss) attributable to:</b>		
— owners of the Company	<b>36,415</b>	(23,468)
— non-controlling interests	<b>14,845</b>	9,485
	<u><b>51,260</b></u>	<u>(13,983)</u>
	<b><i>HK cents</i></b>	(Restated) <i>HK cents</i>
<b>Earnings/(loss) per share attributable to the owners of the Company</b>		
	<b>8</b>	
— Basic	<b>19.61</b>	(50.94)
— Diluted	<b>19.61</b>	(50.94)
	<u><b>19.61</b></u>	<u>(50.94)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b> <i>HK\$'000</i>	<b>(Unaudited)</b> <i>HK\$'000</i>
<b>Profit/(loss) for the period</b>	<b>51,260</b>	(13,983)
<b>Other comprehensive loss:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference arising from translation of foreign operations	<u>(16,140)</u>	<u>(14,333)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u>(16,140)</u>	<u>(14,333)</u>
<b>Total comprehensive income/(loss) for the period</b>	<u><b>35,120</b></u>	<u>(28,316)</u>
<b>Total comprehensive income/(loss) attributable to:</b>		
— owners of the Company	<b>19,399</b>	(40,978)
— non-controlling interests	<u><b>15,721</b></u>	<u>12,662</u>
	<u><b>35,120</b></u>	<u>(28,316)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June</b> <b>2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i> (Restated)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	92,443	93,934
Right-of-use assets		3,702	4,100
Investment properties		13,304	13,686
Goodwill		50,113	54,802
Other intangible assets		7,121	8,784
Investment in associates		318,240	310,336
Prepayments, deposits and other receivables		101	106
Deferred income tax assets		883	881
		485,907	486,629
		485,907	486,629
<b>Current assets</b>			
Inventories		95,772	74,256
Biological assets		4,968	5,198
Trade and bills receivables	10	80,259	57,329
Prepayments, deposits and other receivables		170,087	157,469
Income tax recoverable		449	–
Bank balances and cash		65,440	99,058
		416,975	393,310
		416,975	393,310
<b>Current liabilities</b>			
Trade payables	11	26,582	15,037
Accruals and other payables		122,189	159,764
Income tax payable		–	1,548
Promissory notes		79,629	72,820
Lease liabilities		2,465	1,338
Borrowings		108,742	101,794
Contingent consideration payables		–	29,058
Amount due to an associate		8	177
		339,615	381,536
		339,615	381,536
<b>Net current assets</b>		77,360	11,774
<b>Total assets less current liabilities</b>		563,267	498,403

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(Continued)**

		As at <b>30 June</b> <b>2023</b> <b>(Unaudited)</b> <i>Notes</i> <b>HK\$'000</b>	As at 31 December 2022 (Audited) <i>HK\$'000</i> (Restated)
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,096</b>	2,602
Borrowings		<b>8,717</b>	7,949
Deferred income tax liabilities		<b>19,683</b>	19,631
Convertible bonds		<b>120,271</b>	91,213
		<u><b>149,767</b></u>	<u>121,395</u>
<b>Net assets</b>		<u><b>413,500</b></u>	<u>377,008</u>
<b>Equity</b>			
Share capital	12	<b>9,667</b>	9,206
Reserves		<b>288,838</b>	268,528
		<u><b>298,505</b></u>	<u>277,734</u>
<b>Equity attributable to owners of the Company</b>		<u><b>114,995</b></u>	<u>99,274</u>
Non-controlling interests			
<b>Total equity</b>		<u><b>413,500</b></u>	<u>377,008</u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the Companies Act 1981 of the Bermuda. The address of its registered office is 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, Wan Chai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group is principally engaged in (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 potential businesses including fruit plantation, leisure and culture.

These unaudited condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars ("**HK\$**"), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved for issue by the Board on 31 August 2023.

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### Prior period adjustment

In preparing the condensed consolidated financial statements for the six months ended 30 June 2023, the Group identified prior period error resulting from the cancellation of promissory notes due to Unicorn Sino Limited of approximately HK\$92,000,000 which was included in current liabilities in the previously issued consolidated financial statements for the year ended 31 December 2022. The error was arising from the time-barred of the 6-year limitation which commenced on the 30 December 2016, date of rescission, (details of the rescission is set out in the announcement of the Company dated 30 December 2016) and the date of expiration of any claims which would have been on the 29 December 2022. Consequently, the amounts presented in the Group's consolidated financial statements in respect of the year ended 31 December 2022 have been restated to correct the error identified.

Summaries of the effect of the restatement due to correction of prior year error as explained above, on the Group's consolidated financial statements for the year ended 31 December 2022 are as follows:

- (i) There was no effect from the restatement on the Group's condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for the six months ended 30 June 2022;

- (ii) Effect of restatements on the Group's consolidated statement of financial position as at 31 December 2022:

	<b>As previously reported</b> <i>HK\$'000</i>	<b>Prior period adjustment</b> <i>HK\$'000</i>	<b>As restated</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	93,934	–	93,934
Right-of-use assets	4,100	–	4,100
Investment properties	13,686	–	13,686
Goodwill	54,802	–	54,802
Other intangible assets	8,784	–	8,784
Investment in associates	310,336	–	310,336
Prepayments, deposits and other receivables	106	–	106
Deferred income tax assets	881	–	881
	<u>486,629</u>	<u>–</u>	<u>486,629</u>
<b>Current assets</b>			
Inventories	74,256	–	74,256
Biological assets	5,198	–	5,198
Trade and bills receivables	57,329	–	57,329
Prepayments, deposits and other receivables	157,469	–	157,469
Bank balances and cash	99,058	–	99,058
	<u>393,310</u>	<u>–</u>	<u>393,310</u>
<b>Current liabilities</b>			
Trade payables	15,037	–	15,037
Accruals and other payables	159,764	–	159,764
Income tax payable	1,548	–	1,548
Promissory notes	164,820	(92,000)	72,820
Lease liabilities	1,338	–	1,338
Borrowings	101,794	–	101,794
Contingent consideration payables	29,058	–	29,058
Amount due to an associate	177	–	177
	<u>473,536</u>	<u>(92,000)</u>	<u>381,536</u>

	As previously reported <i>HK\$'000</i>	Prior period adjustment <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>Net current (liabilities)/assets</b>	(80,226)	92,000	11,774
<b>Total assets less current liabilities</b>	406,403	92,000	498,403
<b>Non-current liabilities</b>			
Lease liabilities	2,602	–	2,602
Borrowings	7,949	–	7,949
Deferred income tax liabilities	19,631	–	19,631
Convertible bonds	91,213	–	91,213
	121,395	–	121,395
<b>Net assets</b>	285,008	92,000	377,008
<b>Equity</b>			
Share capital	9,206	–	9,206
Reserves	176,528	92,000	268,528
<b>Equity attributable to owners of the Company</b>	185,734	92,000	277,734
Non-controlling interests	99,274	–	99,274
<b>Total equity</b>	285,008	92,000	377,008

### **Basis of Preparation**

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those set out in the annual report for the year ended 31 December 2022.

## Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

### 4 SEGMENT INFORMATION

The Group has six reportable segments as follows:

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

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

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

**(a) The segment results for the six months ended 30 June 2023 and 2022:**

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Total	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)												
Amounts included in the measure of segment profit or loss														
Six months ended 30 June														
Revenue from external customers	-	-	90,982	137,112	-	-	-	-	-	23	61,942	56,853	152,924	193,988
Segment profit/(loss)	-	-	84	9,421	6,596	-	(706)	(506)	-	(503)	27,141	10,974	33,115	19,386
Unallocated amount:														
Corporate finance costs													-	(20,639)
Gain on extinguishment of financial liabilities by issue of ordinary shares													29,728	-
Other corporate income and expenses													(11,583)	(12,730)
Profit/(loss) for the period													51,260	(13,983)

**Notes:**

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

**(b) Segment assets:**

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Total	
	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)												
Segment assets	12	13	220,347	220,795	201,163	200,803	209,252	206,140	3,367	3,522	255,356	233,144	889,497	864,417
Unallocated corporate assets														
Bank and cash balances													19	66
Prepayments, deposits and other receivables													13,366	15,456
Total assets													902,882	879,939

**(c) Segment liabilities:**

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Total	
	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)												
Segment liabilities	(89)	(94)	(166,043)	(165,717)	(4,134)	(4,135)	(14,422)	(15,087)	(4,140)	(4,332)	(12,857)	(9,338)	(201,685)	(198,703)
Unallocated corporate liabilities														
Borrowings													(9,946)	(2,914)
Accruals and other payables													(77,851)	(108,223)
Promissory notes													(79,629)	(72,820)
Contingent consideration payables													-	(29,058)
Convertible bonds													(120,271)	(91,213)
Total liabilities													(489,382)	(502,931)

## 5 INCOME TAX EXPENSE

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.

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current tax — Overseas	<u>4,297</u>	<u>4,774</u>
Deferred income tax	<u>206</u>	<u>(2,499)</u>
Income tax expense	<u><u>4,503</u></u>	<u><u>2,275</u></u>

## 6 PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period is arrived after charging the following:

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Amortisation of intangible assets	1,756	15,049
Depreciation of property, plant and equipment	439	3,157
Depreciation on right-of-use assets	351	351
Staff costs (including directors' remuneration):		
— Salaries, bonus and allowance	20,832	21,372
— Retirement benefits scheme contributions	847	1,349
Legal and professional fees	2,190	5,101
Interest expenses on borrowings wholly repayable within 5 years	<u>1,186</u>	<u>21,119</u>

## 7 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2022: Nil).

## 8 EARNINGS/(LOSS) PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit/(loss)</b>		
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share	<u><b>36,415</b></u>	<u>(23,468)</u>
	<b>'000</b>	<b>'000</b> (restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	<u><b>185,731</b></u>	<u>46,074</u>
<b>Profit/(loss) per share</b>		
Basic earnings/(loss) per share ( <i>HK cents</i> )	<u><b>19.61</b></u>	<u>(50.94)</u>

*Note:* The weighted average number of ordinary shares in issue and basic earnings per share were stated after taking into account the effect of the share consolidation in 29 April 2023, every 5 ordinary shares of par value HK\$0.1 each being consolidated into 1 share of par value HK\$0.5 comparative figures have been retrospectively adjusted on the assumption that the above share consolidation had been effective in prior year.

### **Diluted earnings/(loss) per share**

For the six months ended 30 June 2023, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds because the convertible price of those bonds was higher than the market price for the shares.

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

## 9 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK\$4,000 (2022: HK\$11,000).

## 10 TRADE AND BILLS RECEIVABLES

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Trade receivables — contract with customers	86,585	60,921
Less: Allowance for credit losses	<u>(10,260)</u>	<u>(10,700)</u>
Trade receivables, net	76,325	50,221
Bills receivables	<u>3,934</u>	<u>7,108</u>
	<u><u>80,259</u></u>	<u><u>57,329</u></u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At 30 June 2023 and 31 December 2022, the aging analysis of trade receivables, based on invoice date, net of allowance, are as follows:

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Within 30 days	45,673	31,688
31 days to 90 days	25,291	15,013
91 days to 180 days	5,011	3,158
181 days to 360 days	<u>350</u>	<u>362</u>
	<u><u>76,325</u></u>	<u><u>50,221</u></u>

## 11 TRADE PAYABLES

At 30 June 2023 and 31 December 2022, the aging analysis of trade payables, based on invoice date, are as follows:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Within 30 days	19,860	10,753
31 days to 90 days	5,375	2,912
91 days to 180 days	1,298	729
181 days to 360 days	49	12
Over 360 days	–	631
	<u>26,582</u>	<u>15,037</u>

## 12 SHARE CAPITAL

	Number of shares		Ordinary share capital	
	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Ordinary shares of HK\$0.05 each (31 December 2022: HK\$0.01 each)				
<b>Authorised:</b>				
At beginning of period/year	198,605,703,709	198,605,703,709	1,986,056	1,986,056
Share consolidation ( <i>Note c</i> )	<u>(158,884,563,094)</u>	<u>–</u>	<u>–</u>	<u>–</u>
At end of period/year	<u>39,721,140,615</u>	<u>198,605,703,709</u>	<u>1,986,056</u>	<u>1,986,056</u>
<b>Issued and fully paid:</b>				
At beginning of period/year	921,487,724	1,151,859,658	9,214	11,518
Issued in shares				
— capital reorganisation ( <i>Note b</i> )	–	(921,487,727)	–	(9,215)
— share consolidation ( <i>Note c</i> )	(737,190,180)	–	–	–
— loan capitalisation ( <i>Note d</i> )	9,210,000	–	461	–
— shares issued in placing arrangement	<u>–</u>	<u>691,115,793</u>	<u>–</u>	<u>6,911</u>
At end of period/year	<u>193,507,544</u>	<u>921,487,724</u>	<u>9,675</u>	<u>9,214</u>

	Number of shares		Ordinary share capital	
	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
<b>Classified as:</b>				
Share capital	193,347,544	920,687,724	9,667	9,206
Obligation under share repurchase arrangement (Note a)	160,000	800,000	8	8
	<u>193,507,544</u>	<u>921,487,724</u>	<u>9,675</u>	<u>9,214</u>

Note:

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

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

On 27 June 2022, the Company completed the share consolidation, refer to note (b), as a result of the share consolidation, total number of ordinary shares due to Mr, Guo was adjusted from 4,000,000 ordinary shares to 800,000 ordinary shares. Also, total amount of ordinary shares due to the Mr, Guo was adjusted from HK\$40,000 to HK\$8,000 effect by the capital reduction.

On 28 April 2023, the Company completed the share consolidation, refer to note (c), as a result of the share consolidation, total number of ordinary shares due to Mr, Guo was adjusted from 800,000 ordinary shares to 160,000 ordinary shares to reflect the share consolidation.

- (b) On 27 June 2022, the Company implemented capital reorganisation (the “**Capital Reorganisation**”), which involved the following:
- (i) every five (5) issued and unissued Existing Shares of par value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.05 each (the “**Share Consolidation**”);
  - (ii) following the Share Consolidation, the issued share capital of the Company will be reduced by (a) rounding down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a consolidated share in the issued share capital of the Company; and (b) cancelling the paid-up share capital to the extent of HK\$0.04 on each issued consolidated share such that the par value of each issued Consolidated Share will be reduced from HK\$0.05 to HK\$0.01 (the “**Capital Reduction**”);

- (iii) immediately following the Capital Reduction becoming effective, each of the authorised but unissued consolidated shares of par value of HK\$0.05 each in the authorised share capital of the Company will be subdivided into five (5) authorised but unissued adjusted shares of par value of HK\$0.01 each;
- (iv) the credit transfer whereby the credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act; and
- (v) the amount standing to the credit of the contributed surplus account be applied in full to set off the accumulated losses of the Company or be applied in any other manner as may be permitted under the Bye-Laws and all applicable laws of Bermuda.

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

- (c) On 28 April 2023, pursuant to the special resolution passed and effective on the same date, the Company implemented the share consolidation on the basis that every five (5) issued and unissued Existing Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.05 each (the “**Share Consolidation 2023**”). Details of the Share Consolidation 2023 is disclosed in the announcements of the Company dated 6 April 2023 and 28 April 2023.
- (d) On 23 June 2023, the Company issued and allotted 9,210,000 ordinary shares to a creditor in settlement of the amount due to her of approximately HK\$31,100,000. Details of the loan capitalisation is disclosed in the announcements of the Company dated 9 June 2023 and 23 June 2023.

### 13 RELATED PARTY TRANSACTIONS

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$’000</b>	<b>HK\$’000</b>
Product development, sales & marketing, and other services fee paid to a related company	(a)	<u><b>2,539</b></u>	<u>2,589</u>

*Note:*

- (a) The sole owner of the related company is also the director and beneficial owner of 49% (2022: 49%) equity interest in the Company’s subsidiary paying for the services.

### 14 CAPITAL COMMITMENTS

The Group had no material capital commitments at the end of the reporting period (2022: Nil).

### 15 CONTINGENT LIABILITIES

The Group had no material contingent liability at the end of the reporting period (2022: Nil).

## 16 LITIGATIONS

### (a) Guo Jingsheng

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

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

As at the date of this report, the Company is liaising with Mr. Guo about the buy-back of the Shares and the outstanding amount of borrowings of approximately HK\$9,600,000, which is included in accruals and other payables as at 30 June 2023.

### (b) Everbright Centre

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

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

The Company vacated from the premises in the third quarter of 2017 and has settled part of the amount claimed above. As at 30 June 2023, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK\$1,190,000 which is included in accruals and other payables.

## 17 EVENTS AFTER THE REPORTING PERIOD

### (i) 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, 21 March 2023, 28 April 2023 and 30 June 2023. As at the report date, the proposed acquisition is not yet completed.

### (ii) Placement of convertible bonds

On 29 August 2023, the Company entered into a placing agreement with the placing agent, pursuant to which the placing agent has conditionally agreed to procure, on a best effort basis, not less than six places to subscribe for convertible bonds in the Company in an aggregate principal amount of up to HK\$45,000,000 at the conversion price of HK\$0.15 per share. Details of the placing of convertible bonds are set out in the announcement of the Company dated 29 August 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Kiu Hung International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries and associated companies (the “**Group**”) for the six months ended 30 June 2023.

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023 (the “**Period**”), the Group recorded turnover of approximately HK\$152.9 million (2022: HK\$193.9 million), representing a decrease of approximately 28% as compared with the same period last year. The Group’s profit attributable to equity holders of the Company for the Period was approximately HK\$36.4 million (2022: loss HK\$23.5 million). The increase in profit attributable to equity holders of the Company for the Period was mainly attributable to an increase of gross profit by approximately HK\$10.6 million arising from the decrease of cost from toy and gift products and Chinese herbs. Basic earnings per share for the Period was 19.61 HK cents (2022: loss per share 50.94 HK cents, restated). The Board has resolved not to pay any interim dividend for the Period (2022: Nil).

## **BUSINESS AND OPERATIONAL REVIEW**

### **Segmental Information Analysis**

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

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

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

Turnover from toys and gifts business for the Period was approximately HK\$91.0 million (2022: HK\$137.1 million). Gross profit ratio for the Period was 40.1% (2022: 31.3%). The increase in gross profit ratio was mainly due to a decrease in the material costs during the Period. The segment profit of the manufacturing and trading of toys and gifts items was approximately HK\$0.08 million (2022: HK\$9.4 million).

### **Exploration of Natural Resources**

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

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

In the opinion of the directors of the Company as at 30 June 2023, the Investment Group is still unable to generate cash flows to the Group due to the absence of the mining rights of coal mines concerned. Hence, fair value of approximately HK\$3,435,000 was recognised to fully write down the carry amount of the investment in the year ended 31 December 2020.

## **Fruit Plantation**

### *(a) Multijoy Group*

Multijoy Developments Limited, 40% equity interest of which was acquired by the Group, together with its subsidiaries (the “**Multijoy Group**”) is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the “**Forest Land**”).

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

USO entered into a development cooperation agreement with Plantation Construction & Development Co Ltd. (the “**Development Company**”), pursuant to which USO and the Development Company will jointly develop the leased properties. The management expected that the leased properties will be mainly developed for commercial purposes such as residential properties and hotels, residential villas, high-end hotel and casino, and ancillary public amenities. Under the impact of COVID-19 pandemic, the begin construction date of the luxury hotel and casino, as well as the first 100 residential villas is delayed, and expected to be taken place in January 2024. The management of the Group is assessing the operational and financial impacts of the proposed arrangements to the Group.

## **Leisure**

### *(a) Tea related business*

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

### *(b) Wine related business*

Wine culture forms an important part and has a long history in the Chinese culture. In view of the increase in the living standard of the Chinese people in the recent years, the Group is optimistic about the future growth in the wine industry and has intention to invest in the wine business, especially for the yellow wine products. Since the end of 2016, the Group has invested in the yellow base wine.

As stated in the Company's announcement dated 18 March 2020, the acquisition of 20% equity interest in Anhui Fu Lao was completed on 31 May 2018. However, due to the lack of cooperation from the administrator of the deceased vendor of Anhui Fu Lao (the "**Administrator**"), the transfer procedures of 20% equity to the Group remains incomplete. Based on the legal opinion, the directors of the Company believe that the Group could obtain a court order to enforce the transfer of 20% equity from the Administrator to the Group. Details of the updated case, please refer to the Company's announcement dated 14 March 2023.

*(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.

The promissory note was extinguished in the year ended 31 December 2022 due to the six years time barred limitation.

## **Culture**

Turnover from culture business for the Period was Nil (2022: Nil).

## **Chinese herbs**

Hubei Jincaotang Pharmaceutical Co., Ltd. (湖北金草堂藥業有限公司), 51% equity interest of which was acquired by the Group, is principally engaged in the business of Chinese herbs and the decoction business in Mainland China. Turnover from the Chinese herbs related business for the Period was approximately HK\$61.9 million (2022: HK\$56.9 million).

## **Selling and Distribution Costs**

The amount of selling and distribution costs for the Period decreased by approximately 5.8% to approximately HK\$16.8 million as compared to approximately HK\$17.8 million in the same period last year. The decrease was mainly attributable by the Chinese herbs business.

## **Liquidity and Financial Resources**

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in the PRC. As at 30 June 2023, the Group had bank and cash balances of approximately HK\$65.4 million (31 December 2022: approximately HK\$99.1 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2023, the Group's borrowings amounted to approximately HK\$117.5 million (31 December 2022: approximately HK\$109.7 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 June 2023, the Group's promissory notes amounted to approximately HK\$79.6 million (31 December 2022: approximately HK\$72.8 million, restated) in aggregate. The Group's promissory notes were denominated in Hong Kong dollars.

The Group monitors capital using a gearing ratio, which is the Group's net debt (comprising trade payables, accruals and other payables, income tax payable, promissory notes, lease liabilities, borrowings, contingent consideration payables and convertible bonds less bank and cash balances) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 30 June 2023 was 97.8% (31 December 2022: 101.5%, restated).

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

As at 30 June 2023, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$57.6 million (31 December 2022: approximately HK\$57.6 million), were pledged to secure other loan granted to the Group.

As at 30 June 2023, the Group had no significant capital commitments (31 December 2022: Nil).

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

## **BUSINESS PROSPECTS AND FUTURE PLAN FOR MATERIAL INVESTMENTS**

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

## **CAPITAL STRUCTURE**

During the Period, the Company implemented share consolidation, details of which are set out in Note 12(c).

As at 30 June 2023, the capital structure of the Company was constituted of 193,507,544 ordinary shares of HK\$0.05 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the share options and the convertible bonds to subscribe for the Company's shares.

At 30 June 2023, the Group has no share options remained outstanding (31 December 2022: Nil). The share option scheme of the Company with a scheme life of ten years and approved by the shareholders of the Company on 31 May 2013, will expire on 30 May 2023.

## **EMPLOYMENT, TRAINING AND DEVELOPMENT**

As at 30 June 2023, the Group had a total of 399 employees (31 December 2022: 399 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

## **CORPORATE GOVERNANCE PRACTICES**

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

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

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Directors, Mr. Kong Chun Wing and Mr. Wang Xiao Ning had other important engagements at the same time and did not attend the annual general meeting of the Company held on 15 June 2023.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of the Directors of the Company, all Directors confirmed that they had complied with the required standards as set out in the Model Code during the Period.

## **AUDIT COMMITTEE**

The audit committee assists the Board in meeting its responsibilities for ensuring effect systems of financial reporting process, risk management, internal control and compliance, and in meeting its external financial reporting objectives. The audit committee of the Company comprises Ms. Wei Yu, Mr. Wang Xiao Ning and Ms. Chen Yuxin, the independent non-executive Directors of the Company. The audit committee members have reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Group for the six months ended 30 June 2023.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s securities.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement of 2023 interim 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 2023 interim report of the Company will be dispatched to the Company’s shareholders and published on the same websites in due course.

## **APPRECIATION**

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

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

Hong Kong, 31 August 2023

*As at the date of this announcement, the Board comprises two executive Directors, Mr. Zhang Qijun and Mr. Liu Mingqing and three independent non-executive Directors, Ms. Wei Yu, Mr. Wang Xiao Ning and Ms. Chen Yuxin.*