

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2023**

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 2023 together with the comparative figures for the corresponding period in 2022 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	4	<b>383,923</b>	420,904
Cost of sales		<u>(218,116)</u>	<u>(263,884)</u>
Gross profit		<b>165,807</b>	157,020
Other income	6	<b>8,458</b>	1,244
Other gains/(loss), net	6	<b>8,975</b>	4,856
Selling and distribution costs		<b>(37,346)</b>	(47,081)
Administrative expenses		<b>(86,381)</b>	(78,805)
Finance costs		<b>(27,068)</b>	(46,812)
Impairment loss under expected credit loss model, net		<b>(27,454)</b>	(355)
Impairment of investment in associates		<b>(34,314)</b>	–
Gain on extinguishment of financial liabilities by issue of ordinary shares	16(e)	<b>28,355</b>	–
Cancellation of promissory notes	15(a)	<b>92,000</b>	–
Share of results of associates		<u><b>(21,958)</b></u>	<u>(19,460)</u>
Profit/(loss) before income tax		<b>69,074</b>	(29,393)
Income tax expense	7	<u><b>(3,373)</b></u>	<u>(9,108)</u>
<b>Profit/(loss) for the year</b>	8	<u><b>65,701</b></u>	<u>(38,501)</u>
<b>Profit/(loss) attributable to:</b>			
— owners of the Company		<b>37,213</b>	(59,521)
— non-controlling interests		<u><b>28,488</b></u>	<u>21,020</u>
		<u><b>65,701</b></u>	<u>(38,501)</u>
<b>Earnings/(loss) per share attributable to the owners of the Company</b>		<b>HK cents</b>	<b>HK cents</b> (Restated)
Basic and diluted earnings/(loss) per share	10	<u><b>19.53</b></u>	<u>(58.72)</u>

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

*For the year ended 31 December 2023*

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss) for the year	<u>65,701</u>	<u>(38,501)</u>
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Surplus on revaluation of properties	<b>8,258</b>	11,760
Deferred tax effect on revaluation of properties	<b>(1,363)</b>	(1,940)
<i>Items that may be reclassified to profit or loss:</i>		
Exchange difference arising from translation of foreign operations	<b>(13,070)</b>	(7,662)
Share of exchange translation difference of associates	<b>(7,095)</b>	<u>(22,319)</u>
Other comprehensive loss for the year, net of tax	<u><b>(13,270)</b></u>	<u>(20,161)</u>
Total comprehensive income/(loss) for the year	<u><b>52,431</b></u>	<u>(58,662)</u>
<b>Total comprehensive income/(loss) attributable to:</b>		
— owners of the Company	<b>25,729</b>	(80,869)
— non-controlling interests	<b>26,702</b>	<u>22,207</u>
	<u><b>52,431</b></u>	<u>(58,662)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>107,820</b>	93,934
Right-of-use assets		<b>29,256</b>	4,100
Investment properties		<b>12,450</b>	13,686
Goodwill		<b>50,940</b>	54,802
Other intangible assets		<b>5,795</b>	8,784
Investments in associates		<b>246,969</b>	310,336
Prepayments, deposits and other receivables	<i>12</i>	–	106
Deferred income tax assets		<b>1,589</b>	881
		<hr/> <b>454,819</b>	<hr/> 486,629
<b>Current assets</b>			
Inventories		<b>87,910</b>	74,256
Biological assets		<b>5,051</b>	5,198
Trade and bills receivables	<i>11</i>	<b>57,229</b>	57,329
Prepayments, deposits and other receivables	<i>12</i>	<b>53,369</b>	157,469
Tax recoverable		<b>36</b>	–
Bank balances and cash		<b>111,867</b>	99,058
		<hr/> <b>315,462</b>	<hr/> 393,310
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>22,115</b>	15,037
Accruals and other payables	<i>14</i>	<b>117,517</b>	159,764
Income tax payable		<b>2,577</b>	1,548
Promissory notes	<i>15</i>	–	164,820
Lease liabilities		<b>723</b>	1,338
Borrowings		<b>134,245</b>	101,794
Contingent consideration payables		–	29,058
Amount due to an associate		<b>172</b>	177
		<hr/> <b>277,349</b>	<hr/> 473,536
<b>Net current assets/(liabilities)</b>		<hr/> <b>38,113</b>	<hr/> (80,226)
<b>Total assets less current liabilities</b>		<hr/> <b>492,932</b>	<hr/> 406,403

		<b>2023</b>	2022
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,846</b>	2,602
Borrowings		<b>7,572</b>	7,949
Deferred income tax liabilities		<b>12,927</b>	19,631
Convertible bonds		<b>130,611</b>	91,213
		<u><b>152,956</b></u>	<u>121,395</u>
<b>Net assets</b>		<u><b>339,976</b></u>	<u>285,008</u>
<b>Equity</b>			
Share capital	<i>16</i>	<b>9,667</b>	9,206
Reserves		<b>204,541</b>	176,528
		<u><b>214,208</b></u>	<u>185,734</u>
<b>Equity attributable to owners of the Company</b>		<u><b>214,208</b></u>	<u>185,734</u>
Non-controlling interests		<b>125,768</b>	99,274
		<u><b>339,976</b></u>	<u>285,008</u>
<b>Total equity</b>		<u><b>339,976</b></u>	<u>285,008</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

### 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.

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 consolidated 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.

### 2. BASIS OF PREPARATION

#### **Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

#### **New and amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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 HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the 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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

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 HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)***

The 2020 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:

- 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*.
- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 31 December 2023, including convertible bonds, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders/convertible instrument holders, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group’s liabilities.

#### 4. REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of toys and gifts items	262,377	293,042
Sales of Chinese herbs products	<u>121,546</u>	<u>127,862</u>
	<u><b>383,923</b></u>	<u><b>420,904</b></u>
<b>By revenue source</b>		
<i>Manufacturing of goods items</i>		
— Toys and gifts items	135,940	141,882
— Chinese herbs products	<u>121,546</u>	<u>127,862</u>
<i>Trading of goods items</i>		
— Toys and gift items	<u>126,437</u>	<u>151,160</u>
	<u><b>383,923</b></u>	<u><b>420,904</b></u>
Timing of revenue recognition		
At point in time	<u><b>383,923</b></u>	<u><b>420,904</b></u>

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

Revenue from (1) sales of toys and gifts items and (2) 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 and 120 days for sales of toys and gifts 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 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 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 2023 and 2022, 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
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

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, fair value gain on convertible bonds — derivative component, gain on extinguishment of financial liabilities by issue of shares, cancellation of promissory notes, 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, promissory notes and convertible bonds.

### (a) The segment results for the year ended 31 December 2023 and 2022:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss														
Year ended 31 December														
Revenue from external customers	-	-	262,377	293,042	-	-	-	-	-	-	121,546	127,862	383,923	420,904
Segment (loss)/profit	(11)	(50)	5,537	21,165	(31,786)	(16,378)	(45,383)	(18,242)	590	-	50,182	36,833	(20,871)	23,328
Unallocated amount:														
Corporate finance costs													(25,417)	(45,840)
Fair value gain on convertible bonds — derivative component													112	168
Gain on extinguishment of financial liabilities by issue of shares													28,355	-
Cancellation of promissory notes													92,000	-
Other corporate income and expenses													(13,483)	(28,428)
Fair value change on contingent consideration payables													5,005	12,271
Profit/(loss) for the year													<u>65,701</u>	<u>(38,501)</u>

*Note:*

(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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December														
Segment assets	2	13	234,889	220,795	162,044	200,803	95,909	206,140	-	3,522	277,029	233,144	769,873	864,417
Unallocated corporate assets														
Bank balances and cash													72	66
Prepayments, deposits and other receivables													336	15,456
Total assets													<u>770,281</u>	<u>879,939</u>

**(c) Segment liabilities:**

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December														
Segment liabilities	(91)	(94)	(175,461)	(165,717)	(1,005)	(4,135)	(14,809)	(15,087)	-	(4,332)	(8,936)	(9,338)	(200,302)	(198,703)
Unallocated corporate liabilities														
Borrowings													(50,046)	(2,914)
Accruals and other payables													(49,346)	(108,223)
Promissory notes													-	(164,820)
Contingent consideration payables													-	(29,058)
Convertible bonds													(130,611)	(91,213)
Total liabilities													<u>(430,305)</u>	<u>(594,931)</u>

**(d) Other information:**

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Chinese herbs		Unallocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation and amortisation	-	-	(9,190)	(9,424)	-	-	-	-	-	-	(6,550)	(25,077)	-	-	(15,740)	(34,501)
Impairment of investment in associates	-	-	-	-	(35,814)	-	1,500	-	-	-	-	-	-	-	(34,314)	-
Impairment loss under expected credit loss model, net	(11)	-	(1,895)	(260)	-	-	(24,026)	-	-	-	(354)	(95)	(1,168)	-	(27,454)	(355)
Reversal of write-down/(write-down) of inventories	-	-	1,259	(146)	-	-	-	-	-	-	-	-	-	-	1,259	(146)
Share of results of associates	-	-	-	-	899	(16,378)	(22,857)	(3,082)	-	-	-	-	-	-	(21,958)	(19,460)
Interest income	-	-	137	11	-	-	-	-	-	-	107	134	-	-	244	145
Interest expenses	-	-	(8,792)	(6,608)	-	-	-	-	-	-	(59)	(66)	(18,217)	(40,138)	(27,068)	(46,812)
Additions to segment non-current assets (note)	-	-	503	291	-	-	-	-	-	-	44,466	1,156	-	-	44,969	1,447
Investment in associates included in segment assets	-	-	-	-	151,426	190,185	95,543	120,151	-	-	-	-	-	-	246,969	310,336

**Note:**

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

(e) **Geographical information:**

	Revenue		Non-current assets	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including Hong Kong)	<b>122,084</b>	128,796	<b>435,322</b>	420,683
The USA	<b>261,792</b>	291,620	<b>1,581</b>	1,710
Canada	<b>47</b>	33	–	–
European Union <sup>1</sup>	–	236	–	–
Samoa	–	–	<b>16,327</b>	63,355
Others <sup>2</sup>	–	219	–	–
	<b><u>383,923</u></b>	<u>420,904</u>	<b><u>453,230</u></b>	<u>485,748</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 customers 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 59% of the total Group's revenue for the year ended 31 December 2023 (2022: 48%), which are shown as follows:

	2023	2022
	HK\$'000	HK\$'000
Customer A <sup>1</sup>	<b>98,818</b>	119,572
Customer B <sup>1</sup>	<b>76,442</b>	81,498
Customer C <sup>2</sup>	<b>52,533</b>	N/A <sup>3</sup>

<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 GAINS/(LOSS), NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	244	145
Rental income from investment properties	385	84
Government grants ( <i>Note</i> )	–	804
Written back of interest payable of promissory note (Note 12(a))	4,132	–
Written back of accrued expenses	3,020	–
Others	677	211
	<u>8,458</u>	<u>1,244</u>
<b>Other gains/(loss), net</b>		
Fair value (loss)/gain on investment properties	(989)	1,915
Fair value gain on contingent consideration payables	5,005	12,271
Fair value gain on convertible bonds — derivative component	112	168
Gain on disposal of a subsidiary	589	–
Net foreign exchange gain/(loss)	4,258	(9,498)
	<u>8,975</u>	<u>4,856</u>

*Note:*

During the year ended 31 December 2022, the Group recognised government grants of approximately HK\$629,000 (2023: 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 (2023: nil).

## 7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	973	451
Overprovision in prior year	(163)	–
	<u>810</u>	<u>451</u>
Current tax — Overseas		
Provision for the year	11,257	11,814
Total current tax	12,067	12,265
Deferred income tax credit	(8,694)	(3,157)
Income tax expense	<u>3,373</u>	<u>9,108</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. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amortisation of other intangible assets, included in		
— Cost of sales	2,778	21,827
— Selling and distribution costs	12	12
— Administrative expenses	–	73
Auditor’s remuneration	2,428	2,547
Cost of inventories recognised as expense (note)	214,165	239,946
Depreciation of property, plant and equipment, included in		
— Cost of sales	251	2,111
— Administrative expenses	10,439	8,304
Depreciation of right-of-use assets, included in administrative expenses	2,260	2,174
Expense relating to short-term lease and other leases with lease terms within 12 months	5,750	4,611
Loss on write-off of property, plant and equipment, included in administrative expenses	73	443
Legal and professional fees	3,045	3,806
Staff costs (including directors’ remuneration)		
— Salaries, bonus and allowance, included in		
— Cost of sales	13,951	12,188
— Selling and distribution costs	8,170	14,880
— Administrative expenses	36,565	29,051
— Retirement benefits scheme contributions, included in		
— Administrative expenses	2,765	2,512

*Note:* For the year ended 31 December 2023, the cost of inventories recognised as an expense in cost of sales included approximately HK\$1,259,000 (2022: write-down of approximately HK\$146,000) in respect of reversal of write-down of finished goods to net realisable value.

## 9. DIVIDEND

The Directors did not recommend the payment of any dividend for the years ended 31 December 2023 and 2022.

## 10. 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>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
<b>Earnings/(loss)</b>		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	<u>37,213</u>	<u>(59,521)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	<u>190,555</u>	<u>101,364</u>
<b>Earnings/(loss) per share</b>		
Basic earnings/(loss) per share ( <i>HK cents</i> )	<u>19.53</u>	<u>(58.72)</u>

*Note:* The weighted average number of ordinary shares for the years ended 31 December 2023 has been adjusted for the five-to-one share consolidation (“2023 Share Consolidation”) of the Company which became effective on 28 April 2023. The weighted average number of ordinary shares for the year ended 31 December 2022 has been adjusted for the 2023 Share Consolidation and for the five-to-one share consolidation of the Company which became effective on 22 July 2022.

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

For the years ended 31 December 2023 and 2022, the computation of diluted earnings/(loss) per share does not assume the conversion of the Company’s outstanding convertible bonds (2022: and convertible bond issuable in relation to the contingent consideration payables) since they are assumed exercise would result in a decrease in earnings/(loss) per share.



## 11. TRADE AND BILLS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables — contracts with customers	51,127	60,921
Less: Allowance for credit losses	<u>(11,661)</u>	<u>(10,700)</u>
Trade receivables, net	39,466	50,221
Bills receivables	<u>17,763</u>	<u>7,108</u>
	<u><u>57,229</u></u>	<u><u>57,329</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	13,867	31,688
31 days to 90 days	20,961	15,013
91 days to 180 days	2,168	3,158
181 days to 360 days	1,869	362
Over 360 days	<u>601</u>	<u>—</u>
	<u><u>39,466</u></u>	<u><u>50,221</u></u>

As of 31 December 2023, trade receivables of approximately HK\$17,604,000 (2022: HK\$9,653,000) 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 due date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	14,417	6,856
91 days to 180 days	1,608	2,532
181 days to 360 days	<u>1,579</u>	<u>265</u>
	<u><u>17,604</u></u>	<u><u>9,653</u></u>

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<i>Non-current portion:</i>			
Deposit and other receivables		—	106
<i>Current portion:</i>			
Trade deposits	<i>(a)</i>	<b>5,550</b>	108,339
Deposit and other receivables	<i>(b)</i>	<b>45,167</b>	47,626
Prepayment		<b>2,652</b>	1,504
		<b>53,369</b>	157,469
Total prepayments, deposits and other receivables		<b>53,369</b>	157,575

(a) Included in trade deposits at 31 December 2022 is an amount of approximately HK\$60,000,000 which was paid by issuance of the Company's promissory notes with principal amount of approximately HK\$60,000,000 in aggregate during the year ended 31 December 2019 to the two suppliers for purchasing wine and juice. On 20 October 2023, Group's subsidiary in the PRC entered into a cancellation of agreement in respect of the purchase of wine and juice with the two suppliers and the promissory notes of approximately HK\$60,000,000 together with the deposits were cancelled and all accrued interest of approximately HK\$4,132,000 included in interest payable in note 14 was waived during the year.

(b) At 31 December 2023, deposits and other receivables included approximately HK\$32,794,000 in relation to planation of Chinese herbs in the PRC (2022: HK\$29,998,000).

## 13. TRADE PAYABLES

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Within 30 days	<b>14,062</b>	10,753
31 days to 90 days	<b>4,776</b>	2,912
91 days to 180 days	<b>2,693</b>	729
181 days to 360 days	<b>2</b>	12
Over 360 days	<b>582</b>	631
	<b>22,115</b>	15,037

#### 14. ACCRUALS AND OTHER PAYABLES

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other payables	<i>(a)</i>	<b>64,353</b>	68,020
Obligation under share re-purchase arrangement	<i>(16a)</i>	<b>8,000</b>	8,000
Other accruals		<b>10,484</b>	31,906
Accrued salaries		<b>17,612</b>	18,625
Accrued legal and professional fees		<b>11,942</b>	9,014
VAT payables		<b>2,785</b>	2,560
Interest payables		–	20,044
Receipts in advance		<b>415</b>	310
Due to related parties		<b>1,926</b>	1,285
		<b>117,517</b>	159,764

*Note:*

(a)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Overpayment from customer	<b>14,760</b>	16,000
Amounts due to former directors <i>(i)</i>	<b>6,045</b>	6,045
Guo Jing Sheng (Mr. Guo) <i>(ii)</i>	<b>9,600</b>	9,600
Royalty payable	<b>6,108</b>	4,930
Commission payable	<b>6,093</b>	6,220
Others	<b>21,747</b>	25,225
	<b>64,353</b>	68,020

*Note:*

- (i) The amounts are interest free and without fixed repayment terms.
- (ii) As at 31 December 2023 and 2022, included in other payables is an amount due to Mr. Guo of approximately HK\$9,600,000 in relation outstanding borrowings. Details per note 17(a).

## 15. PROMISSORY NOTES

	<i>Notes</i>	<i>HK\$'000</i>
At 1 January 2022		250,621
Repayment of promissory notes		<u>(85,801)</u>
At 31 December 2022		164,820
Cancellation of promissory notes	<i>(a)</i>	(92,000)
Cancellation of promissory notes	<i>(b)</i>	(60,000)
Issued shares for settlement ( <i>note 16(e)</i> )		(7,631)
Repayment of promissory notes		<u>(5,189)</u>
At 31 December 2023		<u><u>–</u></u>
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
An analysis is shown as follows:		
Overdue for repayment	<u>–</u>	<u>164,820</u>
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Analysed as:		
Current liabilities	<u>–</u>	<u>164,820</u>

- a) At 31 December 2022 are promissory notes with an aggregate principal amount of HK\$92,000,000 were issued by the Company on 23 April 2015, as part of the consideration for the acquisition of 20% equity interests of the Eagle Praise Group, a company incorporated in the BVI with limited liability and the investment cost of approximately HK\$117,761,000 in this associate was fully impaired and written off. The promissory notes were unsecured, non-interest bearing and had a maturity period of one year after the date of issue. On 16 December 2015, the promissory note were replaced by new promissory notes of the same aggregate principal amount of HK\$92,000,000 (the “**Promissory Note**”) with maturity date of 31 December 2016.

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

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

Based on the latest legal opinion from the Company's legal advisor, the promissory notes have been time-barred under the Limitation Ordinance, and therefore, the promissory notes of HK\$92,000,000 was expired and derecognised as income during the year ended 31 December 2023.

- b) At 31 December 2022, included in the promissory notes with the principal amount of HK\$60,000,000 are in relation to trade deposits for the purchase of wine and juice (2023: nil). Pursuant to the cancellation agreement, the promissory notes were cancelled on 20 October 2023. Details are set out in note 12(a).

## 16. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.05 each (2022: HK\$0.01 each)			
<b>Authorised:</b>			
At 1 January 2022, 31 December 2022 and 1 January 2023	<i>(b)</i>	198,605,703,079	1,986,056
Share consolidation	<i>(d)</i>	<u>(158,884,562,464)</u>	<u>—</u>
At 31 December 2023		<u>39,721,140,615</u>	<u>1,986,056</u>
		<b>Number of shares</b>	<b>Amount HK\$'000</b>
	<i>Notes</i>		
<b>Issued and fully paid:</b>			
At 1 January 2022		1,151,859,658	11,518
Issue of shares			
— capital reorganisation	<i>(b)</i>	(921,487,727)	(9,215)
— shares issued under rights issue	<i>(c)</i>	<u>691,115,793</u>	<u>6,911</u>
At 31 December 2022 and 1 January 2023		921,487,724	9,214
Issue of shares			
— share consolidation	<i>(d)</i>	(737,190,180)	—
— loan capitalisation	<i>(e)</i>	<u>9,210,000</u>	<u>461</u>
At 31 December 2023		<u>193,507,544</u>	<u>9,675</u>

	Notes	Number of shares		Amount	
		2023	2022	2023	2022
				HK\$'000	HK\$'000
Classified as:					
Share capital		<b>193,347,544</b>	920,687,724	<b>9,667</b>	9,206
Obligation under share repurchase arrangement	(a)	<b>160,000</b>	800,000	<b>8</b>	8
		<b>193,507,544</b>	921,487,724	<b>9,675</b>	9,214

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 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 announcement, 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 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. Proceeds from the rights issue net of transaction costs of approximately HK\$2,243,000 amounted to approximately HK\$139,436,000 which was used to settle certain liabilities of the Group. 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.
- (d) 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.
- (e) On 23 June 2023, the Company issued and allotted 9,210,000 ordinary shares at the market price of HK\$0.298 each to a creditor in settlement of the amount due to her of approximately HK\$31,100,000 which was included in promissory notes of approximately HK\$7,631,000 and accrual and other payables of approximately HK\$23,469,000 and a gain on extinguishment of financial liabilities by issue of ordinary shares of approximately HK\$28,355,000 was recognised. Details of the loan capitalisation is disclosed in the announcements of the Company dated 9 June 2023 and 23 June 2023.

## 17. LITIGATIONS

### (a) Guo Jingsheng

On 8 June 2016 and 19 July 2016, the Company and a former 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 former director Yu, Dennis Wan Kong 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 former 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 2023 and 2022.

### (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\$250,000. As at 31 December 2023, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK\$1,240,000 (2022: HK\$795,000) which is included in accruals and other payables.



## 18. EVENTS AFTER THE REPORTING PERIOD

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

### (ii) Share Consolidation and Adjustment on Existing Convertible Bonds

Pursuant to the special general meeting held on 16 January 2024, an ordinary resolution was passed for the share consolidation of the Company’s ordinary shares on the basis that every two (2) issued and unissued Existing Shares of HK\$0.05 each will be consolidated into one (1) Consolidated Share of HK\$0.1 each (“**Share Consolidation**”). The effective date of the Share Consolidation was 18 January 2024.

Upon the completion of the Share Consolidation, the existing convertible bonds with the conversion price of HK\$50 per existing share will be adjusted to HK\$100 per consolidated share and the number of consolidated shares that can be issued upon full exercise of the conversion right attached to the existing convertible bonds will be adjusted from 3,400,000 existing shares to 1,700,000 consolidated shares.

Details of the share consolidation and adjustment on existing convertible bonds are set in the circular of the Company dated 27 December 2023 and in the Company’s announcement dated 16 January 2024.

### (iii) Placing of Convertible Bonds

On 29 August 2023, the Company entered into the placing agreement as supplemented by the Supplemental Placing Agreement on 20 October 2023 and the Second Supplemental Placing Agreement dated 18 December 2023) with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to procure, on a best efforts basis, not less than six places to subscribe for the Convertible Bonds in an aggregate principal amount of up to HK\$45,000,000 at the Conversion Price of HK\$0.15 per Share (subject to adjustment). Details of the share consolidation and adjustment on existing convertible bonds are set in the circular of the Company dated 27 December 2023 and announcements of the Company dated 29 August 2023, 19 September 2023, 20 October 2023, 17 November 2023, 8 December 2023 and 18 December 2023.

An ordinary resolution was passed at the special general meeting held on 18 January 2024 for the placing the convertible bonds. Details are set out in the announcement of the Company dated 16 January 2024. The placing of convertible bonds was completed on 6 February 2024.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

Due to the increasing trend of Bank interest rate of Hong Kong during the year of 2023, along with the weak economy of both Hong Kong and mainland China, and as well as the slow recovery pace of the global business environment, the Group still operated under challenges.

### **FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2023 (the “**Year**”), the Group recorded turnover of approximately HK\$383.9 million (2022: HK\$420.9 million), representing a decrease of approximately 8.8% as compared with last year.

The Group’s profit attributable to equity holders of the Company for the Year was approximately HK\$37.2 million (2022: HK\$59.5 million), representing an increase of approximately HK\$96.7 million comparing to last year. The increase in profit attributable to equity holders of the Company for the Year was mainly attributable to (i) the cancellation of expired promissory notes amounted to HK\$92 million; and (ii) the gain on loan capitalisation of the financial liabilities approximately HK\$28.4 million by the issue of new ordinary shares, during the Year. Basic earnings per share for the Year was HK cents 19.53 (2022: Basic loss per share HK cents 58.72 (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\$262.4 million (2022: HK\$293.0 million), representing a decrease of approximately 10.4% comparing to last year. The decrease in turnover was mainly attributable to the increase in revenue generated from the North America. The gross profit margin was increased, which was 37.1% (2022: 35.5%) 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 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. 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 2023 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\$2.0 million for the Year (2022: loss of HK\$5.8 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 weak global economic environment, 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 2025. 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\$35.8 million (2022: Nil) for the Year. The Group’s share of result of loss amounted to approximately HK\$1.1 million for the Year (2022: profit of HK\$10.5 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.

Reversal on impairment loss approximately HK\$1.5 million (2022: Nil) for the Year. The Group’s share of result of loss amounted to approximately HK\$47,000 (2022: approximately HK\$0.1 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.

Based on the legal opinion from the PRC lawyers, the Group have two years right to enforce the judgment on the Administrators. As at the date of issuance of the consolidated financial statements, the transfer of ownership is yet to be completed and the directors are of the opinion it is in the interest of Anhui Fu Lao's to allow the business to continue to operate normally. The directors will take further action to enforce the judgment in August 2024 if the transfer is not completed by then.

The Group's share of result of loss amounted to HK\$22.8 million for the Year (2022: loss of HK\$2.9 million).

**(c) *Outbound tourism***

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

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

Based on the latest legal opinion from the Company's legal advisor, the promissory notes have been time-barred under the Limitation Ordinance, and therefore, the promissory notes of HK\$92,000,000 was expired and derecognised as income during the year ended 31 December 2023.

**Culture**

No turnover from culture business for the Year and 2022.

## **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\$121.5 million (2022: HK\$127.9 million).

The Company has invested in the infrastructure (including construction of roads) of multiple Chinese herbs plantation bases in 2023. The process is expected to take one to two years to become operational. This is a stage of the Company's planning for the Chinese Herbs business in the next 10 years. The Company believes that investing in the plantation bases will bring the following benefits:

1. Owning a Chinese herbs plantation base allows the Company to have better control over the quality of the products. The Company can choose to cultivate high-quality herbs and monitor factors such as soil quality, water quality, fertilization, and pesticide use during the plantation process to ensure the purity and safety of your products.
2. Chinese herbs plantation bases can help the Company better control costs. The Company can directly manage the cultivation process, reducing costs associated with intermediaries, such as supplier profits and transportation expenses.
3. It can ensure a stable supply. The Company are no longer dependent on external suppliers, thus avoiding the risks associated with unstable or interrupted supply. This can help the Company ensure the continuous production and supply of your products, meeting the demands of the customers.

## **Geographical Information**

During the Year, the Group recorded revenue in North America (includes the USA and Canada) of approximately HK\$262 million as compared to approximately HK\$293 million last year and represented approximately 68.2% (2022: approximately 69.5%) of the Group's total revenue. Revenue in the PRC (including Hong Kong) amounted to approximately HK\$122.1 million for the Year as compared to approximately HK\$128.8 million last year and represented approximately 31.8% (2022: approximately 30.6%) 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\$37.3 million (2022: approximately HK\$47.1 million). The decrease was mainly attributable by the decrease in salary costs of the toys segment during the Year.

## **Administrative Expenses**

Administrative expenses for the Year increased by approximately 9.6% to approximately HK\$86.4 million as compared to approximately HK\$78.8 million in the previous year. The increase in administrative expenses was mainly attributable the increase in salary and rental expenses during the Year.

## **Finance Costs**

Finance costs for the Year decreased by approximately 42.1% to approximately HK\$27.1 million as compared to approximately HK\$46.8 million in the previous year. The decrease in finance costs was mainly attributable by the settlement of the promissory notes in year 2023, and the decrease in interest payment for the outstanding loans 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 2023, the Group had bank balances and cash of approximately HK\$111.9 million (2022: HK\$99.1 million). The Group's bank balances and cash were mostly denominated in Hong Kong dollars, United States Dollars and Renminbi.

As at 31 December 2023, the Group's borrowings amounted to approximately HK\$141.8 million (2022: HK\$109.7 million). The Group's borrowings were mainly denominated in Hong Kong dollars, United States Dollars and Renminbi.

As at 31 December 2023, the Group's promissory notes amounted to approximately HK\$Nil (2022: HK\$164.8 million) in aggregate. The Group's promissory notes were denominated in Hong Kong dollars.

During the year, the promissory notes approximately amounted to HK\$92 million was derecognised because of the extinguishment, and another set of promissory notes approximately amounted to HK\$60 million were cancelled due to the termination of previous sale and purchase agreements in respect of the purchase of wine and juice.

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 2023 was 89.1% (2022: 166.6%).



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

### **(ii) Share Consolidation and Adjustment on Existing Convertible Bonds**

Pursuant to the special general meeting held on 16 January 2024, an ordinary resolution was passed for the share consolidation of the Company's ordinary shares on the basis that every two (2) issued and unissued Existing Shares of HK\$0.05 each will be consolidated into one (1) Consolidated Share of HK\$0.1 each ("**Share Consolidation**"). The effective date of the Share Consolidation was 18 January 2024.

Upon the completion of the Share Consolidation, the existing convertible bonds with the conversion price of HK\$50 per existing share will be adjusted to HK\$100 per consolidated share and the number of consolidated shares that can be issued upon full exercise of the conversion right attached to the existing convertible bonds will be adjusted from 3,400,000 existing shares to 1,700,000 consolidated shares.



Details of the share consolidation and adjustment on existing convertible bonds are set in the circular of the Company dated 27 December 2023 and in the Company's announcement dated 16 January 2024.

### **(iii) Placing of Convertible Bonds**

On 29 August 2023, the Company entered into the placing agreement as supplemented by the Supplemental Placing Agreement on 20 October 2023 and the Second Supplemental Placing Agreement dated 18 December 2023) with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to procure, on a best efforts basis, not less than six places to subscribe for the Convertible Bonds in an aggregate principal amount of up to HK\$45,000,000 at the Conversion Price of HK\$0.15 per Share (subject to adjustment). Details of the share consolidation and adjustment on existing convertible bonds are set in the circular of the Company dated 27 December 2023 and announcements of the Company 29 August 2023, 19 September 2023, 20 October 2023, 17 November 2023, 8 December 2023 and 18 December 2023.

An ordinary resolution was passed at the special general meeting held on 18 January 2024 for the placing the convertible bonds. Details are set out in the announcement of the Company dated 16 January 2024. As at the report date, the placing of convertible bonds was completed on 6 February 2024.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 31 December 2023 and 2022.

## **CAPITAL COMMITMENT**

As at 31 December 2023 and 2022, the Group had no significant capital commitment.

## **DIVIDEND**

The Directors do not recommend any payment of final dividend for the years ended 31 December 2023 and 2022.

## **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 2023 and 2022.

## **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 30 May 2023, 737,190,180 issued ordinary shares had been cancelled under Share Consolidation becoming effective at the same date, based on the result of the special general meeting held on 28 April 2023.

On 23 June 2023, all of the conditions precedent under the Subscription Agreement have been fulfilled and the Completion took place. Upon completion of this loan capitalization through subscription of new shares under the general mandate, 9,210,000 Subscription Shares were allotted and issued to the Subscriber at the Subscription Price of HK\$0.2 per Subscription Share pursuant to the terms of the Subscription Agreement which was entered into by the Company and the subscriber on 9 June 2023.

## **EMPLOYMENT, TRAINING AND DEVELOPMENT**

As at 31 December 2023, the Group had a total of 387 employees (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 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 2023 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 2023. 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.

## **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. Kong Chun Wing, 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 15 June 2023.

## **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 2023.

## **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, 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 2023.

## **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 2023 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, 28 March 2024

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

\* *For identification purposes only*