



INTERIM REPORT 2006 中期報告



僑雄國際控股有限公司

**Kiu Hung International Holdings Limited**

(於開曼群島註冊成立之有限公司)  
(Incorporated in the Cayman Islands with limited liability)

(Stock Code 股份編號: 0381)

The board of directors (the “Board”) of Kiu Hung International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006.

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
<b>REVENUE</b>	3	<b>33,291</b>	20,299
Cost of sales		<b>(23,419)</b>	(15,347)
Gross profit		<b>9,872</b>	4,952
Other income	3	<b>1,131</b>	4,039
Distribution costs		<b>(4,546)</b>	(2,671)
Administrative expenses		<b>(9,090)</b>	(8,121)
Other operating expenses		<b>(248)</b>	(354)
<b>OPERATING LOSS</b>	4	<b>(2,881)</b>	(2,155)
Finance costs	5	<b>(1,338)</b>	(2,429)
Share of loss of a jointly controlled entity		–	(869)
Share of loss of an associate		–	(335)
<b>LOSS BEFORE TAXATION</b>		<b>(4,219)</b>	(5,788)
Taxation	6	<b>(163)</b>	(31)
<b>LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>(4,382)</b>	(5,819)
<b>INTERIM DIVIDENDS</b>	7	–	–
<b>LOSS PER SHARE</b>	8		
– Basic		<b>HK(0.20) cent</b>	HK(0.26) cent
– Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	62,941	66,369
Prepaid land lease payments		6,042	6,118
Investment property		400	400
Amount due from a related company		–	2,619
Deferred tax assets		1,987	1,987
		<b>71,370</b>	<b>77,493</b>
<b>CURRENT ASSETS</b>			
Inventories		11,629	7,609
Trade and bills receivables	10	11,816	12,749
Prepayment, deposits and other receivables		1,370	1,796
Amount due from a related company		5,703	5,513
Tax recoverable		139	126
Financial assets at fair value through profit or loss		286	286
Cash at banks and in hand		56,452	48,034
		<b>87,395</b>	<b>76,113</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	14,515	10,858
Other payables and accruals		6,700	5,655
Provision for tax		351	263
Bank and trust receipt loans		35,504	30,554
Finance lease payables		89	96
		<b>57,159</b>	<b>47,426</b>
<b>NET CURRENT ASSETS</b>		<b>30,236</b>	<b>28,687</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>101,606</b>	<b>106,180</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans		1,995	2,203
Finance lease payables		7	48
Deferred tax liabilities		3,821	3,764
		<b>5,823</b>	<b>6,015</b>
<b>NET ASSETS</b>		<b>95,783</b>	<b>100,165</b>
<b>EQUITY</b>			
Share capital	12	44,277	44,277
Reserves		51,506	55,888
<b>TOTAL EQUITY</b>		<b>95,783</b>	<b>100,165</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow/(outflow) from operating activities	<b>4,404</b>	(15,637)
Net cash inflow/(outflow) from investing activities	<b>2,727</b>	(7,896)
Net cash inflow from financing activities	<b>1,287</b>	2,874
Net increase/(decrease) in		
cash at banks and in hand	<b>8,418</b>	(20,659)
Cash at banks and in hand at 1 January	<b>48,034</b>	56,616
Cash at banks and in hand at 30 June	<b>56,452</b>	35,957

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2006	2005
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Opening balance – Total equity	<b>100,165</b>	97,165
Loss for the period	<b>(4,382)</b>	(5,819)
Closing balance – Total equity	<b>95,783</b>	91,346

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s 2005 Annual Report.

These unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company and were approved by the board of directors on 7 August 2006.

### 2. SEGMENT INFORMATION

#### (a) Business segments

The following tables present revenue and results for the Group’s business segments.

	Toys		Decorative gift items		Total	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment revenue:						
Sales to external customers	18,188	11,488	15,103	8,811	33,291	20,299
Segment results	1,081	(3,090)	(4,110)	(1,890)	(3,029)	(4,980)
Interest, rental income and unallocated gains					1,131	4,039
Unallocated expenses					(983)	(1,214)
Operating loss					(2,881)	(2,155)
Finance costs					(1,338)	(2,429)
Share of loss of a jointly controlled entity					–	(869)
Share of loss of an associate					–	(335)
Loss before taxation					(4,219)	(5,788)
Taxation					(163)	(31)
Loss for the period					(4,382)	(5,819)

**(b) Geographical segments**

The following tables present revenue and results for the Group's geographical segments.

	The PRC (including Hong Kong)		North America		European Union		Others		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external										
customers	2,473	1,984	26,139	13,933	3,299	3,940	1,380	442	33,291	20,299
Segment results	(241)	(438)	(2,332)	(3,516)	(333)	(916)	(123)	(110)	(3,029)	(4,980)

**3. REVENUE AND OTHER INCOME**

Revenue represents the total invoiced value of goods sold, net of allowances for returns and trade discounts.

An analysis of the Group's revenue and other income is as follows:

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Revenue – sale of goods	33,291	20,299
Other income		
Bank interest income	130	118
Other interest income	571	–
Rental income, net	13	13
Exchange gains, net	59	–
Sale of moulds	143	226
Gain on disposal of subsidiaries	–	2,740
Others	215	942
	<b>1,131</b>	<b>4,039</b>

#### 4. OPERATING LOSS

The Group's operating loss is arrived at after charging:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	3,831	2,532
Amortisation of prepaid land lease payments	76	78
Exchange loss, net	–	28
Unrealised loss on financial assets at fair value through profit or loss	–	20
Staff costs	7,921	7,465

#### 5. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and trust receipt loans wholly repayable within five years	1,331	1,096
Interest on bank loans not wholly repayable within five years	–	62
Interest on finance leases	7	47
Interest on capital contribution payable to a jointly controlled entity	–	1,224
	1,338	2,429

#### 6. TAXATION

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Income tax provision for the period:		
Hong Kong	106	31
Elsewhere	–	–
	106	31
Deferred tax	57	–
	163	31

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.



**7. INTERIM DIVIDENDS**

The Board has resolved not to pay any interim dividend for the period (2005: Nil).

**8. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss for the period of HK\$4,382,000 (2005: HK\$5,819,000) and the weighted average of 2,213,820,000 (2005: 2,213,820,000) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 June 2006 is not presented because the result of the exercise of potential ordinary shares during the period would be anti-dilutive. Diluted loss per share for the period ended 30 June 2005 is not presented as there was no potential dilutive ordinary shares in existence for the period.

**9. PROPERTY, PLANT AND EQUIPMENT**

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2006 are analysed as follows:

	(Unaudited) <i>HK\$'000</i>
At 1 January 2006	66,369
Additions	403
Depreciation	(3,831)
<b>At 30 June 2006</b>	<b>62,941</b>

**10. TRADE AND BILLS RECEIVABLES**

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.

An ageing analysis of trade and bills receivables, net of provision, is as follows:

	<b>As at 30 June 2006 (Unaudited) <i>HK\$'000</i></b>	<b>As at 31 December 2005 (Audited) <i>HK\$'000</i></b>
0-30 days	<b>9,918</b>	6,679
31-90 days	<b>1,433</b>	5,990
91-180 days	<b>161</b>	80
181-360 days	<b>304</b>	–
	<b>11,816</b>	12,749

## 11. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables is as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
0-30 days	5,830	2,728
31-90 days	6,794	5,595
91-180 days	1,579	2,196
181-360 days	290	308
Over 360 days	22	31
	<b>14,515</b>	<b>10,858</b>

## 12. SHARE CAPITAL

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
<b>Authorised:</b>		
5,000,000,000 ordinary shares of HK\$0.02 each	100,000	100,000
	<b>Number of ordinary shares of HK\$0.02 each</b>	<b>Par value HK\$'000</b>
<b>Issued and fully paid:</b>		
At 1 January and 30 June 2006	2,213,820,000	44,277

### Share options

The Company operates a share option scheme for eligible participants to subscribe for new shares of the Company. A summary of the terms of the share option scheme was disclosed in the Company's 2005 annual report.

During the period, the Company has granted 94,500,000 share options under its share option scheme, which enable the option holders to subscribe for 94,500,000 shares of the Company at an exercise price of HK\$0.13 per share during the period from 1 January 2007 to 18 June 2016. All such share options remain unexercised and outstanding as at 30 June 2006.

Pursuant to an announcement made by the Company on 6 July 2006, the Company has resolved to issue 774,837,000 offer shares at a price of HK\$0.05 per offer share by way of open offer of new shares. In accordance with the terms of the Company's share option scheme, adjustments to the outstanding share options are required to be made due to the issue of the offer shares and upon the open offer becoming unconditional. Such adjustments will be set out in the Company's announcement of the results of the open offer in due course.

## BUSINESS REVIEW

For the six months ended 30 June 2006, the Group's turnover and net loss were approximately HK\$33.3 million (2005: HK\$20.3 million) and HK\$4.4 million (2005: HK\$5.8 million), respectively. Basic loss per share for the period was HK0.20 cent (2005: HK0.26 cent). The Board has resolved not to pay any interim dividend for the period (2005: Nil).

For the period under review, revenue from toys and decorative gift items was approximately HK\$18.2 million and HK\$15.1 million (2005: approximately HK\$11.5 million and HK\$8.8 million), respectively, accounting for approximately 55% and 45% of the Group's total turnover, respectively.

For the first half of 2006, the Group continues to engage in the design, manufacture and sale of toys and decorative gift items on an OEM and ODM basis and under the Group's own brandnames KCARE and KITECH. During the period, the Group has experienced improved sales of its toy and gift products as compared with the same period in 2005. Such increase in sales is a result of the improvement of the global economy and the increased marketing effort of the Group. In addition, as Miracles For Fun (HK) Limited ("MFF") has become a subsidiary of the Group in December 2005, the consolidation of the results of MFF has also contributed to the increase in revenue for the period.

The Group generally finances its operations with internally generated cash flow and facilities provided by its principal bankers in Hong Kong and in the PRC. The Group had cash and bank balances of approximately HK\$56.5 million as at the balance sheet date. The Group's cash and bank balances were mostly held in Hong Kong dollars and Renminbi.

The Group's bank and other borrowings were made in Hong Kong dollars and Renminbi, approximately 70% of such borrowings bore interest at fixed lending rate. At 30 June 2006, the Group's bank and other borrowings amounted to approximately HK\$37.6 million, out of which approximately 95% was repayable within one year. The gearing ratio of the Group calculated as a ratio of total bank and other borrowings to total assets was approximately 24% as at 30 June 2006. Net current assets at 30 June 2006 was approximately HK\$30.2 million and the current ratio was approximately 153%. The Group had not used any financial instruments for hedging during the period.

At 30 June 2006, certain of the Group's buildings and leasehold land and buildings with carrying values of approximately HK\$9.9 million and HK\$9.2 million, respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2006, the Group did not have any contingent liabilities (2005: Nil).

At 30 June 2006, the Group had a total of 1,075 employees. The Group always 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.

Subsequent to the period under review, on 6 July 2006, the Group has announced its proposal to issue 774,837,000 offer shares at a price of HK\$0.05 per offer share by way of open offer of new shares, on the basis of seven offer shares for every twenty existing shares held on the record date. The estimated net proceeds from the open offer will be approximately HK\$37 million. The Board intends to apply the net proceeds as to (i) approximately HK\$2 million towards upstream and downstream integration in the principal line of business of the Group to enhance its profitability, including but not limited to the distribution of fabrics or chemical products or the production of packaging materials; (ii) approximately HK\$25 million towards possible diversified investments in the agricultural, energy and/or resources industries or other projects which have earning potentials to diversify its business; and (iii) the remaining balance of approximately HK\$10 million for general working capital of the Group. Further details of the open offer are set out in the Company's announcement dated 6 July 2006.

The Directors are optimistic about the performance of the Group for the full year as the global economy continues to flourish. Moving forward, the Group will continue to invest in research and development and to develop new series of products with add-on features and functions. The Group will continue to develop its business by expanding its sales team and distribution channels in North America, Europe and the PRC. In addition, the Group will apply part of the net proceeds from the open offer to explore other investment opportunities in the agricultural, energy and/or resources industries or other projects that have earning potentials to expand its operations and to diversify its business.

The proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 January 2001, after deduction of related expenses, amounted to approximately HK\$43 million. As of 30 June 2006, the net proceeds were applied in accordance with the proposed applications set out in the Company's prospectus dated 9 January 2001, as follows:

- approximately HK\$5 million was used for developing new models and new products;
- approximately HK\$5 million was used for the acquisition of new machinery and auxiliary equipment;
- approximately HK\$10 million was used for establishing retail outlets and developing distribution channels in major cities in the PRC; and
- approximately HK\$18 million was used as general working capital of the Group.

The Group has placed the unused balance of the net proceeds with licensed banks in Hong Kong and the PRC. These deposits have been receiving reasonable and steady interest income which preserves the best interests of the Group and the shareholders.

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to

have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Code”) contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Capacity	Number of Shares	Approximate shareholding
Hui Kee Fung	Interest of a controlled corporation ( <i>note</i> )	1,567,500,000 Long position	70.81%
Hui Ki Yau	Interest of a controlled corporation ( <i>note</i> )	1,567,500,000 Long position	70.81%
Hui Hung Tan, Teresa	Not applicable	–	–

*Note:* The shares are held by Legend Win Profits Limited (“Legend Win”), a company incorporated in the British Virgin Islands. The issued share capital of Legend Win is beneficially owned by Hui Kee Fung, Hui Ki Yau, Hui Hung Tan, Teresa and Hui’s K. K. Foundation Limited as to 38.95%, 32.63%, 23.16% and 5.26%, respectively. Hui’s K. K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital. Hui Kee Fung, Hui Ki Yau and Hui Hung Tan, Teresa are the registered members and directors of Hui’s K. K. Foundation Limited.

Save as disclosed above, as at 30 June 2006, none of the Directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings “Share options” in note 12 of the unaudited condensed consolidated interim financial statements, at no time during the six months ended 30 June 2006 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the latest practicable date prior to the issue of this interim report, the persons or companies (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Number of Shares held	Capacity		Approximate shareholding
		Beneficial	Other	
Kingston Securities Limited ("Kingston") (Note 1)	440,000,000 (L)	–	440,000,000	14.72%
Chu Yuet Wah (Note 1)	472,740,000 (L)	32,740,000	440,000,000	15.82%
Ma Siu Fong (Note 1)	440,000,000 (L)	–	440,000,000	14.72%
Luen Fat Securities Company Limited ("Luen Fat") (Note 2)	334,837,000 (L)	–	334,837,000	11.20%
Yue Wai Keung (Note 2)	334,837,000 (L)	–	334,837,000	11.20%
Legend Win (Note 3)	1,567,500,000 (L)	1,567,500,000	–	70.81%

*L: Long Position*

Notes:

- 440,000,000 shares represent the maximum number of offer shares Kingston as underwriter is required to subscribe or procure to subscribe for pursuant to the underwriting agreement dated 5 July 2006. As such, Kingston is deemed to be interested in 440,000,000 shares under the SFO. The entire issued share capital of Kingston is owned as to 51% by Chu Yuet Wah and 49% by Ma Siu Fong. Chu Yuet Wah and Ma Siu Fong are therefore deemed to be interested in 440,000,000 shares under the SFO.
- 334,837,000 shares represent the maximum number of offer shares Luen Fat as underwriter is required to subscribe or procure to subscribe for pursuant to the underwriting agreement dated 5 July 2006. As such, Luen Fat is deemed to be interested in 334,837,000 shares under the SFO. The entire issued share capital of Luen Fat is owned as to 41% by Yue Wai Keung. Yue Wai Keung is therefore deemed to be interested in 334,837,000 Shares under the SFO.
- Details of Legend Win are disclosed in the section headed "Directors' Interest in Shares" of this interim report.

Save as disclosed herein, the Directors are not aware of any person who was, as at the Latest Practicable Date prior to the issue of this interim report, directly or indirectly, interested or had short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

## 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.

## CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code of Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules, throughout the period.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. Peng Guanghui, Mr. Kung King Ching, Conrad and Mr. Tang Rongzu, the independent non-executive directors of the Company. The Group's unaudited interim report for the period has been reviewed by the Audit Committee, who are of the opinion that such report complies with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made.

By Order of the Board

**HUI Kee Fung**  
*Chairman*

Hong Kong  
 7 August 2006