



Kiu Hung International Holdings Limited

僑雄國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 381)

ANNOUNCEMENT OF 2006 FINAL RESULTS

RESULTS

The Board of the 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 2006, together with the comparative figures for the year ended 31 December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Notes	2006 HK\$'000	2005 HK\$'000
REVENUE	4	96,578	67,528
Cost of sales		(61,046)	(44,705)
Gross profit		35,532	22,823
Other revenue		5,297	6,631
Distribution costs		(9,197)	(6,601)
Administrative expenses		(25,500)	(17,709)
Other operating expenses		(1,024)	(771)
OPERATING PROFIT	5	5,108	4,373
Finance costs	6	(2,576)	(3,533)
Share of profit/(loss) of a jointly controlled entity		45	(869)
Share of loss of an associate		-	(335)
PROFIT/(LOSS) BEFORE INCOME TAX		2,577	(364)
Income tax (expense)/credit	7	(1,437)	323
PROFIT/(LOSS) FOR THE YEAR		1,140	(41)
ATTRIBUTABLE TO:			
Equity holders of the Company		1,103	(41)
Minority interests		37	-
		1,140	(41)
EARNINGS/(LOSS) PER SHARE FOR RESULTS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	9		(Restated)
- Basic		HK0.0382 cent	HK(0.0015) cent
- Diluted		HK0.0377 cent	N/A

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 31 December 2006 HK\$'000	As at 31 December 2005 HK\$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		63,877	66,369
Prepaid land lease payments		6,213	6,118
Investment property		400	400
Interest in an associate		–	–
Interest in a jointly controlled entity		623	–
Amount due from a related company		–	2,619
Intangible asset		2,424	–
Deposit for acquisition of a subsidiary		15,000	–
Deferred tax assets		551	1,987
		<u>89,088</u>	<u>77,493</u>
CURRENT ASSETS			
Inventories		10,227	7,609
Trade and bills receivables	10	9,105	12,749
Prepayment, deposits and other receivables		1,716	1,796
Amount due from a jointly-controlled entity		1,097	–
Amount due from a related company		2,900	5,513
Tax recoverable		153	126
Financial assets at fair value through profit or loss		286	286
Cash at banks and in hand		85,224	48,034
		<u>110,708</u>	<u>76,113</u>
CURRENT LIABILITIES			
Trade and bills payables	11	7,632	10,858
Other payables and accruals		4,902	5,655
Provision for tax		287	263
Borrowings		33,066	30,650
		<u>45,887</u>	<u>47,426</u>
NET CURRENT ASSETS		<u>64,821</u>	<u>28,687</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		153,909	106,180
NON-CURRENT LIABILITIES			
Borrowings		1,766	2,251
Deferred tax liabilities		3,829	3,764
		<u>5,595</u>	<u>6,015</u>
NET ASSETS		<u>148,314</u>	<u>100,165</u>
EQUITY ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS			
Share capital		59,773	44,277
Reserves		86,945	55,888
Proposed final dividend		299	–
		<u>147,017</u>	<u>100,165</u>
Minority interests		1,297	–
TOTAL EQUITY		<u>148,314</u>	<u>100,165</u>

NOTES:

1. GENERAL INFORMATION

Kiu Hung International Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 14th Floor, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong.

The Group is principally engaged in the design, manufacture and sale of a wide range of toys and decorative gift items. There were no significant changes in the nature of the Group’s principal activities during the year.

These consolidated financial statements have been reviewed by the audit committee of the Company and were approved by the board of directors on 27 April 2007.

2. BASIS OF PREPARATION

The audited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2005 financial statements. The adoption of the new or amended HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the Group’s results and financial position for the current and prior years.

The Group has not early adopted the new or amended HKFRSs that have been issued by the HKICPA but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group’s financial statements.

3. SEGMENT INFORMATION

(a) Business segments

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

	Toys		Decorative gift items		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:						
Sales to external customers	<u>49,054</u>	<u>31,838</u>	<u>47,524</u>	<u>35,690</u>	<u>96,578</u>	<u>67,528</u>
Segment results	<u>1,019</u>	<u>(645)</u>	<u>987</u>	<u>(723)</u>	<u>2,006</u>	<u>(1,368)</u>
Interest, rental income and unallocated gains					<u>5,297</u>	6,631
Unallocated expenses					<u>(2,195)</u>	<u>(890)</u>
Operating profit					<u>5,108</u>	4,373
Finance costs					<u>(2,576)</u>	<u>(3,533)</u>
Share of profit/(loss) of a jointly controlled entity					<u>45</u>	<u>(869)</u>
Share of results of an associate					<u>-</u>	<u>(335)</u>
Profit/(loss) before income tax					<u>2,577</u>	<u>(364)</u>
Income tax (expense)/credit					<u>(1,437)</u>	<u>323</u>
Profit/(loss) for the year					<u>1,140</u>	<u>(41)</u>
Segment assets	<u>46,736</u>	44,021	<u>101,992</u>	76,446	<u>148,728</u>	120,467
Unallocated assets					<u>51,068</u>	<u>33,139</u>
Total assets					<u>199,796</u>	<u>153,606</u>
Segment liabilities	<u>17,309</u>	17,274	<u>25,880</u>	10,899	<u>43,189</u>	28,173
Unallocated liabilities					<u>8,293</u>	<u>25,268</u>
Total liabilities					<u>51,482</u>	<u>53,441</u>
Other segment information:						
Depreciation and amortisation	<u>2,042</u>	1,899	<u>4,433</u>	3,624	<u>6,475</u>	5,523
Unallocated amounts					<u>516</u>	<u>828</u>
					<u>6,991</u>	<u>6,351</u>
Impairment loss on goodwill					<u>-</u>	<u>261</u>
Other non-cash expenses	<u>470</u>	6	<u>233</u>	-	<u>703</u>	6
Unallocated amounts					<u>-</u>	<u>205</u>
					<u>703</u>	<u>211</u>
Capital expenditure	<u>3,368</u>	492	<u>430</u>	10,419	<u>3,798</u>	<u>10,911</u>

(b) *Geographical segments*

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

	PRC (including Hong Kong)		North America		European Union		Others		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:										
Sales to external customers	<u>2,890</u>	<u>3,005</u>	<u>70,679</u>	<u>48,611</u>	<u>19,992</u>	<u>13,161</u>	<u>3,017</u>	<u>2,751</u>	<u>96,578</u>	<u>67,528</u>
Segment results	<u>60</u>	<u>(55)</u>	<u>1,468</u>	<u>(1,012)</u>	<u>415</u>	<u>(260)</u>	<u>63</u>	<u>(41)</u>	<u>2,006</u>	<u>(1,368)</u>
Other segment information:										
Segment assets	193,421	143,232	5,630	9,391	745	439	-	544	<u>199,796</u>	<u>153,606</u>
Capital expenditure	3,798	10,911	-	-	-	-	-	-	<u>3,798</u>	<u>10,911</u>

4. REVENUE

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied.

5. OPERATING PROFIT

	2006 HK\$'000	2005 HK\$'000
Operating profit is arrived at after charging:		
Impairment loss on goodwill (included in other operating expenses)	-	261
Amortisation of licence rights (included in cost of sales)	190	-
Auditors' remuneration		
- current year	777	460
- overprovision in prior years	-	(13)
	<u>777</u>	<u>447</u>
Bad debts written-off	376	162
Cost of inventories recognised as expenses	57,288	40,174
Depreciation and amortisation:		
- owned property, plant and equipment	6,582	6,060
- leased property, plant and equipment	72	139
- prepaid land lease payments	147	152
	<u>6,801</u>	<u>6,351</u>
Provision for slow-moving inventories	804	3,131
Loss on disposal of subsidiaries (included in other operating expenses)	327	-
Operating lease charges on land and buildings	178	281
Changes in fair value of financial assets at fair value through profit and loss	-	20
Research and development costs - current year expenditure	2,763	1,401
Staff costs		
- Wages and salaries (including directors' emoluments)	16,078	15,030
- Pension costs - retirement benefits schemes contributions for staff and directors	1,023	818
- Share options granted to employees	4,614	-
	<u>21,715</u>	<u>15,848</u>
Write off of property, plant and equipment	<u>1</u>	<u>29</u>

6. FINANCE COSTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest charges on:		
Bank loans and trust receipts loans		
wholly repayable within five years	2,561	2,139
Bank loans not wholly repayable within five years	–	140
Finance charges on finance lease	15	30
Interest on capital contribution payable to a jointly controlled entity	–	1,224
	<u>2,576</u>	<u>3,533</u>

7. INCOME TAX EXPENSE/(CREDIT)

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current tax – Hong Kong		
– Tax for the year	47	73
Current tax – overseas		
– Tax for the year	–	–
– Over provision in respect of prior years	–	(306)
	<u>47</u>	<u>(233)</u>
Deferred tax		
– Current year	1,390	(90)
Total income tax expense/(credit)	<u>1,437</u>	<u>(323)</u>

8. FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.01 cent per ordinary share in respect of the year (2005: Nil), to the shareholders on the register of members as at 25 May 2007.

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earning/(loss) per share is based on the profit/(loss) attributable to equity holders of the Company for the year of HK\$1,103,000 (2005: loss of HK\$41,000) and the weighted average of 2,883,343,371 (2005: 2,818,570,829) ordinary shares in issue during the year.

The weighted average number of shares for the purposes of calculating basic loss per share for the year 2005 has been adjusted to reflect the issuance of shares as a result of the open offer of shares issued during the current year.

The calculation of diluted earning per share is based on the profit attributable to equity holders of the Company for the year of HK\$1,103,000 and the weighted average of 2,922,024,874 ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 2,883,343,371 ordinary shares in issue during the period plus the weighted average of 38,681,503 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

The Group entered into a series of agreements in relation to the acquisition of subsidiaries on 16 January 2007. Part of the consideration is to be satisfied by the allotment and issue of 362,000,000 ordinary shares of the Company.

Diluted loss per share for the year ended 31 December 2005 has not been presented as there was no dilutive potential ordinary shares.

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 one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At 31 December 2006, the ageing analysis of trade and bills receivables net of provision, is as follows:

	As at 31 December 2006 <i>HK\$'000</i>	As at 31 December 2005 <i>HK\$'000</i>
0 - 30 days	4,878	6,679
31 - 90 days	3,799	5,990
91 - 180 days	274	80
181 - 360 days	154	-
	<u>9,105</u>	<u>12,749</u>

11. TRADE AND BILLS PAYABLES

At 31 December 2006, the ageing analysis of the trade and bills payables were as follows:

	As at 31 December 2006 <i>HK\$'000</i>	As at 31 December 2005 <i>HK\$'000</i>
0-30 days	2,098	2,728
31 - 90 days	3,675	5,595
91 - 180 days	1,633	2,196
181 - 360 days	18	308
Over 360 days	208	31
	<u>7,632</u>	<u>10,858</u>

REVIEW OF OPERATIONS

Business Review

The Group's turnover and profit for the year ended 31 December 2006 were approximately HK\$96.6 million (2005: HK\$67.5 million) and HK\$1.1 million (2005: net loss of HK\$41,000), respectively. Basic earnings per share for the year under review was HK0.0382 cent (2005: loss per share of HK0.0015 cent (restated)).

During the year under review, the Group continued to engage in the design, manufacture and sale of toys as well as decorative gift items. In 2006, revenue from toys and decorative gift items was approximately HK\$49.1 million (2005: HK\$31.8 million) and HK\$47.5 million (2005: HK\$35.7 million), respectively, accounting for approximately 51% and 49% respectively of the Group's total turnover. The Group was able to increase its sales by approximately 43% as we have intensified our marketing campaign in order to broaden our sales channel in North America and Europe. During the year, new orders have been received from a number of renowned customers. Gross profit margin has also improved from approximately 33.8% in 2005 to approximately 36.8% in 2006 as the management has rectified its operational management and improved its production efficiency. In addition, the management has developed new products with value-added features to enhance product profitability. With the increase in turnover and improvement in profit margin, the Group managed to turnaround and became profitable for the year.

During the year, we commenced the distribution of decorative flags and garden products through the "Toland" brand name with an aim to increase our product variety and to improve our competitiveness in the decorative flags and garden products market.

In addition, the Group has become a licensed supplier for the mascot toy products of the Beijing 2008 Olympic. We have obtained the license to manufacture different toys categories including plush toys, plastic toys, inflatable toys and electronic toys. In addition, we are the sole manufacturer which is able to produce nano-technology plush toys by applying the licensed Swedish Texcote Technology. With environmental friendly features of water repellence, stain resistance and anti-bacteria, our nano-technology mascot toys have received encouraging response in the PRC market.

Material Acquisitions

On 2 September 2006, the Group entered into a capital contribution agreement to contribute RMB20 million to the registered capital in Beijing Mingrunfeng Trading Co., Ltd. (北京銘潤峰商貿有限公司, "Mingrunfeng") in return for a 51% equity interest in Mingrunfeng. Subsequent to the year end date on 16 January 2007, the Group further entered into various acquisition agreements with the original shareholders of Mingrunfeng to acquire all the remaining equity interest of Mingrunfeng at a consideration of approximately HK\$119.5 million to be satisfied by the issue and allotment of 362,000,000 consideration shares at an issue price of HK\$0.33 per share. Details of the agreements and the acquisitions were set out in the Company's announcements dated 26 September 2006 and 1 February 2007, and in the Company's circular dated 30 March 2007. The acquisitions of Mingrunfeng have been approved by the shareholders of the Company at an extraordinary general meeting held on 16 April 2007.

Mingrunfeng is the legal owner of the exploration right of a coal mine in Xilinguolemeng of the Inner Mongolia Autonomous Region of the People's Republic of China (the "PRC"). The coal mine has a site area of approximately 24.91 square kilometres and is located close to highways and railways. According to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. ("SRK Consulting"), the coal mine has estimated coal resource of 106 million tones and has an excellent potential to be developed into an economic open cut coal mine servicing the domestic thermal market. In addition, SRK Consulting concluded that there appears to be no issues that may cause significant impact on the mining of the coal mine as it has no igneous intrusions and little or no structural features. The current on site market price for the coal of the coal mine is around Renminbi 160 Yuan per tonne.

Liquidity and Financial Resources

The Group's cash and cash equivalents are mostly held in Hong Kong dollars and Renminbi. The Group's bank and other borrowings are made in Hong Kong dollars and Renminbi, approximately 75% of such borrowings bear interest at fixed lending rate. At 31 December 2006, the Group's bank and other borrowings amounted to approximately HK\$34.8 million, out of which approximately 95% is repayable within one year. The gearing ratio of the Group at 31 December 2006 calculated as a ratio of total bank and other borrowings to total assets is approximately 17% (2005: 21%). Net current assets at 31 December 2006 was approximately HK\$64.8 million and current ratio was maintained at a healthy level of approximately 241%. The Group had not used any financial instruments for hedging purposes during the year under review.

At 31 December 2006, certain of the Group's buildings and leasehold land and buildings with carrying values of approximately HK\$10.2 million and HK\$9.9 million, respectively, were pledged to secure general banking facilities granted to the Group.

Prospects

Looking forward, we believe our newly diversified coal business is important for the Group as it is our first step to tap the energy and natural resources business. The acquisition provides a starting point for the Group to enter into a diversified and high growth development stage. Our future development strategy will be focused on two directions, energy and natural resources business and industrial business. I am confident that continuous economic growth in China will lead to an increasing demand for natural resources and energy. We expect the Mingrunfeng coal project will commence exploitation and make positive contribution to our Group by the end of 2007. Capitalising on a stable and well-established industrial business foundation, we will tap the energy and natural resources business with high growth potential in order to maximise our shareholders' value.

For our toys and gifts business, being a licensed supplier of the Olympic products is an important milestone for the Group. It can be crucial for the future development of our domestic toys and gifts business as we can attract public awareness, raise our corporate image and strengthen our distribution channels in the PRC by selling our products through thousands of franchised outlets scattered in every province of the PRC. We believe mascot toys will be popular for the Beijing 2008 Olympics and will enhance our turnover and profitability.

Going forward, the Group will continue to explore other investment opportunities in the energy and natural resources industries with high profitability in order to expand our business scale and scope. With the committed efforts of the staff and management, we are confident in the prospects of the Group.

Employment, Training and Development

At 31 December 2006, the Group had a total of 1,085 employees. Remuneration packages are maintained at a competitive level and reviewed on a periodical basis. Bonus and share options were awarded to employees according to the assessment of individual performance and industrial practice.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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 year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 May 2007 to 25 May 2007, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the attendance at the annual general meeting of the Company to be held on 25 May 2007 and to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 17 May 2007.

FINANCIAL INFORMATION

The figures in respect of the preliminary announcement of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2006 have been agreed by the Group’s auditors, Messrs. Grant Thornton, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Grant Thornton 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 Messrs. Grant Thornton on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our most sincere thanks and gratitude for the continuing supports of our shareholders, customers, business partners and suppliers, and also for the contribution and hard works of our management and staff in last year.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”) WEBSITE

A detailed announcement of the results of the Group for the year containing the information required by the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board

HUI Kee Fung

Chairman

Hong Kong, 27 April 2007

As at the date of this announcement, the Board consists of three executive directors, Mr. Hui Kee Fung, Mr. Hui Ki Yau and Madam Hui Hung Tan, Teresa and three independent non-executive directors, Mr. Peng Guanghui, Mr. Kung King Ching, Conrad and Mr. Tang Rongzu.

Please also refer to the published version of this announcement in China Daily.