

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 Energy Holdings Limited
僑雄能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00381)

ANNOUNCEMENT OF 2012 INTERIM RESULTS

The board of directors (the “Board”) of Kiu Hung Energy 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 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	5	69,151	68,731
Cost of sales		<u>(56,372)</u>	<u>(54,859)</u>
Gross profit		12,779	13,872
Other income		572	1,081
Selling and distribution costs		(10,446)	(9,380)
Administrative expenses		(35,607)	(27,938)
Other gain		<u>424</u>	<u>13,593</u>
Operating loss		(32,278)	(8,772)
Finance costs		(4,285)	(1,055)
Share of profit of a jointly controlled entity		<u>–</u>	<u>103</u>
Loss before income tax		(36,563)	(9,724)
Income tax expense	6	<u>(496)</u>	<u>(694)</u>
Loss for the period	7	<u>(37,059)</u>	<u>(10,418)</u>
Loss attributable to:			
– equity holders of the Company		(39,276)	(10,352)
– non-controlling interests		<u>2,217</u>	<u>(66)</u>
		<u>(37,059)</u>	<u>(10,418)</u>
		HK cents	HK cents
Loss per share attributable to the equity holders of the Company			
– basic and diluted	9	<u>(0.66)</u>	<u>(0.18)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(37,059)	(10,418)
Other comprehensive income:		
Exchange difference arising from translation of foreign operations	(3,576)	13,553
Adjustment on revaluation of properties	1,092	549
Deferred tax arising on adjustment on revaluation of properties	(90)	(92)
Total comprehensive (loss)/income for the period	<u>(39,633)</u>	<u>3,592</u>
Total comprehensive (loss)/income attributable to:		
– equity holders of the Company	(41,850)	3,658
– non-controlling interests	2,217	(66)
	<u>(39,633)</u>	<u>3,592</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	106,135	100,015
Prepaid land lease payments		4,668	4,752
Investment properties		9,309	9,358
Exploration and evaluation assets	11	783,750	788,075
Other intangible asset		1,088	1,093
		<u>904,950</u>	<u>903,293</u>
Current assets			
Inventories		31,813	26,119
Trade receivables	12	13,923	18,093
Prepayment, deposits and other receivables		13,621	14,945
Tax recoverable		410	973
Bank and cash balances		6,269	13,002
		<u>66,036</u>	<u>73,132</u>
Total assets		<u>970,986</u>	<u>976,425</u>
Current liabilities			
Trade payables	13	20,705	20,689
Accruals and other payables		27,567	23,407
Tax payable		419	398
Borrowings		78,361	63,405
		<u>127,052</u>	<u>107,899</u>
Net current liabilities		<u>(61,016)</u>	<u>(34,767)</u>

		As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
	<i>Note</i>		
Total assets less current liabilities		843,934	868,526
Non-current liabilities			
Deferred tax liabilities		185,746	187,059
		185,746	187,059
Net assets		658,188	681,467
Equity			
Share capital	14	119,386	115,386
Reserves		534,501	563,997
Equity attributable to equity holders of the Company		653,887	679,383
Non-controlling interests		4,301	2,084
Total equity		658,188	681,467

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 20/F., Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in the manufacturing and trading of toys & gifts items and exploration and mining of natural resources.

These unaudited condensed consolidated interim financial statements are presented in HK dollars, unless otherwise stated. These unaudited condensed consolidated interim financial statements were approved by the board of directors for issue on 24 August 2012.

2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with HKAS 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Going Concern

At 30 June 2012, the Group's current liabilities exceeded its current assets by approximately HK\$61,016,000 and the Group recorded a loss of approximately HK\$37,059,000 and a net operating cash outflow of approximately HK\$31,258,000 during the period ended 30 June 2012. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various operational and financing measures as follows:

- 1) During the reporting period, the Company entered into a placing and subscription agreement with a placing agent to place 200,000,000 new ordinary shares of the Company at the placing price of HK\$0.06 per share to not less than six independent investors. The net proceeds (after deducting the placing expenses) of the top-up placing amounted to approximately HK\$11,632,000;
- 2) During the reporting period and up to the date of this announcement, the Group obtained new short term borrowings of approximately HK\$9,600,000;
- 3) During the reporting period, the Company extended its borrowings of HK\$5,500,000, which would be due in July to September 2012, to 15 March 2013. Among the extended borrowings, HK\$2,000,000 is secured by the personal guarantee from a director of the Company;

- 4) The Group is in negotiation with financial institutions/lenders to obtain new borrowings and to extend existing borrowings upon their due dates;
- 5) The Group is in negotiation with its creditors to extend payment due dates; and
- 6) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible note.

Taking into account the above-mentioned measures, the opinion of the directors of the Company with respect to sufficiency of the working capital of the Group remains as stated in the 2011 annual report dated 28 March 2012. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

Our ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to our future operating performance, market conditions and other factors, many of which are beyond our control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet our needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then we may not be able to repay our borrowings, particularly our short-term borrowings, upon maturity or complete the development of our mines. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The unaudited condensed consolidated interim financial statements do not include any of these adjustments.

3 ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the financial year ended 31 December 2011, except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2012. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4 ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2011.

5 SEGMENT INFORMATION

The Group has two reportable segments as follows:

Exploration and mining – Exploration and mining of natural resources

Toys and gifts items – Manufacturing and trading of toys and gifts items

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment results do not include gain or loss on change in fair value of convertible notes (designated as financial liabilities at fair value through profit or loss), corporate finance costs and other corporate income and expenses. Segment assets do not include current and non-current assets at corporate level.

(a) Information about reportable segment revenue, results and total assets:

	Exploration and mining <i>HK\$'000</i>	Toys and gifts items <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2012 (unaudited):			
Revenue from external customers	1,788	67,363	69,151
Segment loss	<u>(8,049)</u>	<u>(14,693)</u>	<u>(22,742)</u>
Six months ended 30 June 2011 (unaudited):			
Revenue from external customers	–	68,731	68,731
Segment loss	<u>(6,033)</u>	<u>(7,064)</u>	<u>(13,097)</u>
Total assets:			
30 June 2012 (unaudited)	<u>831,610</u>	<u>138,567</u>	<u>970,177</u>
31 December 2011 (audited)	<u>831,165</u>	<u>143,157</u>	<u>974,322</u>

(b) Reconciliation of reportable segment results and total assets:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reconciliation of segment results:		
Total loss of reportable segments	(22,742)	(13,097)
Unallocated amounts:		
Gain on change in fair value of convertible notes (<i>note 7</i>)	–	11,321
Corporate finance costs	(757)	–
Other corporate income and expenses	(13,560)	(8,642)
	<u> </u>	<u> </u>
Loss for the period	<u>(37,059)</u>	<u>(10,418)</u>
	As at	As at
	30 June	31 December
	2012	2011
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Reconciliation of segment assets:		
Total assets of reportable segments	<u>970,177</u>	<u>974,322</u>
Unallocated corporate assets:		
Non-current assets	68	271
Current assets	741	1,832
	<u> </u>	<u> </u>
	<u>809</u>	<u>2,103</u>
Total assets	<u>970,986</u>	<u>976,425</u>

6 INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2011: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
– The People's Republic of China (the "PRC")	219	414
– The United States of America	673	–
Total current tax	892	414
Deferred tax	(396)	280
Income tax expense	496	694

7 LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	4,262	3,293
Amortisation of prepaid land lease payments	58	54
Amortisation of license rights	5	6
Gain on change in fair value of convertible notes (<i>note 5</i>)	–	(11,321)
Staff costs (including directors' emoluments):		
Wages and salaries	18,304	19,301
Retirement benefits scheme contributions	1,748	964
Share-based payment expenses	4,354	336
Write-back of provision for impairment of amount due from a jointly controlled entity	–	(1,697)
Interest expenses on borrowings wholly repayable within 5 years	4,285	1,055

8 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2011: Nil).

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the period of approximately HK\$39,276,000 (2011: HK\$10,352,000) and the weighted average of 5,921,784,672 (2011: 5,669,109,455) ordinary shares in issue during the period.

For the six months ended 30 June 2012 and 30 June 2011, the Group has incurred a loss and the conversion of all potential ordinary shares arising from the outstanding share option (granted in 2006, 2007, 2009, 2010 and 2012) would have an anti-dilutive effect on the loss per share. Accordingly, the weighted average number of ordinary share was not adjusted to compute the diluted loss per share.

10 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK\$9,650,000 (2011: HK\$6,295,000).

11 EXPLORATION AND EVALUATION ASSETS

During the reporting period, exchange loss of approximately HK\$4,350,000 has been recognised as a result of the translation of foreign operations in the PRC (2011: exchange gain of HK\$17,426,000).

12 TRADE 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.

At 30 June 2012 and 31 December 2011, the ageing analysis of trade receivables based on invoice date, net of provision, were as follows:

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
Within 30 days	7,209	13,914
31 days to 90 days	5,536	2,305
91 days to 180 days	992	1,789
181 days to 360 days	185	83
Over 360 days	1	2
	<u>13,923</u>	<u>18,093</u>

13 TRADE PAYABLES

At 30 June 2012 and 31 December 2011, the ageing analysis of trade payables based on invoice date were as follows:

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
Within 30 days	8,013	7,362
31 days to 90 days	7,729	7,372
91 days to 180 days	3,316	4,920
181 days to 360 days	1,345	715
Over 360 days	302	320
	<u>20,705</u>	<u>20,689</u>

14 SHARE CAPITAL

	Number of shares		Ordinary share capital	
	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (Audited)	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
<i>Note</i>				
Authorised:				
Ordinary shares of HK\$0.02 each	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of period/year	5,769,304,672	5,014,426,800	115,386	100,289
Issue of shares on:				
– Exercise of share options	–	156,000	–	3
– Conversion of convertible notes	–	754,721,872	–	15,094
– On placement (a)	<u>200,000,000</u>	<u>–</u>	<u>4,000</u>	<u>–</u>
At end of period/year	<u>5,969,304,672</u>	<u>5,769,304,672</u>	<u>119,386</u>	<u>115,386</u>

Note:

- (a) During the reporting period, the Company entered into a placing and subscription agreement with a placing agent and Legend Win Profits Limited for (i) the placing of up to an aggregate of 200,000,000 ordinary shares of HK\$0.02 each of the Company to independent investors at the placing price of HK\$0.06 per share; and (ii) the subscription of up to 200,000,000 new ordinary shares of HK\$0.02 each of the Company by Legend Win Profits Limited at the subscription price of HK\$0.06 per share. Net proceeds of the subscription of 200,000,000 new ordinary shares of the Company (after deducting placing expenses) amounted to approximately HK\$11,632,000.

15 RELATED PARTY TRANSACTIONS

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
Sales of goods to a jointly-controlled entity	(a)	–	3,833
Product development, sale and marketing services fee paid to a related company	(b)	<u>832</u>	<u>915</u>

Notes:

- (a) A shareholder of the jointly-controlled entity was also the beneficial owner of 30% equity interest in the Company's subsidiary making the sales.
- (b) The sole owner of the related company is also the director and beneficial owner of 49% (2011: 49%) equity interest in the Company's subsidiary paying for the services.

16 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

		As at	As at
		30 June	31 December
		2012	2011
		(unaudited)	(audited)
		HK\$'000	HK\$'000
Property, plant and equipment		<u>247</u>	<u>808</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 30 June 2012 (the “Period”), the Group recorded turnover of approximately HK\$69.2 million (2011: HK\$68.7 million), representing an increase of approximately 1% as compared with the same period last year. The Group’s loss attributable to equity holders of the Company for the Period was approximately HK\$39.3 million (2011: HK\$10.4 million). The increase in loss attributable to equity holders of the Company for the Period was mainly attributable to (i) a decrease in gain arising on changes in fair value of the Company’s financial liabilities at fair value through profit or loss; (ii) an increase in share-based payment expenses; and (iii) an increase in finance costs. Basic loss per share for the Period was 0.66 HK cents (2011: 0.18 HK cents). The Board has resolved not to pay any interim dividend for the Period (2011: Nil).

Business and Operational Review

Segmental information analysis

During the Period, the Group continued to engage in the design, manufacture and sales of toys and gifts products and the mining and exploration of natural resources. The Group has two reportable segments, namely “Manufacturing and trading of toys and gifts items” and “Exploration and mining of natural resources”.

Manufacturing and trading of toys and gifts items

Turnover from toys and gifts business was approximately HK\$67.4 million for the Period (2011: HK\$68.7 million). Gross profit margin for the Period was 19.7% (2011: 20.4%). The segment loss of the manufacturing and trading of toys and gifts items was approximately HK\$14.7 million (2011: HK\$7.1 million). The increase in segment loss was mainly attributable to (i) a decrease in write-back of provision for impairment of amount due from a jointly controlled entity; and (ii) an increase in finance costs.

Exploration and mining of natural resources

The Group owns the mining right of Huanghuashan Coal Mine and the exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region, the PRC with total estimated coal resources of approximately 507.9 million tonnes under the JORC Code as follows:

	Inferred Resources <i>(Million Tonnes)</i>
Guerbanhada Coal Mine (“GCM”)	106.00
Huanghuashan Coal Mine (“HCM”)	7.85
Bayanhushuo Coal Field (“BCF”)	<u>394.05*</u>
Total	<u><u>507.90</u></u>

* In order to fulfill the requirement of the PRC government before submitting the master planning of BCF, the Group submitted a resources report of BCF to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) during 2011. The resources report was prepared by Inner Mongolia Long Wang Geographic Exploration Co. Ltd. (內蒙古龍旺地質勘探有限責任公司), which indicates BCF has an estimated coal resources of approximately 384.69 million tonnes under the Chinese resources standard promulgated by the Ministry of Land and Resources of the PRC.

HCM commenced production again during the second quarter of 2012 and contributed revenue of approximately HK\$1.8 million (2011: nil) to the Group for the Period.

In 2011, the government of Tongliao City of Inner Mongolia Autonomous Region (“Tongliao City”) announced a proposal to merge the coal mines located in Tongliao City, in which HCM is located. However, the details of the proposed merger have not yet been released by the government of Tongliao City.

In addition, the Economic and Information Committee Office of Inner Mongolia Autonomous Region (內蒙古自治區經濟和信息化委員會辦公室) has issued a consultation paper (the “Consultation Paper”) in May 2012 to propose not to renew after 1 January 2013 any mining licence with annual production capacity less than 450,000 tonnes. The current annual production capacity of the mining licence of HCM is 300,000 tonnes. According to the PRC legal advisor, the Consultation Paper is not legally effective yet. The Group is closely monitoring the development of the Consultation Paper and considering to increase the annual production capacity of HCM to 450,000 tonnes.

GCM is located in Xilinguolemeng of Inner Mongolia Autonomous Region, the PRC and is close to highways and railways. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. (“SRK Consulting”) on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal and has an excellent potential to be developed into an economic open cut coal mine servicing the domestic thermal coal market.

The master planning (總體規劃) of GCM has been agreed by the Development and Reform Commission of Inner Mongolia Autonomous Region (內蒙古自治區發展和改革委員會) and has been submitted to the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the National Energy Commission of the PRC (中華人民共和國國家能源局) for their approvals during 2010. The current licence period of the exploration right of GCM is from 23 September 2011 to 22 September 2013.

BCF is located in Xilinguolemeng of Inner Mongolia Autonomous Region, the PRC. Pursuant to an independent technical assessment report issued by SRK China on 31 January 2008, BCF has an estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. During the Period, the master planning of BCF was submitted to the Development and Reform Commission of Inner Mongolia Autonomous Region for its approval. The current licence period of the exploration right of BCF is from 19 June 2010 to 4 July 2012 and is under renewal after the Period.

The approval of the master planning from the Development and Reform Commission of Inner Mongolia Autonomous Region and the National Development and Reform Commission of the PRC is one of the pre-conditions of getting the mining licence. The Group has been closely following up the application with its best endeavors to expedite the application process of the mining licences of GCM and BCF.

During the Period, the Development and Reform Commission of Inner Mongolia Autonomous Region has issued a consultation paper in April 2012 to propose that the exploration licence holders shall return their exploration licence to the government if they are unable to apply the mining licence in accordance with the relevant law and regulations during the exploration licence period (the “Proposal”). According to the PRC legal advisor, the Proposal has not become legally effective yet and the Group will closely monitor the development of the Proposal and assess the impact to the Group.

Administrative expenses

Administrative expenses for the Period increased by approximately 27.6% to approximately HK\$35.6 million as compared to approximately HK\$27.9 million in the same period last year. The increase was mainly attributable to an increase in share-based payment expenses of approximately HK\$4.0 million.

Other gain

Other gain for the Period decreased by approximately HK\$13.2 million was mainly attributable to the fair value gain on financial liabilities at fair value through profit or loss of approximately HK\$11.3 million and the reversal of provision for impairment of amount due from a jointly controlled entity of approximately HK\$1.7 million recorded in the same period last year. No such other gain was recorded during the Period.

Finance costs

Finance costs for the Period increased by approximately HK\$3.2 million was mainly due to an increase in borrowings during the Period as compared to the same period last year.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in the PRC. As at 30 June 2012, the Group had bank and cash balances of approximately HK\$6.3 million (31 December 2011: HK\$13.0 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2012, the Group's borrowings amounted to approximately HK\$78.4 million (31 December 2011: HK\$63.4 million). The Group's borrowings were denominated in Hong Kong dollars and Renminbi, of which approximately 73.7% (31 December 2011: 69.0%) bore interest at fixed lending rate.

The gearing ratio of the Group calculated as the Group's net current debts (comprising current liabilities less bank and cash balances) over its total equity was approximately 18.4% as at 30 June 2012 (31 December 2011: 13.9%).

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. As such, the Group had not used any financial instruments for hedging during the Period.

As at 30 June 2012, certain property, plant and equipment, prepared land lease payments and investment properties held by the Group with aggregate carrying values of approximately HK\$83.5 million (31 December 2011: 86.9 million) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2012, the Group had capital commitments of approximately HK\$0.2 million (31 December 2011: HK\$0.8 million).

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011: Nil).

Business Prospects and Future Plan

We believe our coal business is important for the Group as it enables us to tap the energy and natural resources business and to enter into a diversified and high growth development stage. We are positive about the prospect of the coal mining industry in the PRC. As coal is the major source of the PRC's primary energy consumption, we believe that the demand for coal from the power and other industries will continue to be robust in the foreseeable future in view of the continual economic growth in the PRC.

Going forward, the Group will continue to explore other investment opportunities in the energy and natural resources industries that have earning potentials in order to expand its existing operations and to diversify its business.

As the Group has an aggregate amount of existing coal resources of approximately 507.9 million tonnes, we will be able to tap the energy and natural resources business with high growth potential in order to maximise our shareholders' value. With the committed efforts of the dedicated management and staff, we are confident and optimistic on the business prospects of the Group.

Employment, Training and Development

As at 30 June 2012, the Group had a total of 1,062 employees (2011: 849 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance. During the Period, the Company has substantially complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The audit committee of the Company comprises Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. Jin Peihuang, the independent non-executive directors of the Company. The audit committee has reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Group for the six months ended 30 June 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.381energy.com). The 2012 interim report of the Company will be dispatched to the Company's shareholders and published on the same websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the management team and staff of the Group for their contribution during the Period and also to give our sincere gratitude to all our shareholders for their continuous support.

By Order of the Board
Kiu Hung Energy Holdings Limited
Hui Kee Fung
Chairman

Hong Kong, 24 August 2012

As at the date of this announcement, the Board comprises four executive directors, Mr. Hui Kee Fung, Mr. Yu Won Kong, Dennis, Mr. Guo Tianjue and Mr. Lam Kit Sun and three independent non-executive directors, Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. Jin Peihuang.