



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 2007 FINAL RESULTS

The Board (the “Board”) of Directors (the “Directors”) 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 2007, together with the comparative figures for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2007	2006
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	111,189	96,578
Cost of sales		<u>(78,391)</u>	<u>(61,046)</u>
Gross profit		32,798	35,532
Other income		8,070	5,297
Distribution costs		(12,237)	(9,197)
Administrative expenses		(30,220)	(25,500)
Other operating expenses		<u>(1,551)</u>	<u>(1,024)</u>
OPERATING (LOSS)/PROFIT	5	(3,140)	5,108
Finance costs	6	(3,773)	(2,576)
Share of (loss)/profit of a jointly controlled entity		<u>(99)</u>	<u>45</u>
(LOSS)/PROFIT BEFORE INCOME TAX		(7,012)	2,577
Income tax expense	7	<u>(1,408)</u>	<u>(1,437)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(8,420)</u>	<u>1,140</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		(8,216)	1,103
Minority interests		<u>(204)</u>	<u>37</u>
		<u>(8,420)</u>	<u>1,140</u>
(LOSS)/EARNINGS PER SHARE FOR RESULTS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	9		
– Basic		<u>HK(0.2575) cent</u>	<u>HK0.0382 cent</u>
– Diluted		<u>N/A</u>	<u>HK0.0377 cent</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 31 December 2007 HK\$'000	As at 31 December 2006 HK\$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		57,990	63,877
Prepaid land lease payments		6,450	6,213
Investment property		400	400
Interest in a jointly controlled entity		524	623
Goodwill	10	303,590	–
Other intangible assets		1,789	2,424
Exploration and evaluation assets	11	38,346	–
Deposit for acquisition of a prospective investee company		3,000	15,000
Deferred tax assets		–	551
		<u>412,089</u>	<u>89,088</u>
CURRENT ASSETS			
Inventories		9,860	10,227
Trade and bills receivable	12	9,108	9,105
Prepayment, deposits and other receivables		9,548	1,716
Amount due from a jointly-controlled entity		3,443	1,097
Amount due from a related company		–	2,900
Tax recoverable		85	153
Financial assets at fair value through profit or loss		286	286
Cash at banks and in hand		70,557	85,224
		<u>102,887</u>	<u>110,708</u>
CURRENT LIABILITIES			
Trade and bills payable	13	9,256	7,632
Other payables and accruals		17,864	4,902
Amount due to a shareholder		282	–
Provision for tax		1,051	287
Borrowings		31,981	33,066
		<u>60,434</u>	<u>45,887</u>
NET CURRENT ASSETS		<u>42,453</u>	<u>64,821</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		454,542	153,909
NON-CURRENT LIABILITIES			
Borrowings		1,284	1,766
Deferred tax liabilities		4,163	3,829
		<u>5,447</u>	<u>5,595</u>
NET ASSETS		<u>449,095</u>	<u>148,314</u>
EQUITY ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS			
Share capital		68,132	59,773
Reserves		379,381	86,945
Proposed final dividend		–	299
		<u>447,513</u>	<u>147,017</u>
Minority interests		1,582	1,297
TOTAL EQUITY		<u>449,095</u>	<u>148,314</u>

NOTES:

1. GENERAL INFORMATION

Kiu Hung International Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in the Cayman Islands. The address of the Company’s registered office is located at Century Yard 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, Fotan, Shatin, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group is principally engaged in the design, manufacture, sale of a wide range of toys and decorative gift items and exploration and mining of natural resources. The completion of the acquisition of Inner Mongolia Mingrunfeng Energy Co., Ltd. (“Mingrunfeng”, formerly known as “Beijing Mingrunfeng Trading Co., Ltd.”) during the year is in line with the Group’s strategy to diversify its business into the exploration and mining of natural resources.

These consolidated financial statements have been reviewed by the audit committee of the Company and were approved for issue by the board of directors on 25 April 2008.

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 (“HK(IFRIC) Interpretation”) issued by the Hong Kong Institute of Certified Public Accountants. 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”).

In the current year, the Group has adopted the following new and amended HKFRSs which are first effective for the Group’s accounting period beginning on 1 January 2007 and are relevant to the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment

The adoption of these new or amended HKFRSs did not result in significant changes to the Group’s accounting policies but gave rise to additional disclosures in the financial statements.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) Interpretation 11	HKFRS 2 – Group and Treasury Share Transactions ³
HK(IFRIC) Interpretation 12	Service Concession Arrangements ⁴
HK(IFRIC) Interpretation 13	Customer Loyalty Programmes ⁵
HK(IFRIC) Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction ⁴

¹ *Effective for annual periods beginning on or after 1 January 2009*

² *Effective for annual periods beginning on or after 1 July 2009*

³ *Effective for annual periods beginning on or after 1 March 2007*

⁴ *Effective for annual periods beginning on or after 1 January 2008*

⁵ *Effective for annual periods beginning on or after 1 July 2008*

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

	Exploration and mining		Toys and decorative gift items		Unallocated		Total	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:								
Sales to external customers	-	-	111,189	96,578	-	-	111,189	96,578
Other revenue	-	-	1,288	602	-	-	1,288	602
Total segment revenue	<u>-</u>	<u>-</u>	<u>112,477</u>	<u>97,180</u>	<u>-</u>	<u>-</u>	<u>112,477</u>	<u>97,180</u>
Segment results	<u>(3,166)</u>	<u>-</u>	<u>(1,464)</u>	<u>2,006</u>	<u>-</u>	<u>-</u>	<u>(4,630)</u>	<u>2,006</u>
Interest, rental income and unallocated other income							6,782	5,297
Unallocated expenses							<u>(5,292)</u>	<u>(2,195)</u>
Operating (loss)/profit							(3,140)	5,108
Finance costs							(3,773)	(2,576)
Share of (loss)/profit of a jointly controlled entity							<u>(99)</u>	<u>45</u>
(Loss)/Profit before income tax							(7,012)	2,577
Income tax expense							<u>(1,408)</u>	<u>(1,437)</u>
(Loss)/Profit for the year							<u>(8,420)</u>	<u>1,140</u>
Segment assets	346,362	-	136,997	148,728	31,093	50,445	514,452	199,173
Interest in a jointly controlled entity	-	-	524	623	-	-	<u>524</u>	<u>623</u>
Total assets							<u>514,976</u>	<u>199,796</u>
Segment liabilities	24,534	-	32,942	43,189	8,405	8,293	<u>65,881</u>	<u>51,482</u>
Total liabilities							<u>65,881</u>	<u>51,482</u>
Other information:								
Depreciation and amortisation	76	-	6,577	6,475	619	516	7,272	6,991
Other non-cash expenses	-	-	114	703	32	-	146	703
Capital expenditure	<u>37,869</u>	<u>-</u>	<u>2,202</u>	<u>3,798</u>	<u>-</u>	<u>-</u>	<u>40,071</u>	<u>3,798</u>

(b) Geographical segments

The following tables present revenue, results and certain assets and expenditure information for the Group's geographical segments, irrespective of the origin of the goods.

	PRC (including Hong Kong)		North America ¹		European Union ²		Others ³		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	5,901	2,890	82,783	70,679	16,939	19,992	5,566	3,017	111,189	96,578
Other revenue	1,288	602	-	-	-	-	-	-	1,288	602
Total segment revenue	<u>7,189</u>	<u>3,492</u>	<u>82,783</u>	<u>70,679</u>	<u>16,939</u>	<u>19,992</u>	<u>5,566</u>	<u>3,017</u>	<u>112,477</u>	<u>97,180</u>
Segment results	<u>(3,244)</u>	<u>60</u>	<u>(1,090)</u>	<u>1,468</u>	<u>(223)</u>	<u>415</u>	<u>(73)</u>	<u>63</u>	<u>(4,630)</u>	<u>2,006</u>
Other segment information:										
Segment assets	502,536	193,421	11,896	5,630	544	745	-	-	514,976	199,796
Capital expenditure	40,071	3,798	-	-	-	-	-	-	40,071	3,798

¹ North America includes the United States of America and Canada

² European Union includes Spain, Italy, France and the United Kingdom

³ Others includes Middle East, South America and Southeast Asia

4. REVENUE

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

5. OPERATING (LOSS)/PROFIT

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Operating (loss)/profit is arrived at after charging:		
Amortisation of		
– licence rights (included in other operating expenses)	620	190
– trademark (included in distribution costs)	15	–
	<u>635</u>	<u>190</u>
Auditors' remuneration	1,900	777
Bad debts written-off	146	376
Cost of inventories recognised as expenses	62,970	57,288
Depreciation:		
– owned property, plant and equipment	6,478	6,582
– leased property, plant and equipment	–	72
	<u>6,478</u>	<u>6,654</u>
Provision for slow-moving inventories	1,662	804
Loss on disposal of subsidiaries (included in other operating expenses)	–	327
Operating lease charges on		
– land and buildings	257	178
– prepaid land lease	159	147
Research and development costs – current year expenditure	1,015	2,763
Loss on disposal of property, plant and equipment	7	–
Write off of property, plant and equipment	–	1
Staff costs (including directors' emoluments)		
– Wages and salaries	19,593	16,078
– Pension costs – defined contribution plans	1,092	1,023
– Share options granted to employees	3,361	4,614
	<u>24,046</u>	<u>21,715</u>

6. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest charges on:		
Bank loans and trust receipts loans		
wholly repayable within five years	2,238	2,561
Other loans wholly repayable within five years	1,491	–
Finance charges on finance leases	–	15
Other loan from a shareholder	44	–
	<u>3,773</u>	<u>2,576</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax – Hong Kong		
– Tax for the year	896	47
Deferred tax		
– Current year	<u>512</u>	<u>1,390</u>
Total income tax expense	<u><u>1,408</u></u>	<u><u>1,437</u></u>

8. FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year (2006: HK0.01 cent per share) .

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity holders of the Company for the year of HK\$8,216,000 (2006: profit of HK\$1,103,000) and the weighted average of 3,190,638,419 (2006: 2,883,343,371) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2007 has not been presented as the impact of the exercise of the share options was anti-dilutive.

The calculation of diluted earning per share for the year ended 31 December 2006 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 for the year ended 31 December 2006 is calculated based on the weighted average of 2,883,343,371 ordinary shares in issue during the year 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 an acquisition agreement in relation to acquisition of subsidiaries on 16 August 2007. Part of the consideration is to be satisfied by the allotment and issue of 600,000,000 ordinary shares of the Company, and convertible notes with principal amount of approximately HK\$254,065,000 which is convertible into 362,949,764 ordinary shares at a conversion price of HK\$0.7 per share. Such acquisition has been completed subsequent to the balance sheet date on 28 March 2008.

10. GOODWILL

The amount represents goodwill arose from the acquisition of Mingrunfeng, which is mainly attributable to the values of the potential mining rights which are in the process of procurement by Mingrunfeng and the related technical knowledge and expertise acquired for the coal mining business.

Mingrunfeng holds an exploration licence in Guerbanhada Coal Mine (the “Coal Mine”) in Xilinguolemeng of the Inner Mongolia Autonomous Region of the People’s Republic of China (the “PRC”), which runs from 26 October 2007 to 31 October 2009. On or before the expiry of the exploration licence, Mingrunfeng is entitled to apply for a mining right certificate provided that certain conditions required by national and provincial laws and regulations are satisfied. According to a technical report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd., an independent mining and geological consultant, on 30 March 2007, the Coal Mine was estimated to have a coal reserve of 106 million tons at the general stage of exploration of the Coal Mine. According to a coal reserve assessment report approved by the Department of Land and Resources of Inner Mongolia on 1 June 2007, the estimated coal reserve of the Coal Mine has increased to 128.86 million tons upon completion of the detailed stage of exploration of the Coal Mine.

The entire goodwill of HK\$303,590,000 arising from the acquisition has been allocated to the coal exploration and mining cash-generating units (“CGU”) for impairment testing.

At the balance sheet date, the Group performed an impairment review for goodwill with reference to the scenario analysis carried out by the management. The scenario analysis is based on cash flow forecasts derived from the extrapolated cash flows for the 20 years. The rate used to discount the forecast cash flow is 10.66%.

The recoverable amount of the coal exploration and mining CGU is determined from value-in-use calculations. The key estimations used in the calculation of the value-in-use include the discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on coal production growth forecasts. Changes in the coal prices are based on expectations of the future changes in market. Economic life of the coal mine is based on the estimated coal reserve over the estimated annual mining production. Annual mining production rate of coal is expected to be 2 million tons of coal for year 2009 and 3 million tons of coal per year commencing from year 2010. The unit selling price and unit cost of production are assumed to remain constant throughout the forecast period.

The key assumptions used in the scenario analysis include, amongst others, the Group is being able (a) to obtain the mining right certificate by the end of year 2008, (b) to commence the mining production in the second quarter of year 2009, and (c) to raise sufficient funds to finance the subsequent mining operations which are capital-intensive. As at the date of this report, the Group is still in the process of obtaining the necessary funds for the above-mentioned purposes.

On the basis of the review, management concluded that the recoverable amount of the goodwill exceeds its carrying amount and therefore no impairment loss needs to be recognised.

11. EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation assets related to the Coal Mine was not yet operative as at 31 December 2007. These assets are not subject to amortisation until they are placed in use and are not subject to impairment until some facts or circumstances suggest that the carrying amount exceed the recoverable amount.

12. TRADE AND BILLS RECEIVABLE

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 2007, the ageing analysis of trade and bills receivable, based on invoice dates, net of provision, was as follows:

	As at 31 December 2007 <i>HK\$'000</i>	As at 31 December 2006 <i>HK\$'000</i>
0 – 30 days	6,408	4,878
31 – 90 days	2,254	3,799
91 – 180 days	309	274
181 – 360 days	137	154
	<u>9,108</u>	<u>9,105</u>

13. TRADE AND BILLS PAYABLE

At 31 December 2007, the ageing analysis of the trade and bills payable based on the invoice dates was as follows:

	As at 31 December 2007 <i>HK\$'000</i>	As at 31 December 2006 <i>HK\$'000</i>
0-30 days	3,582	2,098
31 – 90 days	3,878	3,675
91 – 180 days	1,315	1,633
181 – 360 days	281	18
Over 360 days	200	208
	<u>9,256</u>	<u>7,632</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and operational review

For the financial year ended 31 December 2007 (the “Year”), the Group recorded a turnover of approximately HK\$111.2 million (2006: HK\$96.6 million), representing an increase of approximately 15% as compared with the preceding year. The Group’s loss attributable to shareholders for the Year was approximately HK\$8.2 million (2006: profit of HK\$1.1 million). Basic loss per share for the Year was HK0.2575 cent (2006: earnings per share of HK0.0382 cent).

During the Year, the Group engaged in the design, manufacture and sale of toys and gifts products and diversified into the mining and exploration of coal through the acquisition of Mingrunfeng. During the Year, the Group has experienced improved sales performance as a result of the increase in the sales of decorative flags and garden products through the “Toland” brand name. Nevertheless, gross profit ratio of the Group decreased from 36.8% in 2006 to 29.5% in 2007 as a result of the surge in raw materials costs, rising inflation and the appreciation of Renminbi.

During the Year, administrative expenses of the Group increased by approximately HK\$4.7 million from approximately HK\$25.5 million for 2006 to approximately HK\$30.2 million for 2007. The overall increase in administrative expenses was a combined results of the expansion of the Group’s business operations, the effects of inflation, and the additional administrative expenses incurred by the Group’s coal business as Mingrunfeng still has not commenced the exploitation of its proven reserves during the Year.

Liquidity and financial resources

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\$70.6 million (2006: HK\$85.2 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, of which approximately 89% (2006: 75%) bore interest at fixed lending rate. At 31 December 2007, the Group’s bank and other borrowings amounted to approximately HK\$33.3 million (2006: HK\$34.8 million), out of which approximately 96% (2006: 95%) was repayable within one year. The debt/equity ratio of the Group calculated as a ratio of total bank and other borrowings to total equity was approximately 7% as at 31 December 2007 (2006: 23%). Net current assets as at 31 December 2007 was approximately HK\$42.5 million (2006: HK\$64.8 million) and the current ratio was approximately 170% (2006: 241%). 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.

As at 31 December 2007, certain land use rights, buildings and leasehold land and buildings held by the Group with carrying values of approximately HK\$1.8 million, HK\$6.1 million and HK\$10.2 million, respectively, were pledged to secure general banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

On 16 August 2007, the Group entered into an acquisition agreement with Gold Dynasty Investments Limited (“Gold Dynasty”) to acquire the entire share capital of Lucky Dragon Resources Limited (“Lucky Dragon”) at a total consideration of HK\$840 million (subject to certain adjustments). HK\$3 million has been paid as deposit to Gold Dynasty on 16 August 2007. For the remaining balance of HK\$837 million (subject to certain adjustments), the Group has to pay HK\$157 million by cash, HK\$420 million by the allotment and issue of 600 million consideration shares at an issue price of HK\$0.7 per share and HK\$260 million by the issue of convertible notes with a conversion price of HK\$0.7 per conversion share upon the completion of the acquisition.

The acquisition has been completed subsequent to the balance sheet date on 28 March 2008. On 28 March 2008, (i) 600 million ordinary shares, (ii) convertible notes with principal amount of approximately HK\$254,065,000 which is convertible into 362,949,764 conversion shares at a conversion price of HK\$0.7 per conversion share and (iii) promissory note in the amount of approximately HK\$95,416,000 have been issued to Gold Dynasty as the consideration for the acquisition.

As at 31 December 2007, the Group did not have any contingent liabilities.

Material acquisitions

During the Year, the Group has completed the acquisition of the entire equity interest in Mingrunfeng. Mingrunfeng is the holder of the exploration rights of the Guerbanhada Coal Mine located in Inner Mongolia of the PRC. The Guerbanhada Coal Mine has a site area of approximately 24.91 km² 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”) on 30 March 2007, the Guerbanhada Coal Mine has an estimated coal resource of approximately 106 million tons of high quality thermal coal and has an excellent potential to be developed into an economic open cut coal mine servicing the domestic thermal market. According to a coal reserve assessment report approved by the Department of Land and Resources of Inner Mongolia on 1 June 2007, the estimated coal reserve of the Guerbanhada Coal Mine has increased to approximately 128.86 million tons as a result of the completion of the detailed exploration stage of exploration. The detailed exploration stage of exploration is the final stage of exploration for coal mines. The current at-pit market price of the coal expected to be extracted from the Guerbanhada Coal Mine is approximately RMB180 per ton. Further details of the acquisition were set out in the Company’s circular dated 30 March 2007.

On 16 August 2007, the Group entered into the Acquisition Agreement to acquire the entire issued share capital of Lucky Dragon at a total consideration of HK\$840 million (subject to certain adjustments). Lucky Dragon owns the entire equity interest in Heng Yuan which in turn owns (i) the mining rights of the Huanghuashan Coal Mine and (ii) the exploration rights of the Bayanhushuo Coalfield (i.e. Xi Meng Coal Mine). Details of the Acquisition were set out in the Company’s circular dated 31 January 2008.

Huanghuashan Coal Mine is located in Tongliao City of Inner Mongolia in the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting China Ltd. (“SRK China”) on 31 January 2008, the Huanghuashan Coal Mine has an estimated coal resource of approximately 7.85 million tons of semi-anthracite coal. The current at-pit market price of the coal expected to be extracted from the Huanghuashan Coal Mine is approximately RMB360 per ton (pre-washing) and RMB750-800 per ton (post-washing).

Bayanhushuo Coalfield is located in Xilinguolemeng of Inner Mongolia in the PRC. Pursuant to an independent technical assessment report issued by SRK China on 31 January 2008, the Bayanhushuo Coalfield has estimated coal resource of approximately 434.76 million tons of high quality thermal coal. The current at-pit market price of the coal expected to be extracted from the Bayanhushuo Coal Mine is approximately RMB210 per ton.

Business prospects

We believe our newly diversified coal business is important for the Group as it enable 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 accounted for approximately 67% of the PRC’s primary energy consumption, we believe that the demand for coal from the electricity and other industries will continue to be robust in the foreseeable future in view of the continual economic growth in the PRC. Upon completion of the acquisition of Lucky Dragon, the aggregate amount of coal reserves of the Group will be expanded to over 570 million tons. 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.

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. With the committed efforts of the staffs and management, we are confident and optimistic on the prospects of the Group.

Employment, training and development

As at 31 December 2007, the Group had a total of 748 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.

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 21 May 2008 to 28 May 2008, 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 28 May 2008, 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, Tricor 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 20 May 2008.

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 2007 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.

Without qualifying their opinion, Messrs. Grant Thornton draws attention to note 10 to the result announcement which indicates that the Group recorded goodwill of HK\$303,590,000 as at 31 December 2007. The Group is undergoing various fund raising activities to finance the capital requirements for the development of the mine and future mining operations. The ultimate results of the fund raising activities cannot presently be determined, and the carrying amount of goodwill and the investment in the mining business arising from the acquisition of mining business may be affected should the Group be unable to source the necessary finance for the capital requirements.

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, business partners and parties from various fields, and also for the contribution and dedication of our management and staff in last year.

PUBLICATION OF ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kiuhung.com). The 2007 Annual Report will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
HUI Kee Fung
Chairman

Hong Kong, 25 April 2008

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 nonexecutive directors, Mr. Peng Guanghui, Mr. Kung King Ching, Conrad and Mr. Tang Rongzu.