



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 2008 INTERIM RESULTS

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 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
	<i>Notes</i>	(Unaudited)	(Restated)
		HK\$'000	HK\$'000
REVENUE		63,006	41,769
Cost of sales		<u>(39,683)</u>	<u>(30,109)</u>
Gross profit		23,323	11,660
Other income	3	5,504	2,013
Distribution costs		(7,437)	(4,527)
Administrative expenses		(15,025)	(13,450)
Other operating expenses		<u>(965)</u>	<u>(616)</u>
OPERATING PROFIT/(LOSS)	4	5,400	(4,920)
Finance costs	5	(7,354)	(1,405)
Share of profit of a jointly controlled entity		<u>233</u>	<u>116</u>
LOSS BEFORE INCOME TAX		(1,721)	(6,209)
Income tax expense	6	<u>(1,288)</u>	<u>(108)</u>
LOSS FOR THE PERIOD		<u>(3,009)</u>	<u>(6,317)</u>
Attributable to:			
Equity holders of the Company		(3,536)	(6,394)
Minority interests		<u>527</u>	<u>77</u>
LOSS FOR THE PERIOD		<u>(3,009)</u>	<u>(6,317)</u>
INTERIM DIVIDEND	7	<u>–</u>	<u>–</u>
		<i>HK cent</i>	<i>HK cent</i> (Restated)
LOSS PER SHARE			
FOR LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD			
– Basic	8	<u>(0.10)</u>	<u>(0.21)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		78,748	57,990
Prepaid land lease payments		6,804	6,450
Investment property		400	400
Interest in a jointly controlled entity		757	524
Goodwill	9	770,593	303,590
Exploration and evaluation assets	10	53,484	38,346
Mining rights	11	54,307	–
Other intangible assets		1,479	1,789
Deposit for acquisition of a prospective investee company		–	3,000
		<u>966,572</u>	<u>412,089</u>
CURRENT ASSETS			
Inventories		18,232	9,860
Trade and bills receivables	12	18,729	9,108
Prepayment, deposits and other receivables		6,611	9,548
Amount due from a jointly controlled entity		1,587	3,443
Tax recoverable		902	85
Financial assets at fair value through profit or loss		286	286
Cash at banks and in hand		79,168	70,557
		<u>125,515</u>	<u>102,887</u>
CURRENT LIABILITIES			
Trade and bills payables	13	15,213	9,256
Other payables and accruals		92,066	17,864
Provision for tax		2,331	1,051
Bank and trust receipt loans		22,339	15,492
Other loans		23,751	16,489
Amount due to a shareholder		–	282
		<u>155,700</u>	<u>60,434</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(30,185)</u>	<u>42,453</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		936,387	454,542
NON-CURRENT LIABILITIES			
Bank loans		1,044	1,284
Promissory notes payable	14	95,416	–
Convertible notes	15	218,014	–
Derivative financial instruments	16	36,296	–
Deferred tax liabilities		4,285	4,163
		<u>355,055</u>	<u>5,447</u>
NET ASSETS		<u>581,332</u>	<u>449,095</u>
EQUITY			
Share capital	17	80,173	68,132
Reserves		499,050	379,381
		<u>579,223</u>	<u>447,513</u>
Minority interests		2,109	1,582
TOTAL EQUITY		<u><u>581,332</u></u>	<u><u>449,095</u></u>

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 used in preparation of these condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2007 except for the adoption of new Hong Kong Financial Reporting Standards (“HKFRS”) and Interpretations which are effective for accounting periods beginning on or after 1 January 2008 as set out below:

HK(IFRIC) 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) 12	Service Concession Arrangements

The adoption of the above new accounting standards, amendments and interpretations does not have any significant effect on the accounting policies or interim results and financial position of the Group.

The Group has not early adopted the following new or amended HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 8	Operating Segments
HK(IFRIC) 13	Customer Loyalty Programmes

Mining rights

Mining rights are stated at cost less accumulated amortisation and any identified impairment and are amortised using units-of-production method over the proven reserves of the coal mine.

Convertible notes

– *Compound instrument*

Convertible notes which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

– *Combined instrument*

Convertible notes which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components on initial recognition.

Certain comparative figures in the condensed consolidated income statement and condensed consolidated summary statement of changes in equity for the six months ended 30 June 2007 have been restated in order to conform with the accounting treatments in relation to the exploration and evaluation assets of the Guerbanhada Coal Mine adopted by the Group in the audited financial statements for the year ended 31 December 2007.

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 25 September 2008.

2. SEGMENT INFORMATION

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and return that are different from those of the other business segments.

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segments format: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Summary details of business segments are as follows:

- (i) the toys and decorative gifts items segment manufactures and trades traditional toys, fashionable toys such as cartoon character products, electronic stuffed toys, educational toys and model kits; water globes, snow domes, figurines and functional household and garden products such as stocking hangers, pins, magnets, pencil toppers, pencil sharpeners and photo frames; and decorative flags and garden products.
- (ii) the exploration and mining operation segment included exploration and mining of natural resources.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

There were no intersegment sales and transfers between segments.

(a) **Business segments**

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

	Exploration and mining		Toys and decorative gift items		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007	2008	2007
	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	-	-	63,006	41,769	63,006	41,769
Other revenue	-	-	44	327	44	327
Total segment revenue	<u>-</u>	<u>-</u>	<u>63,050</u>	<u>42,096</u>	<u>63,050</u>	<u>42,096</u>
Segment results	<u>(2,232)</u>	<u>(76)</u>	<u>5,498</u>	<u>(2,182)</u>	<u>3,266</u>	<u>(2,258)</u>
Interest, rental income and unallocated other income					5,460	1,686
Unallocated expenses					<u>(3,326)</u>	<u>(4,348)</u>
Operating profit/(loss)					5,400	(4,920)
Finance costs					<u>(7,354)</u>	<u>(1,405)</u>
Share of profit of a jointly controlled entity					<u>233</u>	<u>116</u>
Loss before income tax					<u>(1,721)</u>	<u>(6,209)</u>
Income tax expense					<u>(1,288)</u>	<u>(108)</u>
Loss for the period					<u><u>(3,009)</u></u>	<u><u>(6,317)</u></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		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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
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	4,667	2,768	53,671	30,552	2,495	6,713	2,173	1,736	63,006	41,769
Other revenue	44	327	-	-	-	-	-	-	44	327
Total segment revenue	<u>4,711</u>	<u>3,095</u>	<u>53,671</u>	<u>30,552</u>	<u>2,495</u>	<u>6,713</u>	<u>2,173</u>	<u>1,736</u>	<u>63,050</u>	<u>42,096</u>
Segment results	<u>(1,825)</u>	<u>(220)</u>	<u>4,683</u>	<u>(1,596)</u>	<u>218</u>	<u>(351)</u>	<u>190</u>	<u>(91)</u>	<u>3,266</u>	<u>(2,258)</u>

3. OTHER INCOME

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	306	422
Rental income, net	82	11
Fair value gain on derivative financial instruments (note 16)	4,905	-
Exchange gains, net	-	443
Sale of moulds	44	327
Others	167	810
	<u>5,504</u>	<u>2,013</u>

4. OPERATING PROFIT/(LOSS)

The Group's operating profit/(loss) is arrived at after charging:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	3,633	3,528
Amortisation of prepaid land lease payments	82	76
Amortisation of license rights	310	381
Employee benefit expense:		
Wages and salaries (including directors emoluments)	11,907	8,198
Pension and MPF costs	336	307
Share options granted to employees (<i>note 17</i>)	725	2,200
	12,968	10,705

5. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and trust receipt loans wholly repayable within five years	862	1,196
Interest on other loans	1,342	203
Interest on convertible notes (<i>note 15</i>)	5,150	–
Interest on finance leases	–	6
	7,354	1,405

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Income tax provision for the period:		
Hong Kong	1,288	108
Elsewhere	—	—
	<u>1,288</u>	<u>108</u>
Deferred tax	—	—
	<u>—</u>	<u>—</u>
Total income tax expense	<u><u>1,288</u></u>	<u><u>108</u></u>

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 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 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2007: Nil).

8. 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 HK\$3,536,000 (2007: HK\$6,394,000) and the weighted average of 3,719,465,769 (2007: 3,039,395,352) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 June 2007 and 2008 have not been presented as the impacts of the exercise of share options and convertible notes were anti-dilutive.

9. GOODWILL

	HK\$'000
Carrying value at 1 January 2008 (<i>note (i)</i>)	303,590
Acquisition of subsidiaries (<i>note (ii)</i>)	467,003
Amortisation charge	—
	<u>—</u>
Carrying value at 30 June 2008	<u><u>770,593</u></u>

Notes:

- (i) Balance represents goodwill arose from the acquisition of Inner Mongolia Mingrunfeng Energy Co., Ltd. (formerly known as Beijing Mingrunfeng Trading Co., Ltd., “Mingrunfeng”) and 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 in Xilinguolemeng of the Inner Mongolia Autonomous Region of 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 SRK Consulting, an independent mining and geological consultant, on 30 March 2007, the Guerbanhada Coal Mine was estimated to have a coal resource of 106 million tons at the general stage of exploration. According to a coal resource assessment report approved by the Department of Land and Resources of Inner Mongolia on 1 June 2007, the estimated coal resource of the Guerbanhada Coal Mine has increased to 128.86 million tons upon completion of the detailed stage of exploration.

- (ii) Balance represents goodwill arising from the acquisition of Tongliao City Heng Yuan Mining Co., Ltd. (“Heng Yuan”) and is mainly attributable to the values of the existing and potential mining rights and the related technical knowledge and expertise acquired for the coal mining business.

Heng Yuan holds a mining license in Huanghuashan Coal Mine in Tongliao City of the Inner Mongolia Autonomous Region of the PRC, which runs from November 2007 to November 2010. According to a technical report issued by SRK Consulting, an independent mining and geological consultant, on 31 January 2008, the Huanghuashan Coal Mine was estimated to have semi-anthracite coal resource of 7.85 million tons.

In addition, Heng Yuan also holds an exploration licence in Bayanhushuo Coalfield in Xilinguolemeng of the Inner Mongolia Autonomous Region of the PRC, which runs from 5 July 2008 to 4 July 2010. On or before the expiry of the exploration licence, Heng Yuan is entitled to apply for a mining rights certificate provided that certain conditions required by national and provincial laws and regulations are satisfied. According to a technical report issued by SRK Consulting on 31 January 2008, the Coal Mine was estimated to have thermal coal resource of 434.8 million tons.

10. EXPLORATION AND EVALUATION ASSETS

	<i>HK\$'000</i>
Carrying value at 1 January 2008 (<i>note (i)</i>)	38,346
Acquisition of subsidiaries (<i>note (ii)</i>)	12,524
Exchange difference	<u>2,614</u>
Carrying value at 30 June 2008	<u><u>53,484</u></u>

- (i) The exploration and evaluation assets related to the Guerbanhada Coal Mine was not yet operative as at 30 June 2008. 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.
- (ii) The exploration and evaluation assets related to the Bayanhushao Coalfield was not yet operative as at 30 June 2008. 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.

11. MINING RIGHTS

	<i>HK\$'000</i>
Carrying value at 1 January 2008	–
Acquisition of subsidiaries	<u>54,307</u>
Carrying value at 30 June 2008	<u><u>54,307</u></u>

The mining rights related to the Huanghuashan Coal Mine was not yet operative as at 30 June 2008. 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 RECEIVABLES

The Group's trading terms with its customers of the gifts and toys segment 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, based on the invoice dates, net of provision, was as follows:

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
0-30 days	10,053	6,408
31-90 days	7,257	2,254
91-180 days	795	309
181-360 days	624	137
	<u><u>18,729</u></u>	<u><u>9,108</u></u>

13. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables based on the invoice dates was as follows:

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
0-30 days	5,336	3,582
31-90 days	9,169	3,878
91-180 days	320	1,315
181-360 days	122	281
Over 360 days	266	200
	<u>15,213</u>	<u>9,256</u>

14. PROMISSORY NOTES PAYABLE

The amount represents promissory notes issued to Gold Dynasty Investments Limited (“Gold Dynasty”) in relation to the Group’s acquisition of Lucky Dragon Resources Limited (“Lucky Dragon”) on 28 March 2008. The promissory notes are unsecured, interest-free and repayable on or before 28 September 2009 subject to the condition that the Company shall repay the promissory notes to Gold Dynasty once the Company has sufficient funds for repayment.

15. CONVERTIBLE NOTES

The convertible notes (“CN”) are issued by the Company on 28 March 2008 in relation to the Group’s acquisition of the entire equity interest of Lucky Dragon. Pursuant to the terms of the CN, the CN are non-interest bearing and the holders are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK\$0.70 each, subject to adjustments, at any time between the date of issue of the CN and 28 March 2010. Any CN not converted before 28 March 2010 will be redeemed at 100 per cent of its principal amount on 28 March 2010.

The nominal value of the CN has been split between the liability component and derivative component as follows:

	HK\$'000
Nominal values of convertible notes issued	254,065
Derivative component (<i>note 16</i>)	<u>(41,201)</u>
Liability component at date of issue	<u>212,864</u>
Liability component 1 January 2008	–
Liability component at date of issue	212,864
Interest charged (<i>note 5</i>)	<u>5,150</u>
Liability component at 30 June 2008	<u>218,014</u>

16. DERIVATIVE FINANCIAL INSTRUMENTS

	<i>HK\$'000</i>
At date of issue (<i>note 15</i>)	41,201
Fair value gain (<i>note 3</i>)	<u>(4,905)</u>
At 30 June 2008	<u><u>36,296</u></u>

The balance represents the derivative components of the convertible notes issued by the Company on 28 March 2008. Details of the convertible notes are set out in note 15 of this report.

17. SHARE CAPITAL

	Number of ordinary shares of HK\$0.02 each	Par value HK\$'000
<i>Authorised:</i>		
At 1 January 2008	5,000,000,000	100,000
Increase in authorised share capital during the period	<u>5,000,000,000</u>	<u>100,000</u>
At 30 June 2008	<u><u>10,000,000,000</u></u>	<u><u>200,000</u></u>
<i>Issued and fully paid:</i>		
At 1 January 2008	3,406,590,600	68,132
Consideration shares issued for acquisitions of subsidiaries	600,000,000	12,000
New shares issued on exercise of share options	<u>2,059,200</u>	<u>41</u>
At 30 June 2008	<u><u>4,008,649,800</u></u>	<u><u>80,173</u></u>

During the period, the Group has completed the acquisitions of the entire issued share capital of Lucky Dragon by the issue of 600,000,000 consideration shares. Lucky Dragon holds the entire equity interest in Heng Yuan. Heng Yuan is the holder of the mining rights of the Huanghuashan Coal Mine and the exploration rights of the Bayanhushuo Coalfield. Further details of the acquisition were set out in the Company's circular dated 31 January 2008.

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 2007 annual report.

During the period ended 30 June 2008, options were exercised to subscribe for 2,059,200 shares in the Company at an exercise price of HK\$0.1016 per share. As at 30 June 2008, the Company had 107,708,000 outstanding share options with exercise price of HK\$0.1016 per share and 3,300,000 share options with exercise price of HK\$0.74 per share.

During the period ended 30 June 2008, HK\$725,000 (2007: HK\$2,200,000) of the share-based payment has been charged to the condensed consolidated income statement (note 4) and the corresponding amount has been credited to the equity compensation reserve.

18. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following significant transactions with connected and related parties:

(i) Sales of goods

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Sales of goods to Marketing Resource Group, Inc., a jointly controlled entity	<u>3,316</u>	<u>3,146</u>

Sales to Marketing Resource Group, Inc. were conducted in the normal course of business at prices and terms no less favourable than those charged to and contracted with other third party customers of the Group.

(ii) Purchase of services

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Product development, sales and marketing services provided by Miracles For Fun (USA), Inc.	<u>739</u>	<u>739</u>

Mr. Sanders is a director and a beneficial owner of 32% of the total issued share capital of Better Sourcing Worldwide Limited, a non-wholly owned subsidiary of the Group. Mr. Sanders is also the sole owner of Miracles For Fun (USA), Inc.

19. OPERATING LEASE ARRANGEMENT

(i) As lessor

At 30 June 2008, the Group had total future minimum lease receivables under non-cancellable operating lease with its tenant falling due as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within one year	<u>12</u>	<u>11</u>

(ii) As lessee

At 30 June 2008, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within one year	252	117
In the second to fifth years	147	–
	<u>399</u>	<u>117</u>

20. CAPITAL COMMITMENTS

The Group did not have any significant capital commitment at the balance sheet date.

21. POST BALANCE SHEET EVENTS

Save as disclosed elsewhere in the financial statements, the Group had the following post balance sheet events:

Disposal of subsidiaries

On 25 September 2008, the Group entered into a sales and purchase agreement with an independent third party for the disposal of the entire issued share capital of Kiu Hung International Enterprises Limited (“KH Enterprises”) at a cash consideration of HK\$2 million. KH Enterprises owns the entire equity interest in Kiu Hung Light Industrial Co., Ltd. Putian City, Fujian (“KH Industrial”). As at the date of disposal, save for its investment in KH Industrial, KH Enterprises did not have any material asset or liability. The principal assets of KH Industrial as at the date of disposal include prepaid land lease payments and buildings located in the PRC with carry values of approximately HK\$1.9 million and HK\$11.0 million, respectively. The principal liabilities of KH Industrial include bank borrowings of approximately HK\$13.6 million as at the date of disposal.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2008, the Group recorded turnover of approximately HK\$63.0 million (2007: HK\$41.8 million), representing an increase of approximately 51% as compared with the first half of 2007. Loss attributable to equity holders of the Company for the period was approximately HK\$3.5 million (2007: HK\$6.4 million (restated)). Basic loss per share for the period was HK0.10 cent (2007: HK0.21 cent (restated)). The Board has resolved not to pay any interim dividend for the period (2007: Nil).

For the first half of 2008, the Group engaged in (i) the mining and exploration of coal through Inner Mongolia Mingrunfeng Energy Co., Ltd. (“Mingrunfeng”) and Tongliao City Heng Yuan Mining Co., Ltd. (“Heng Yuan”) and (ii) the design, manufacture and sales of toys and gifts products.

Toys and Gifts Business

During the period, the Group's toys and gifts segment 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 and the increased marketing effort of the Group. In addition, the distribution of decorative flags and garden products through the "Toland" brand name also contributed to the increase in revenue for the period.

During the period, gross profit margin improved from approximately 27.9% for the first half of 2007 to approximately 37.0% for the first half of 2008 as a result of the improvement of product mix and the stabilization of raw materials costs. On the other hand, distribution costs increased by approximately HK\$2.9 million from approximately HK\$4.5 million in the first half of 2007 to approximately HK\$7.4 million in the first half of 2008 while administrative expenses increased by approximately HK\$1.6 million from approximately HK\$13.5 million in the first half of 2007 to approximately HK\$15.0 million in the first half of 2008. The increases in distribution costs and administrative expenses were a combined results of the effects of inflation and the expansion of the Group's business operations.

Coal Business

The Group operates 3 coal mines in the Inner Mongolia Autonomous Region ("Inner Mongolia") of the PRC, which are the Guerbanhada Coal Mine, the Huanghuashan Coal Mine and the Bayanhushuo Coalfield. The 3 coal mines have aggregate coal resources of over 570 million tons.

During the period, the Group has completed the acquisition of the entire issued share capital of Heng Yuan, which is the legal owner of the mining rights of the Huanghuashan Coal Mine and the exploration rights of the Bayanhushuo Coalfield. 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 and is located 1.5 km away from the railway. Pursuant to an independent technical assessment report issued by SRK Consulting 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. It is expected that the Huanghuashan Coal Mine will commence production by the end of 2008.

Bayanhushuo Coalfield is located in Xilinguolemeng of Inner Mongolia in the PRC and is located 15 km away from a railway to be opened in 2010. Pursuant to an independent technical assessment report issued by SRK Consulting 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 RMB230 per ton.

The Guerbanhada Coal Mine is located in Xilinguolemeng of Inner Mongolia in the PRC and is located 10 km away from the highway and 25km away from the railway. According to an independent technical assessment report issued by SRK Consulting on 30 March 2007, the Guerbanhada Coal Mine has estimated coal resource of 106 million tones of 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 resource assessment report approved by the Department of Land and Resources of Inner Mongolia on 1 June 2007, the estimated coal resource of the Guerbanhada Coal Mine has increased to 128.86 million tons as a result of the completion of the final stage of exploration. The current at-pit market price of the coal expected to be extracted from the Guerbanhada Coal Mine is approximately RMB200 per ton.

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\$79.2 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, approximately 82% of such borrowings bore interest at fixed lending rate. At 30 June 2008, the Group's bank and other borrowings amounted to approximately HK\$47.1 million, out of which approximately 98% was repayable within one year. In addition, the Group has outstanding promissory notes payable of approximately HK\$95.4 million and convertible notes of approximately HK\$218.0 million as at the balance sheet date. These promissory notes and convertible notes were issued in relation to the Group's acquisition of Lucky Dragon Resources Limited during the period. The debt/equity ratio of the Group calculated as a ratio of total borrowings to total equity was approximately 62% as at 30 June 2008. Net current liabilities and net assets at 30 June 2008 was approximately HK\$30.2 million and approximately HK\$581.3 million, respectively. The Group had not used any financial instruments for hedging during the period.

At 30 June 2008, certain of the Group's land use rights, buildings and leasehold land and buildings with carrying values of approximately HK\$1.9 million, HK\$5.9 million and HK\$10.1 million, respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2008, the Group did not have any contingent liabilities (2007: Nil).

Employment, Training and Development

At 30 June 2008, the Group had a total of 960 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.

Business Projects

Subsequent to the balance sheet date, the Company has completed the change of its name from Kiu Hung International Holdings Limited to Kiu Hung Energy Holdings Limited on 27 August 2008. The change of name of the Company is to reflect the changes in the principal activities of the Group after the acquisition of the entire equity interest in Heng Yuan during the period. The new name will reflect the current principal activities of the Group more accurately following the change in the Group's principal business from the manufacture and trading of toys and decorative gift products to coal mining and exploration.

For the next few years, the Group will focus in the operation and development of its coal business. We expect that the Huanghuashan Coal Mine, the Guerbanhada Coal Mine and the Bayanhushuo Coalfield will commence operation by the end of 2008, the second half of 2009 and second half of 2011, respectively.

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 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. 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 staff and management, we are confident and optimistic on the prospects of the Group.

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 substantially 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Companies Information” and on the website of the Company at www.kiuhung.com under the “Investor Relations” section. The 2008 interim report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

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

Hong Kong, 25 September 2008

As at the date of this announcement, the board of directors of the Company 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.